

1893.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT ON THE PROPOSALS OF THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED),
TOGETHER WITH MINUTES OF PROCEEDINGS, AND EVIDENCE, AND APPENDIX).

LIST

OF

FORMER PAPERS RELATING TO THE MIDLAND RAILWAY,

PRINTED IN THE APPENDICES TO THE JOURNALS OF THE HOUSE OF
REPRESENTATIVES.

MIDLAND RAILWAY,—

Correspondence, E.-4A, 1875 ; D.-2, D.-2A., and D.-2B, 1886 ; D.-2 and D.-2A, Sess. II., 1887
Surveys, E.-4, 1875 ; pp. 35 and 41, E.-1, 1876 ; E.-8 and E.-8A, 1878 ; D.-2B, 1883
Petition from Amuri District relative to the route for the J.-1, Sess. II., 1879.
Petition from Inhabitants of Buller, Inangahua, and Grey Counties in favour of the, J.-5, Sess. II., 1879
Report of Commission on, D.-2A, 1883
Reports by Assistant Engineer-in-Chief, D.-5, Sess. II., 1884 ; D.-1A, 1886
Meiggs and Co, Telegrams relative to proposed Agreement with, D.-4A, 1885
Contract for Construction, D.-4, 1885 ; D.-2 and I.-6, Sess. II., 1887 ; D.-6, D.-6A, and D.-6B, 1888 ; D.-2 and
D.-2A, 1889 ; D.-4, 1892
Statements by Minister for Public Works relative to, p. 6, D.-1, 1886 ; p. 6, D.-1, 1890 ; p. 13, D.-1, Sess. II.,
1891 ; p. 11, D.-1, 1892
Runs within the Limits of Land-selection, C.-9, C.-9A, and C.-9B, Sess. II., 1887
Agreement with, for Interchange of Traffic, D.-2B, 1889
Agent-General, Appointment accepted by, in connection with, D.-2C, 1889
Greymouth, Hokitika, and Brunner Railways, Use of, by the Company, D.-8C, 1890 ; D.-4A, 1892
Brunner Lake Deviation : Reports, &c., D.-8, D.-8A, and D.-8B, 1890
Timber-cutting and -removal by the Company, D.-8B, 1890
Proposals of Company relative to Amendment of Contract, D.-4, 1892
Report on Petition of Company, I.-7A, 1892
Proposals of Company for New Contract, D.-6, 1893

1893.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT ON THE PROPOSALS OF THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED),
TOGETHER WITH MINUTES OF PROCEEDINGS, AND EVIDENCE, AND APPENDIX).

Report brought up 19th September, 1893, and ordered to be printed.

ORDERS OF REFERENCE.

Extract from the Journals of the House of Representatives.

WEDNESDAY, THE 28TH DAY OF JUNE, 1893.

Ordered, "That a Committee be appointed to examine into and report upon such questions relating to the public accounts as they may think desirable, or that may be referred to them by the House or by the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; five to be a quorum. The Committee to consist of Mr. Guinness, Hon. Sir John Hall, Mr. G. Hutchison, Mr. J. Mills, Dr. Newman, Mr. Saunders, Hon. Mr. Seddon, Mr. Shera, Mr. Tanner, and the mover."—Hon. Mr. WARD.)

WEDNESDAY, THE 5TH DAY OF JULY, 1893.

Ordered, "That the names of Hon. Sir R. Stout and Mr. Wright may be added to the Public Accounts Committee."—(Hon. Mr. WARD.)

THURSDAY, THE 10TH DAY OF AUGUST, 1893.

Ordered, "That the Public Accounts Committee have power to call for persons, papers, and records in relation to all matters referred to them."—(Hon. Mr. SEDDON.)

TUESDAY, THE 15TH DAY OF AUGUST, 1893.

Ordered, "That Paper No. 180d. (proposals for a new contract made by the New Zealand Midland Railway Company, and correspondence relative thereto), be referred to the Public Accounts Committee for their report thereon."—(Hon. Mr. SEDDON.)

WEDNESDAY, THE 23RD DAY OF AUGUST, 1893.]

Ordered, "That Paper No. 201 (copy of a letter from the President of the Nelson Railway League, with copies of resolutions), be referred to the Public Accounts Committee."—(Hon. Mr. SEDDON.)

REPORT.

THE Public Accounts Committee have carefully considered the proposals made by the New Zealand Midland Railway Company for a modification of their contract which are contained in the correspondence laid upon the table of the House of Representatives; they have also taken evidence on the subject; and have agreed to the following report:—

1. The Committee cannot recommend the acceptance of the proposals of the company, as embodied in the draft contract submitted by them.

2. The Committee recommend that the contract be amended so as to provide that, in lieu of land-grants being made to the company on account of work hereafter to be executed by them, debentures of corresponding value plus 15 per cent. of the B1 value of the land, be issued to the company, bearing interest at the rate of $3\frac{1}{2}$ per cent. per annum. Such issue of debentures in lieu of land-grants to be conditional on the company surrendering its right to select land within the reserved area of about 5,600,000 acres, after deducting the quantity to which they are entitled and to which they may be entitled for works in progress.

3. That an extension of time for completion of the work be granted to the company; such extension not exceeding five years from the date of signing the new contract.

4. That, if desired by the company, the debentures to which they may become entitled be deposited with the Public Trustee, to be issued to the company in as near as may be twenty equal half-yearly instalments; the interest of each debenture while in the hands of the Public Trustee to be applied as the company may direct. That this provision shall not be considered a variation of other terms of the contract.

19th September, 1893.

J. M. SHERA,
Chairman, Public Accounts Committee.

MINUTES OF PROCEEDINGS.

FRIDAY, 18TH AUGUST, 1893.

[Other business than that relating to the proposals of the company are omitted, and where any occurs it is shown by a line of asterisks.]

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Dr. Newman, Hon. the Premier, Sir R. Stout, Mr. Tanner, Hon. Mr. Ward, and Mr. Wright.

Minutes of the previous meeting read and confirmed.

* * * * *

Resolved, on the motion of Mr. Guinness, That the further proposals of the Midland Railway Company be printed.

FRIDAY, 25TH AUGUST, 1893.

Present: Mr. Shera (Chairman), Hon. Sir J. Hall, Mr. G. Hutchison, Dr. Newman, Hon. the Premier, Sir R. Stout, Mr. Tanner, and Mr. Wright.

Minutes of the previous meeting read and confirmed.

Order of reference of 23rd August, 1893, read by the Clerk.

* * * * *

The Committee took into consideration the further proposals of the company, and the printed correspondence relating thereto.

Resolved, on the motion of Mr. Wright, That for the purposes of comparison with the proposals submitted by the Midland Railway, the Secretary to the Treasury be instructed to furnish the Committee with a statement of the total loss sustained by the colony upon the several sections of railway open for traffic as indicated by the difference between the net receipts over and above the working-expenses, and the annual charge for interest upon this cost.

This return to cover a period of ten years ending the 31st March last.

Mr. Robert Wilson, Manager, New Zealand Midland Railway, and Mr. Dalston, Accountant of the company, then attended the meeting.

Mr. Wilson made a statement, which was taken down by the reporter.

Mr. Wilson handed in a statement of tables showing the position the company would have held at the end of ten years by the payment into the sinking fund of the proceeds from the sales of lands to be earned by the construction of the Springfield-Jackson's Section; also, a statement showing the total area and contract value comprised in the B1 map attached to the contract, and the area and contract value of the lands which the company has selected to date. (24th August, 1893.)

Resolved, on the motion of the Hon. Sir J. Hall, That the last-mentioned statement be printed.

Resolved, on the motion of Mr. Wright, That Mr. Morris Fox, Actuary, Government Insurance Office, be summoned to attend the Committee for Tuesday next.

The Committee then adjourned until Tuesday next, at 11 o'clock.

TUESDAY, 29TH AUGUST, 1893.

Present: Mr. Shera (Chairman), Hon. Sir J. Hall, Mr. G. Hutchison, Mr. J. Mills, Dr. Newman, Hon. the Premier, Mr. Tanner, Mr. Wright.

Minutes of the previous meeting read and confirmed.

* * * * *

Mr. Morris Fox, Actuary, Government Insurance Office, attended and made a statement, which was taken down by the reporter.

Mr. Fox handed in letter, together with table of calculations dealing with the tables previously handed in by Mr. R. Wilson.

Resolved, on the motion of Hon. Sir J. Hall, That the letter and enclosures be printed.

Mr. R. Wilson made a further statement, which was taken down by the reporter.

Mr. Wilson handed in an epitome of the company's proposals contained in the proposed new contract.

Resolved, on the motion of Hon. Sir J. Hall, That the same be printed.

Resolved, on the motion of Mr. Wright, That the Secretary to the Treasury be asked to say what will be the annual cash charge upon the colony to meet the interest upon the debentures for £850,000, payable in twenty half-yearly instalments, which the Midland Railway Company propose to accept in exchange for their land grants.

The Committee then adjourned until to-morrow, at 11 o'clock.

WEDNESDAY, 30TH AUGUST, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. J. Mills, Mr. Saunders, Hon. the Premier, Mr. Tanner, Mr. Wright.
Minutes of the previous meeting read and confirmed.

* * * * *
Mr. R. Wilson attended and made a further statement, which was taken down by the reporter.
The Committee then adjourned until Friday next, at 11 o'clock, to further consider the proposals of the New Zealand Midland Railway Company.

FRIDAY, 1ST SEPTEMBER, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. J. Mills, Dr. Newman, Mr. Saunders, Hon. Sir R. Stout, Mr. Tanner, Hon. Mr. Ward, Mr. Wright.
* * * * *

Resolved, on the motion of Mr. Guinness, That the Committee adjourn until Tuesday next, at 11 o'clock, for the further consideration of the proposals of the New Zealand Midland Railway Company.

TUESDAY, 5TH SEPTEMBER, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Dr. Newman, Mr. Saunders, Mr. Tanner, Hon. Mr. Ward, Mr. Wright.

Minutes of the previous meeting read and confirmed.

The Clerk produced letters of 29th August, 1893, and 31st August, 1893, enclosing return of the cost of construction, net revenue, &c., for the ten years ending 31st March, 1893, forwarded by the Secretary, New Zealand Railway Department. Also, letter from the Secretary to the Treasury, dated the 4th September, 1893, enclosing the annual cash charge upon the colony to meet the interest upon the debentures for £850,000, payable in twenty half-yearly instalments, which the company propose to accept in exchange for their land-grants.

Resolved, on the motion of Mr. Wright, That the said returns be printed.
* * * * *

The Committee then adjourned until Thursday next, at 11 o'clock, to consider the proposals of the New Zealand Midland Railway Company.

THURSDAY, 7TH SEPTEMBER, 1893.

Present: Mr. Guinness (Chairman), Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Dr. Newman, Hon. Mr. Seddon, Mr. Saunders, Sir R. Stout, Mr. Tanner, Hon. Mr. Ward, and Mr. Wright.

Mr. Shera being absent, Mr. Guinness, on the motion of Mr. Wright, was voted to the chair.

Minutes of the previous meeting read and confirmed.

A letter from Mr. Harkness, M.H.R., asking that Messrs. T. H. Bannehr and John Graham, two delegates from the Nelson Railway League, might be allowed to attend the Committee and give evidence, was read by the clerk.

Resolved, on the motion of Hon. Mr. Seddon, That the gentlemen named by Mr. Harkness be allowed to attend the Committee.

Messrs. Robert Wilson and N. Dalston attended the Committee; Mr. Harkness, M.H.R., attended the Committee; Messrs. Bannehr and Graham then attended and gave evidence, which was taken down by the reporter.

After the witnesses had given evidence they withdrew.

Mr. Wilson stated he did not propose to call further evidence.

The Hon. Mr. Seddon stated he did not propose to call evidence.

Resolved, on the motion of the Hon. Sir Robert Stout, That the inquiry be deemed closed, so far as the taking of evidence is concerned.

The Hon. Sir R. Stout gave notice to move, (1) That, in the opinion of this Committee, no variation should be made in the existing contract between the Government and the Midland Railway Company; (2) that there is no necessity, therefore, of continuing further negotiations with the company at present.

The Committee then adjourned until Monday next at 11.30 o'clock.

MONDAY, 11TH SEPTEMBER, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Dr. Newman, Hon. Mr. Seddon, Mr. Saunders, Hon. Sir R. Stout, Mr. Tanner, Mr. Wright.

The minutes of the previous meeting read and confirmed.

The Hon. Sir Robert Stout moved the following resolutions: (1.) That in the opinion of this Committee no variation should be made in the existing contract between the Government and the

Midland Railway Company; (2) That there is no necessity, therefore, for continuing further negotiations with the company at present.

Upon the Question being put, a division was called for, and the names were taken down as follow :—

Ayes, 2 : Dr. Newman, Hon. Sir R. Stout.

Noes, 8 : Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Hon. Mr. Seddon, Mr. Saunders, Mr. Tanner, Mr. Wright.

Motion lost. So it passed in the negative.

Mr. Wright moved, That, in the opinion of this Committee, the Government should redeem from the company all its right of selection over the reserved area of about five millions and a half acres for the sum of £700,000, to be paid by debentures bearing $3\frac{1}{2}$ per cent. interest, in twenty half-yearly instalments; and on completion of the work the unpaid balance of the instalments to bear interest at $3\frac{1}{2}$ per cent. to the date of the issue of the debentures. No debentures to be issued in excess of half the value of the work executed prior to the completion of the whole work.

After discussion, Mr. Wright asked leave to withdraw the motion.

Motion withdrawn.

The Hon. Mr. Seddon moved, This Committee (1) cannot see its way to recommend the acceptance of the present proposals of the company; (2) that the Committee recommend the present contract be varied, so far as to enable debentures bearing interest at $3\frac{1}{2}$ per cent. per annum being given in lieu of land-grants, conditionally on the company surrendering its right of selecting land within the reserved area; (3) that if the contract be varied, as recommended, the necessary extension of time be granted.

Clause 1.—Upon clause 1 being put, it was resolved in the affirmative.

Clause 2.—Upon clause 2 being put, a division was called for, and the names were taken down as follows :—

Ayes, 7 : Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Hon. Mr. Seddon, Mr. Saunders, Mr. Tanner, Mr. Wright.

Noes, 3 : Mr. Guinness, Dr. Newman, Hon. Sir R. Stout.

So it passed in the affirmative.

Clause agreed to.

Mr. Mills moved to insert, as an additional clause, "That if desired by the company, but so as not to be considered as any variation of the contract, the amount of debentures so issued may be funded by the Government in such a way as to spread payments over ten years in equal half-yearly instalments."

Upon the Question being put, a division was called for, and the names were taken down as follow :—

Ayes, 5 : Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Mr. Wright.

Noes, 5 : Dr. Newman, Hon. Mr. Seddon, Mr. Saunders, Hon. Sir R. Stout, Mr. Tanner.

The votes being equal, the Chairman declared in favour of the *Ayes*.

So it passed in the affirmative.

Clause agreed to.

The Hon. Mr. Seddon moved clause 3.

Upon the Question being put, a division was called for, and the names were taken down as follow :—

Ayes, 7 : Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Mr. Saunders, Hon. the Premier, Mr. Wright.

Noes, 3 : Dr. Newman, Hon. Sir R. Stout, Mr. Tanner.

So it passed in the affirmative.

Clause agreed to.

The Hon. Mr. Seddon moved, as clause 5, "That such extension of five years be from the date of the signing of the new contract."

Upon the question being put, a division was called for, and the names were taken down as follow :—

Ayes, 6 : Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Hon. Mr. Seddon, Mr. Wright.

Noes, 3 : Dr. Newman, Hon. Sir R. Stout, Mr. Tanner.

So it passed in the affirmative.

Motion agreed to.

The Hon. Sir R. Stout moved, That the motion as agreed to be referred to the House.

Mr. Mills moved, by way of amendment, "That a Sub-committee, consisting of the Chairman, Hon. Sir J. Hall, Mr. G. Hutchison, and Mr. Wright, be appointed to draft a report based upon these resolutions, and that the resolutions as passed to day be printed."

Upon the amendment being put, a division was called for, and the names were taken down as follow :—

Ayes, 5 : Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Mr. Wright.

Noes, 4 : Dr. Newman, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner.

Amendment agreed to. So it passed in the affirmative.

Resolved, on the motion of Mr. Wright, That the Committee adjourn until Wednesday next, at 11 o'clock.

WEDNESDAY, 13TH SEPTEMBER, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Dr. Newman, Mr. Saunders, Mr. Tanner, Hon. Mr. Ward, and Mr. Wright.

Minutes of the previous meeting read and confirmed.

Resolved, on the motion of Mr. Tanner, That the printed report, as drawn up by the Subcommittee, be considered clause by clause. The report was as follows:—

"The Public Accounts Committee have carefully considered the proposals for a modification of the contract with the New Zealand Midland Railway Company which are contained in the correspondence laid upon the table of the House of Representatives; they have also taken evidence on the subject; and have agreed to the following report:—

"1. The Committee cannot recommend the acceptance of the proposals of the company, as embodied in the draft contract submitted by them.

"2. The Committee recommend that the contract be amended so as to provide that, in lieu of land-grants being made to the company on account of work executed by them, debentures of corresponding value be issued to the company, bearing interest at the rate of $3\frac{1}{2}$ per cent. per annum. Such issue of debentures in lieu of land-grants to be conditional on the company surrendering its right to select land within the reserved area of 5,600,000 acres.

"3. That, if the contract be varied as recommended, the necessary extension of time for completion of the work be granted to the company; such extension not to exceed five years from the date of signing the new contract.

"4. That, if desired by the company, the debentures to which they may become entitled be deposited with the Public Trustee, to be issued to the company in twenty equal half-yearly instalments; the interest of each debenture while in the hands of the Public Trustee to be applied as the company may direct. That this provision shall not be considered a variation of other terms of the contract."

Preamble postponed.

Clause 1 agreed to.

Clause 2.—Mr. Saunders moved to insert after the first word "That," in line 1, the words "if so desired by the company."

Upon the question being put, it passed in the negative.

Resolved, on the motion of Mr. Tanner, To insert the words "hereafter to be," after the word "work," in line 2.

Resolved, on the motion of Mr. Mills, To insert the word "about," after the word "of," in line 5.

Clause as amended agreed to.

Clause 3.—*Resolved*, on the motion of Mr. Hutchison, To strike out the words "the necessary" in line 1, and insert the word "an" in lieu thereof; and to strike out the words "such extension," and the words "to exceed," in line 2, and to insert the word "exceeding" in lieu of the last words struck out.

Clause as amended agreed to.

Clause 4.—*Resolved*, on the motion of the Hon. Sir J. Hall, To insert the words "as near as may be," after the word "in," in line 2.

Mr. Tanner moved, To strike out the words from "the," down to "direct," in lines 3 and 4, both inclusive.

Upon the question being put, it passed in the negative.

Preamble.—*Resolved*, on the motion of Mr. Tanner, To insert after the word "proposals" the words "made by the New Zealand Midland Railway Company," and to insert the word "their" in place of the word "the" at the end of the line, and to strike out the words "with the New Zealand Midland Railway Company," in line 2.

Resolved, on the motion of Mr. Mills, That the preamble as amended be agreed to.

Mr. Guinness moved, That the report be recommitted to-morrow for reconsideration of new clauses.

Upon the Question being put, a division was called for, and the names were taken down as follow:—

Ayes, 6: Mr. Guinness, Hon. Sir John Hall, Mr. G. Hutchison, Mr. Tanner, Hon. Mr. Ward, Mr. Wright.

Noes, 2: Mr. Mills, Dr. Newman.

So it passed in the affirmative.

Motion agreed to.

Resolved, on the motion of Mr. Wright, That the Committee adjourn until to-morrow at 11 o'clock.

FRIDAY, 15TH SEPTEMBER, 1893.

Present: Mr. Shera (Chairman), Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Dr. Newman, Mr. Saunders, Mr. Tanner, Hon. Mr. Ward, Mr. Wright.

Minutes of the previous meeting read and confirmed.

Clause 2.—Mr. Guinness moved, That in clause 2 of the Report of the Committee, after the words "corresponding value," to add the words "plus 15 per cent. of the B 1 value of the land."

Upon the question being put, That the words proposed to be added be so added, a division was called for, and the names were taken down as follow:—

Ayes, 5: Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Tanner, Mr. Wright.

Noes, 4: Mr. Mills, Dr. Newman, Mr. Saunders, Hon. Mr. Ward.

Motion agreed to. Words inserted.

Resolved, on the motion of Mr. Guinness, To add to the end of the clause the following words: "after deducting the quantity to which they are entitled, and to which they may be entitled for works in progress."

Clause as amended agreed to.

Clause 3.—Mr. Guinness moved that the words "if the contract be varied as recommended," in line 1, be struck out.

Upon the Question being put, That the words proposed to be struck out stand part of the question, a division was called for, and the names were taken down as follow:—

Ayes, 3: Mr. Mills, Mr. Tanner, Hon. Mr. Ward.

Noes, 4: Mr. Guinness, Hon. Sir John Hall, Mr. G. Hutchison, Mr. Wright.

Words struck out.

Upon the Question being put, That the clause as amended be agreed to, a division was called for, and the names were taken down as follow:—

Ayes, 5: Mr. Guinness, Hon. Sir J. Hall, Mr. G. Hutchison, Mr. Mills, Mr. Wright.

Noes, 2: Mr. Tanner, Hon. Mr. Ward.

Clause as amended agreed to.

Resolved, on the motion of Mr. Guinness, That the report as amended be agreed to.

Resolved, on the motion of Mr. Wright, That the report as amended, together with the minutes of evidence, minutes of proceedings, and papers, be printed; and that the Chairman report same to the House.

The Committee then adjourned until Tuesday next at 11 o'clock.

MINUTES OF EVIDENCE.

FRIDAY, 25TH AUGUST, 1893. (Mr. J. M. SHERA, Chairman.)

Mr. ROBERT WILSON, F.R.S.E., M. Inst., C.E., examined.

1. *The Chairman.*] Mr. Wilson, we have been considering your proposals. Can you throw any light upon them?—Yes; I think so, Sir.

2. Will you summarise them please?—The main feature of the proposals is, of course, the sale of the land-grant itself, and I will give you briefly the points submitted, in the letter of the 14th April, by my directors, to the Government.

3. *Mr. Wright.*] Which letter is that?—The letter of the 14th April, 1893.

4. Is that signed by the Secretary?—It is signed by the Secretary, and is printed on pp. 10 and 11, printed proposals D.—6, 1893. The first point has reference to the extension of time necessary for the completion of the line from Brunnerton to Springfield. We ask for such time as may be necessary. The intention is, of course, to push forward with the works as rapidly as possible. We, in our proposed draft contract, stated a certain time. I think it was five years; but of that we should probably take only three and a half, with good luck and good weather. We must, however, specify a time, sufficient to enable us to convince financiers we have ample margin in which to execute the work. The second proposal, that referring to the Belgrove Section, is now modified by a later letter sent to the Government. The third, that no time be fixed for the construction of the rest of the railway: this is set out in the proposals.

5. *Mr. Tanner.*] That refers to the Belgrove Section only?—It refers to the rest of the railway—to the Nelson and Reefton Section. That, of course, is also modified. Under Proposal 4 the company asks to make its selections for the line it is at present constructing immediately after the signing of the contract, or within a specified time, so as to free the whole of the reserves immediately on completing the new contract. Proposal 5 is now modified by the amended proposals submitted to the Government, under which we do not now ask the Government to work the line, taking 60 per cent. of the gross receipts, but that they should work it when required for contractors' traffic purposes, and that we maintain it. Proposal 6 relates to maximum rates not being affected by increases or reductions in rates on Government railways. This we ask for this reason: As it stands at present, should any abnormal system of charging rates come into force—such as the Vaile system, for instance—under the present contract we should be liable to have our rates reduced in proportion, whatever that reduction might be. Consequently, having fixed a maximum schedule which we cannot exceed, we say the Government should leave it to us to make our reductions as traffic necessitated, and that we should not be compelled to make our reductions in proportion to anything the Government may do in any abnormal case, or under any extraordinary system of charging which they might introduce. I may mention that in all railway contracts I have hitherto seen the maximum rates are fixed. They are not liable to alteration after once being fixed. The company cannot exceed them, but in course of time, if the exigencies of traffic allow, they can be reduced by the company as found necessary. Proposal 7 relates to the release of the land. Proposal 8 is important. It is the value the company sets upon its relieving all lands, and giving back its land-grant. To perhaps make it rather more clear, I may mention here that the reserve area which would pass from the control of the company, and which the Government would be enabled to deal with at once, is 5,636,792 acres. Under the present contract the company are to receive a land-grant, amounting in value to £1,250,000. This is contained in a clause in the contract. The amount is practically guaranteed to bring this value. The stipulation is, if the land on being sold does not bring this amount, then the Government has to give additional land, until the amount is reached.

6. *Hon. Sir J. Hall.*] That is to include the Nelson line?—That is to include the whole of the railway, Sir John. Of course, this land-grant was allocated to certain sections of line, which were set out in the contract. The company were to receive a specific value in land on the completion of each of these specific sections of railway. Certain sections of the railway have been completed, and the company have received the land-grant for those sections. Certain sections are now under construction, and the company stipulate that equivalent land shall be granted for these on their completion. It therefore follows that the proposals now before the Committee relate to the sections of railway to be constructed, and for which the company has to raise new capital. The reserves area on the land-grant map are coloured blue in that map, B 1 [map produced]. This area is valued—

7. *Mr. Wright.*] Does the red represent the portion you have sold?—The portion we have selected. The estimated waste-land value of the reserves, as set out on this map, is estimated at £3,127,999, in addition to which there are certain township sections, not included in the area, which amount in value to £17,434. This value, of course, is on the assumption that it is waste land, and before it has received any value by the construction of the railway, or any other increase. I may point out also that this is a valuation made ten years ago, and I think I am right in saying the value of land in New Zealand is higher—considerably higher—than it was when that valuation was made. One of the important inducements offered to the company was that all the increase of this waste-land value should be part of the company's profit—that although coming to the company at a nominal value of 10s., or its assessed value as granted, that any increase in that price should be the property of and part of the profit of the company. A good deal of the land affected by the construction of the railway has actually no value to-day, but its timber and minerals will, of course,

be developed by the railway when constructed. And I will show later on that in the sales the company have made they have received a very considerable increase on that value. Now this land area reserved is partly in the Provincial District of Canterbury, Westland, Amuri, and Nelson. Approximately in Westland, 663,400 acres, of a waste-land value of £415,075; in Canterbury, 1,302,300 acres, of a waste-land value of £668,100; in the Amuri, 964,100 acres, at a waste-land value of £482,050; in the Nelson District, 2,983,400 acres, of a waste-land value of £1,562,774. The company have, so far, selected the following lands: In Westland, 20,500 acres, of a B 1 value of £20,500; in Canterbury, they have selected 182,898 acres, of a B 1 value of £126,403; in the Amuri, 71,096 acres, of a B 1 value of £35,548; in Nelson they have selected 1,914 acres, of a B 1 value of £957. Or a total, out of the whole area of 5,000,000 odd acres, the company have selected 276,408 acres, of a total B 1 value of £183,408. Therefore there remains the corresponding balances available for selection in these different provinces.

8. *Hon. Mr. Seddon.*] What is the difference between the B 1 value and the amount received?—I will give you that later. Do you mean what is available for selection now, or what the company have sold?

9. What it sold for? The difference between the B 1 value and the amount got for it?—It comes out exactly as an increase of 35 per cent. over the B 1 value. We have sold land at a B 1 value of £134,638 for which we received £182,442.

10. *Hon. J. Hall.*] The difference between the two being?—An increase of 35 per cent.

11. *Mr. Wright.*] What are we to understand by B 1 value?—What the Government value it at; the initial value—the contract value.

12. *Mr. Tanner.*] That is, 35 per cent. over the 10s. per acre?—No, it is not all priced at 10s. per acre.

Mr. G. Hutchison: There are differences.

Hon. Mr. Seddon: There are some 10s., some 15s., and some £1.

13. *Mr. G. Hutchison.*] The difference between the two amounts shows a profit of £47,804?—It equals 35 per cent.

14. Is that the gross amount received?—Most of this land, I may say—at least a considerable amount of it—has been sold by public auction. Hitherto we have had no difficulty in selling, except in one or two instances where the land has been very light. There is some of this in Canterbury; there are certain blocks very light near Springfield, and we have some good lands under lease and still to lease; for instance, at Doctor's Hills.

15. You have some under lease?—Yes.

16. You had better mention that now, though I do not know it matters much. It does not give any criterion of the value of the land.

Hon. Sir J. Hall: Except that it did not fetch the B 1 value.

Mr. Wilson: I may mention that we have one block which did not fetch the upset price. In the lease we have a purchasing clause, giving us the right of selling at £2 an acre, if the man purchases, which was the upset price at the sale.

17. *Mr. G. Hutchison.*] How does that compare with the B 1 value?—£1 more; it is just double.

18. *Mr. Tanner.*] Do you make the B 1 price the upset price in selling?—No. The reserves were put up, we saying, "This we think worth so much." That was what we did in this case. We said the land which came to us at 10s. per acre was worth £2 an acre. Some of it we sold. Half the land at Doctor's Hills we cut up into small blocks of 3,000 and 4,000 acres. We sold two of these blocks. The other we did not sell; it was rather worse in quality, and back country, and we could not get our upset price of £2 an acre. So we leased it, with the right to purchase at £2.

19. *Hon. Sir J. Hall.*] Which land was that?—At Doctor's Hills, North Canterbury. I would like to point out one thing: It has been said the company have picked out the eyes of the country. If you look at the map you will see what the company has taken; it has not in any way picked out the eyes of the country, but only sold land for which there was then an immediate market. You will find in that list the blocks that have been taken, and that there are other blocks of higher waste-land values than those we have taken. There is one block there valued at waste-land value of 27s. 6d. an acre. That is at Springfield, where it is all roaded, and the roads all merge on to the river; there it stands, free and untouched. As a matter of course, we have been driven to take lands such as we could deal with for cash. It has not been a question of selecting either the most valuable land or that which will become most valuable. In fact, it was a case of selecting such land as we could deal with immediately for financial purposes.

20. *Mr. Tanner.*] That which sold readiest?—Yes.

21. Is 27s. 6d. the waste-land value attached to that particular piece of land?—Yes; we had negotiations with the Government to let them have it for settlement purposes on a small increase of value. It is all roaded and ready for settlement. But the negotiations fell through. That is some time ago.

22. *Mr. Wright.*] Would you indicate that block?—I will show it: it is just at Springfield [pointed out on map]. It is Block LX., valued at 27s. 6d., or £10,725. There are a series of roads going in through this district; there is a bridge over the river gorge, and all these roads radiate there. I will now touch on the value of the Westland land. Last session you had evidence before you on the mining reserves. Many of the witnesses, I dare say you will remember, stated that a lot of that land was worth for timber £1, and for land another £1, after the timber was taken off. These were not witnesses for the company: they were somewhat against the company. Now we have at present an offer from sawmillers for an area of from 300 to 600 acres. The offer is to give us £2 an acre for the timber royalty, and 30s. for the land after the timber is cut off. That is a firm offer. We have another for over 1,500 acres of timber-land, at 50s. for the timber and the land. Some people say the land is not worth anything, and that the timber is worth nothing; but that is an utter mistake. When that country is opened up by the railway it will be found both timber

and land are very valuable. There is land near Lake Brunner district, which I sold to a small settler at 27s. 6d. an acre. He is carrying four to five sheep to the acre, fattening on it, and he would not sell it for £4 an acre. That is close to Lake Brunner. There is a lot of that land there. I should suppose 12,000 to 14,000 acres of good scrub-land. Last year's Committee evidence, you will remember, showed we had applications for about 84,000 acres of that Westland land, we were unable to deal with; and on these applications we should have got an increased value of 50 to 100 per cent. over the B 1 value. That was land over on the coast, and we certainly could have got that increase. That which is driving us now to make the present proposals is we cannot finance under the present conditions after the evidence which was given last session. If we could possibly manage to carry this financing through it would pay the company infinitely better to retain this land-grant. There is no doubt we could make very big profits indeed from the sale of the land-grant. It must be remembered that, under our contract, the company have the right of selecting any part of these reserves that it likes; it can pick the very cream and leave the other. So if I had asked for an increase over the B 1 value, I should only have asked what is fair. We should have, in fairness, some increment of the increase of value which must arise from the construction of the railway through the lands we give up to the Government. There are, I may add, further lands remaining in these reserves, valued at waste-lands value (in Canterbury) at 12s. 6d., 15s., 17s. 6d., 20s., and 27s. 6d., so that we have not taken the cream of the country and left nothing for the colony. If you look at the map you will see what we have taken, and that we have not practically taken anything, compared with what is left. In Westland there are waste lands remaining at 10s., 12s. 6d., 15s., 17s., 17s. 6d., 20s., 22s. 6d., and 25s.—block after block of land which is put down by the Government at far more than 10s. At Amuri we have sold at 14s. land valued at 10s. Under Amuri leases we have no option but to sell.

23. *The Chairman.*] I think the Committee would like your proposals in a concrete form, and then you can explain them?—As I pointed out, this land-grant is allocated to various sections of railway, and the land allocated to the section between Springfield and Jackson's, which the company is prepared to sell, amounts to £618,250 B 1 value: this the company are prepared, on the signing of the new contract, to hand over—and free the whole of the reserves area, so that the Government may deal with it immediately under its Land Acts. The company, judging from the past, may fairly anticipate an increase of at least 15 per cent. We have had 35 per cent., and we may obtain that again from some of the most saleable land. But I think we may fairly expect to get an increase of 15 per cent., and probably we should get a great deal more. But adding 15 per cent. to the figure would bring it up to £710,987.

24. *Mr. G. Hutchison.*] What figure?—The £618,250. Even at 10 per cent. would give £680,075. Under favourable conditions, if the company could have financed its capital, this £618,000 would have been made a sinking fund. The company would have formed that to redeem its debentures; and if you take the £618,000 without any increase at all, paid in three equal instalments, compound interest at 3 per cent. for this ten years, it would give a return to the company of £806,908.

25. *The Chairman.*] At 3 per cent.?—At 3 per cent., without any increase of value at all. It is merely the funded amount of this land-grant, and is assuming we get no increase of value at all. That can be seen; it is only a question of calculation.

26. *Hon. Sir J. Hall.*] Can you give it at 3½ per cent.?—Yes. At 3½ per cent. it works out at £842,936. Supposing the company had an increase of 10 per cent. on this £618,250, and funded it the same as before, at 3 per cent. interest, it would yield at the end of ten years £887,608. At 3½ per cent. it would yield £927,259. Taking a fuller increase, again, for a similar calculation, the 15 per cent. increase over the waste-land value, at 3 per cent., it would yield £927,950, and at 3½ per cent. £969,412. And that is on the assumption that the £618,000 is paid to the company in three equal instalments spread over three years.

26. *Mr. Wright.*] That is the assumption with all these calculations?—Yes.

27. *The Chairman.*] Do you not mean ten?—No. It will take us three years to construct the line, and that £618,250 would be the land-grant value paid for it—one-third of it at the end of the first year, another one-third at the end of the second year, and the remaining one-third at the end of the third year. That would be funded. The calculation is taken out for these amounts funded during a period of ten years.

28. Not for the amount as if it had been funded now?—No. It would increase it if it were funded now.

29. But just now you stated if the company received it now they would fund it?—What I meant to say was: If the company received this land-grant paid to-day it would, of course, fund it. But we cannot do that. We cannot finance on that basis.

30. *Mr. G. Hutchison.*] It is on the basis indicated in this letter, page 21 of D.-6?—We have another statement here which shows the position. The contract value is £618,250; that would be, say, £200,000 in eighteen months, or the 31st December, 1894; £200,000 in two years and a half, and £218,000 in three years and a half.

31. Mr. Blow gives December, 1894, 1895, 1896?—In Tables F. and G., which I have handed in, we have divided the intermediate payments differently. We have taken eighteen months instead of one year—to the 31st December, 1894, and £200,000 in two and a half years.

32. You put two years and a half—it is two years here, 1895?—December, 1895, it ought to be.

33. Two years and a half from the time these calculations were made, I presume?—Yes.

34. *The Chairman.*] Have you a calculation there, Mr. Wilson, at 4 per cent.?—Yes; that shows £862,154.

35. Without any increase?—Without any increase. Of course, in lending money favourably you might possibly get 5 per cent. for it. In that case it would work out at £935,000. A private company might manage to get that. The banks are now giving 5 per cent. interest on their deposits, but dealing with a large sum it may be more difficult to get it placed at 5 per cent.

36. So that if the colony paid you this £618,000, spread over twenty half-yearly payments, they would only pay you 4 per cent. for the money?—They would be practically paying us 4 per cent. for the money, we getting no increase above the contract waste-land value. I say we might fairly ask for the increase on these waste-lands values. But we are in a position now that we cannot, from the evidence given last session, finance the required capital in London. Thus we have arranged proposals in the form we put them now. After much discussion with my directors, it was decided to make the offer—one which would enable us to put it at the lowest possible figure on which new capital could be obtained. This was in order to try and get a settlement, enabling us to complete the line from East to West Coast. That is the position my directors took up. Now, it is not a question of what profit we would or could make. The question was: whether we could finance to finish the line on these terms.

37. *Mr. G. Hutchison.*] And what is your proposal?—Our proposal is that we should receive £85,000 a year, spread over ten years. That is to say, that we should receive our waste land grant value funded, spread over ten years, and give up in exchange for that the whole of our land-grant rights, and let the Government deal with them as they like, they keeping the land, and all increase in value, which we should have got if we had held them as our reserves. We say we will take this payment spread over ten years, because the Government have in that way a perfect security for their money. The line will be constructed in three years and a half, and the Government will pay us in six-monthly instalments. The contract says the first payment shall be made on signing the contract. But that I am not particular about. It may be, if the Committee prefer, six or nine months after signing the contract; so that we are really undertaking the work before we receive our first payment on account. I propose, therefore, they should pay us these six-monthly instalments; and, as a modification, I have suggested the Government should pay us in 3½-per-cent. debentures, instead of cash, issued at the current market price of the day, and that we should accept these and negotiate them ourselves. With such an arrangement as that the Government will have it in their power to deal with the whole reserve area of 5,000,000 acres. They can sell it or deal with it as they like, and they have ten years in which to deal with it and recoup them for the moneys they pay us. I maintain they will; that they will gain far more even out of the £618,000 than they will pay the company for their rights to the land.

38. Of course, during the three years and a half the payments would be contingent on the work done?—The Government are perfectly safe. They raised that question to me. When we go to the London market we have to get our debenture issue out, and that debenture issue is secured by debenture bonds which compel the company to spend the money for the specific purpose of making the line between Springfield and the West Coast, therefore the company cannot use that money for any other purpose, and it must be spent on these works. We, as soon as we get our financial arrangements completed, will at once advertise our contracts and let the works right through the sections. As soon as we can we shall let the Springfield end, as it is the key of the position, and then let the other contracts as far as possible, so as to keep the whole works going together, and so as to finish the line within the three years and a half. We should push things forward; and it means the expenditure of something like £30,000 a month.

39. At the same time you would be willing that the £42,500, which would be the amount of these six-monthly payments, should be conditional on and follow certain work performed?—You see for the first two or three months we shall have to advertise contracts. Our plans are all ready, but we shall have to advertise and let the contractors have two to three months to go over the ground. We must give that time to make out the estimates. And probably we shall have contractors from other colonies, because there are very big works to do. The Springfield contract will be possibly one for something like £250,000 to £300,000. It is not every contractor who can undertake a work like that, and it is a work which will take some time to go through. So we may calculate that after we get the money it will take us two months and a half to three months before we can do any actual construction work.

40. It may take you six months to get the money in London, may it not?—I hope not.

41. It may be four then, we will say?—Yes. If the Committee prefer it, I will agree to this: That we receive our first instalment twelve months from the date of signing the contract, so that we shall be at work before we receive the first payment.

42. *Hon. Sir J. Hall.*] Would not that enable you to agree to the condition?—Yes, to the amount of £42,000. I might safely agree to that. We cannot say that we will accept these payments in proportion to the amount of work done, because our work will all be finished in three years and a half, and the Government will have payments spread over ten years.

43. *Mr. G. Hutchison.*] You will be ahead of the payments very soon. You must necessarily do that in the initiation, but provision must be made, otherwise the colony may pay you £42,500 without anything to represent it?—Of course we would gladly agree to that: that we must, before our first payment is made, have had that amount of work done. That is a provision of protection to which I have not the slightest objection.

44. Then it comes to this, that your proposal means a payment of £85,000 a year for ten years?—Yes.

45. You contracting to do the work within three years and a half?—Yes. Of course, we will do the work as quickly as we can, because we want to get our lines at work as soon as possible. It has been said in this room the line will not earn anything. I do not think that is in any way correct; but it was a point raised, and in face of this statement by a Government witness we cannot go to the London market and say this line is going to pay, because we are at once met with the evidence brought here last year that the line would not pay at all.

46. Do you still adhere to your willingness to undertake the line shall be made in three years and a half?—Yes, if we have good luck, and good seasons in our contracts. We ask for five years' extension of time.

47. *Hon. Sir J. Hall.*] Not of five years, to five years?—We expect to do it in the three years and a half, but, for financial purposes, I must have a margin to prove I have plenty of time to do the work in, even with accidents or contingencies.

48. *Mr. Wright.*] You want that you will not be subject to penalties if you fail?—Yes.

49. *Mr. G. Hutchison.*] You would undertake to do it in five?—Oh yes; I only ask for five years to meet financiers' objections.

50. *Hon. Sir J. Hall.*] From the signing of the contract?—Yes.

51. *The Chairman.*] Have you stated your proposals fully?—The whole, practically speaking, is in the financial proposal; and my directors have written me instructions to say that is the lowest offer on which they can hope to finance the money in London.

52. *Mr. G. Hutchison.*] Are they not prepared to name a minimum quotation at which the stock of the company?—That would be a most dangerous thing to do. The stock of the colony is rising, and the credit is improving. It would be very wrong of the directors to say that they would take it at a minimum, because they would have to fix a minimum they would be perfectly sure the stock would not fall below.

53. Suppose the market was "bullied" or "beared"—say "beared"—at the time of putting the stock on the market?—I will suggest a way to you to get over that. The colony may have the option to pay us either in bonds or sterling. Then, if the markets were bad, and the Government feared anything like a "bear" or "bull," they could arrange to pay that particular instalment in cash. That would guard them against any such contingency arising.

54. *Dr. Newman.*] You would undertake to take it?—Yes. If the Government take the option they could deal with it either in stock or cash. There are other points in the contract which have been criticized by the Public Works Department. Shall I go through these?

The Chairman. I think you have given us the main features. I do not think it is necessary to go through these.

55. *Mr. G. Hutchison.*] The Committee would like some information, I think, from the Public Works Department as to the probable value of the land-grant?—This is the Public Works' own valuation; or, rather, the Survey Department's valuation.

56. On that map?—Yes.

57. But that is some years ago?—Yes; ten years ago.

58. And I suppose a good deal of it was imaginary?—It was made between the Surveyor-General and somebody on behalf of the company. Mr. McKerrow was the Surveyor-General at the time.

59. Has he been over it since?—I do not know.

60. *The Chairman.*] Will you hand in those tables?—Yes. [Tables handed in.]

61. *Mr. Wright.*] I should like to put one question. You stated the expenditure would be about £30,000 monthly to get this work completed in three years and a half?—Yes.

62. About what proportion, roughly, would go in wages?—There would be nearly 60 per cent. in wages.

63. *Hon. Sir J. Hall.*] It will help the Committee if Mr. Wilson will just summarise the several points of the proposals now before the Government. No doubt they are all stated here in this correspondence, but it would be a help if they could be put before us, say, in tabular form, upon one sheet?—I will give them to you summarised at the next meeting.

The Committee then adjourned.

TUESDAY, 29TH AUGUST, 1893.

Mr. MORRIS FOX examined.

63A. *The Chairman.*] You are the Actuary in the Government Insurance Office, I understand?—Yes.

64. Will you explain to the Committee how you arrive at £33,750 as the half-yearly payment extending over twenty half-years, as the sum which the colony would be bound to pay, under the circumstances, to the Midland Railway Company in payment of £618,000?—The present value at 4 per cent. of an annuity of £1 per half-year for twenty half-years, the first instalment payable at once, is £16,67846. The present value of a similar half-yearly annuity of £33,750 will therefore be £33,750 multiplied by 16,67846, which comes to £562,898. The present value at 4 per cent. of £200,000, due in one year, is £192,308; the present value of £200,000 due in two years is £184,911. The present value at 4 per cent. of £218,000, due in three years, is £193,801, the total present value being £571,020. This sum of £571,020 discounted at 4 per cent. for about three months and a half is also £562,898, and therefore the present value of the—

65. Three months and a half; how is that taken?—I supplied figures to Mr. Blow for the end of July. But the end of July is five months from the end of the year. Mr. Blow did not take exactly the figures I gave him, for the reason that you would not have finished the arrangement by the end of July. Mr. Blow also took round figures,—£33,750,—and the present value of that annuity is equal to the present value of the three land-grant instalments, discounted for about three months and a half, to the end of the year—that is, the middle of September. But, to complete my statement: this sum of £571,020 discounted at 4 per cent. for about three months and a half is also £562,898, and therefore the present value of the three land-grant instalments (due at the end of 1894, 1895, and 1896 respectively,) will be equal to the present value of the twenty payments of £33,750 about the middle of next month, September, 1893, taking interest at 4 per cent.

66. Is that all you wish to say in connection with this calculation?—It is everything I wish to say in reference to that calculation.

67. You have seen the calculation of £850,000?—Yes.

68. That is based upon a different principle?—The £850,000 appears to me to be a slightly higher estimate than the £618,000. The £850,000 is not supposed to be due now, but is an accumulation over ten years. But it is also the value of the land-grants at the time they are granted, with an addition equal to about $37\frac{1}{2}$ per cent. on the B1 value. I may say that the £850,000, in twenty instalments of £42,500, accumulated in the way that the sums are accumulated in the statement given to me, over ten years, gives at 4 per cent. about £1,053,000.

69. *Mr. Wilson.*] Supposing the company were to sell its land-grant to-day for £618,000—I am simply assuming a case—to the Government in cash, giving them the land to deal with, and leaving in their hands this £618,000 to be funded at a certain percentage; at the end of ten years what would be, roughly speaking, the value of that funded amount?—At what rate of interest?

70. At, say, 3 or $3\frac{1}{2}$ per cent.?—Your figures are quite correct. At the end of ten years £618,250, payable in three equal sums, would accumulate at 3 per cent. to £806,911, and at $3\frac{1}{2}$ per cent. to £842,944.

71. *Hon. Mr. Seddon.*] I take it you have had these questions submitted to you before?—I had the statement submitted to me on Saturday morning, and I have gone into it carefully since.

72. Cannot you save us, then, going into this? What is the use of a series of cross questions?—I will hand this statement into the Chairman. (See Appendix C.)

73. *Mr. Wilson.*] Excuse me, I want to show clearly the offer the company are making, so that there may be no mistake as to any confusion of the annuity, or as to any slowly-increasing value. I want to assume this case of the company: that we sell our land-grant for a specific sum of £618,000; that we leave that land in the hands of the Government; that we leave the money in the hands of the Government, and say, to enable us to finance, will you hold this money as a funded amount, and, as a concession, pay us out of increment so much a year. Therefore it is not a question really of what is the accurate funded value of a certain amount as an annuity, but it is a proposal to enable us to finance. The £850,000 we ask for does not give the total amount of funded value at $3\frac{1}{2}$ or 4 per cent. It is below that rather. I am, therefore, not arguing before the Committee that we are asking for actuarially the amount, but I am asking for a sum; the lowest on which we can finance our present arrangements in London.

74. *Hon. Mr. Seddon.*] Do you not commence with an assumption which is entirely unfounded, that is, that we owe you this £618,000—that you are holders of a land-grant to that value. Is not the whole of your structure built upon that?

Mr. Wilson: I am taking a new condition. I am assuming that we have the land-grant granted to us under the old contract, and that we now wish to sell it to the Government for a specific amount. For the purpose of showing the values we put upon it, I assume that we sell it to-day for its waste-land value of £618,000. In selling it we at once hand over the land to the Government to deal with as they like. The asset is handed to them. We also leave in the hands of the Government the sum given in exchange for the land-grant, and which has become the company's on that assumption. Leaving it in the hands of the Government for ten years, that amount, without any increase over its B1 value, would accumulate at compound interest of $3\frac{1}{2}$ per cent. to something over £850,000.* Then, I ask the Government, as a concession to enable us to carry out our finance, to make us these annual payments out of this fund of £85,000 a year.

Mr. Fox: May I say, in connection with the question just put, that I stated the £618,000 accumulated would at the end of ten years amount to certain sums. I do not look upon the £618,000 as due yet. The present value of these three sums does not amount to £618,000, as it will be more than three years before they all fall due. Their actual present value is only £562,898. That is an important point.

75. *Mr. Wilson.*] But that is an actuarial question. I am assuming a case. Say, we sell this land, and the Government have paid us actually in cash, £618,000; I immediately hand that £618,000 to the Government for their purposes, and, charging them compound interest, at 3 per cent. it would amount at the end of ten years to £800,000 odd?—It would. But I must also point out that the £42,500 per half-year will accumulate, at 4 per cent., not to £884,559 as the £618,250 would, but to £1,053,291. It is suggested this £850,000 should be split up into twenty equal sums, half-yearly, of £42,500; if you accumulate this at the same rate of interest—

76. *Hon. Sir J. Hall.*] From what date?—From the date on which it is paid. It will accumulate at the end of ten years to £1,053,291; whereas what is given—namely, £618,250—will only accumulate to £884,559.

Mr. Wilson: But the question before the Committee now is not what is the correct sum which will work out to the accumulated amount. It is: Is this land worth the sum asked for here, as the smallest amount on which it is possible for the company to finance its capital? That is the question before the Committee, not whether the figures work out actuarially correct or otherwise.

The Chairman: That would be a matter for consultation afterwards.

77. *Mr. Wilson.*] I wish to ask Mr. Fox whether the statement he has before him shows the figures made out by us are erroneous. Are they not correct, with but certain small errors?—Yes, they are correct in calculation. The tables A., B., C., D., E., and F. are practically quite correct. The other two, G. and H., as I have pointed out, have errors in them.

78. Clerical errors?—Clerical errors.

79. And they are against the company rather?—Yes.

80. *Hon. Sir J. Hall.*] Have you in your calculations considered that the £618,000 is not due to the company in land at once, but will only become due by instalments of three years?—Yes.

81. And you have also calculated what these half-yearly instalments of £42,500 would amount to at compound interest?—Yes, at 4 per cent., £1,053,291.

* Note by Mr. Fox when revising evidence: The statement shows it would accumulate to £842,944, slightly under £850,000.—M.F.

82. *Dr. Newman.*] Is that in your table?—No, it is not. There is another point not in my table, and that is that the present value at 4 per cent of the £42,500 half-yearly annuities is £708,835. That is really the present value of the terms asked for, assuming 4 per cent. interest.

83. *Hon. Mr. Seddon.*] To make that clear: what percentage is that upon the £618,000?—It is not quite 15 per cent.—14·7 per cent.*

84. *Mr. Wright.*] What are the exact figures?—£708,835, equal to 14·7 per cent. increase on £618,000.

85. *Dr. Newman.*] What is the £1,053,291?—That is the accumulation for ten years of these £42,500 half-yearly payments.

86. *The Chairman.*] But the present value is £708,000 odd?—Yes.

Mr. Wilson: You must set off against that the value of the land which the company hand over to the Government. There are two sides to the question. At present it would appear as if the whole thing were one-sided. The land and its value are handed over to the Government, and they get the full benefit.

87. *Mr. Wright:* The prospective value?

Mr. Wilson: Yes. The Government during this period have the whole use of the land and its value to accumulate against these payments. So there is a set-off. It is not one-sided.

The Chairman: That is more a question for our consideration than for the actuary.

Mr. Wilson: Yes; but I simply wanted to follow up the statement, which is naturally one-sided.

88. *The Chairman.*] I do not think Mr. Fox would hardly care to accept that definition?—No.

Mr. Wilson: But it is a statement of fact, notwithstanding.

Mr. ROBERT WILSON further examined.

89. *The Chairman.*] Do you wish to say anything further, Mr. Wilson?—Yes; I wish to say something with regard to the memorandum from the Public Works Department, on page 19 of D.—6. The first clause given in that memorandum, which contains proposals for new contract, is No. 2, relative to the extension of time. I explained to the Committee we ask for five years to insure our being able to convince financiers we have ample time in which to complete the work, although we expect, with good luck, to finish the whole of the works in three years and a half. Mr. Blow mentions that we have altered the old contract and inserted the word “reasonable,” in clause 3, before the words “satisfaction of engineer.” We do this because it would enable us to arbitrate as to the requirements of the engineer being reasonable. It is done to protect the company. Then, Mr. Blow’s next point is in working the lines at 60 per cent. Clause 9 we have amended. The Commissioners reported against the Government working these lines as we proposed, so I have amended that clause, and suggested that the Government should work the company’s lines when called upon to do so, for contractors’ purposes, the company paying the cost of working and maintaining its own line. That takes away all risk of the colony being put to any expense in that direction. Clauses 10, 11, and 12 form the important point we have just been discussing. Clause 15 stipulates for a change in the present contract as regards rates, fares, and charges. The present contract states that the ruling rates on the company’s lines shall be those of the Wellington and Masterton Railway with 25 per cent. added. But if the Government at any time or for any reason alter or reduce their rates, the company is bound to reduce its rates in proportion. The alteration here is meant to guard the company against the introduction of any abnormal system of charging, such as the Vaile or other system, which might become applicable to the Government railways. On broad principles, that would not apply to a private railway company, whose rates have to be regulated, of course, by the maximum allowed, but who could deal with its rates to meet the traffic in the local districts. That is not a very important change. It only protects the company against any risk of some extraordinary or abnormal system of charging rates, which might, of course, reduce its rates to a price which could not possibly pay. Clause 17 is in regard to local taxation. The company feels it is a very unfair system of rating now in force on the West Coast. It has built its railway, and has taken the whole or the greater part of the traffic off the main road, materially reducing the maintenance costs to the local bodies. I think Mr. Seddon can confirm me in that. At the same time we are very heavily rated. The year before last we paid £485, and last year £1,170, in local rates alone, although we had been completing our line through a district in which there is no road whatever. We did not increase in any way the costs of road maintenance of the district. In fact, by building the railway, we have increased the assessment value of the land and improved the prospects of the district; yet we are the ones who have to pay a large amount to local taxation. I submit to the Committee, in view of their report last session, it is a fair question for them to consider whether they could not see their way to recommend that the company should be freed from local taxation. We also asked that we should be taxed on our income and the profits. Taxation on capital value is in itself quite inapplicable to a railway company. That is very clearly seen by taking an example: Suppose you have two railways in the same country: one is built through a level and easy district, and say, costs about £3,000 a mile, that for 100 miles would be £300,000. Further, assume it to connect two important centres, and there might be a return of £60,000 a year, or 20 per cent. on the capital value. You may have another railway the same length, costing £15,000 a mile, which is about what this Midland Railway will cost. In this case there is a total capital value of £1,500,000, or five times the capital value of the other example, and if that line only connects two unimportant centres it might not return you 1 per cent. of profit. Yet the tax, on that

* Note for the Chairman.—In question No. 83 the Hon. the Premier asked me what percentage of increase £708,835 is on £618,000, and I replied 14·7 per cent. It did not occur to me at the time to point out that the *present value* of the £618,000 is only £562,898, and the increase of £708,835 (the *present value* of the terms asked for by the company) on the latter figure, £562,898, is 26 per cent. I consider this is of importance.—M.F.

principle of capital cost, the railway earning 20 per cent. pays in taxation only one-fifth of the amount of tax the other does, earning 1 per cent. I think the application of this principle to a railway company is unjust; it would be fair to tax on its income or the returns of profit made. I may point out further, to show how inapplicable this principle of taxation is, if you have a railway on level country you would simply have ballast, sleepers, rails, rolling-stock, and station-buildings, these would be all that would be required for purposes of carriage. While, if you go over a rough country, every pound you spend over and above your rails, sleepers, ballast, and stations, is an expenditure to overcome difficulties which arise in the country itself, and which you would rather not have anywhere near your railway. That appears to me to be a strong argument for the modification of taxation on this railway. The next clause is the one relative to purchasing the railway in ten years. I have gone carefully into this, and have made out an estimate showing how £2,500,000 is made up. This is the sum at which the company propose to sell, if the Government wish to purchase. In the event of the company asking the Government to purchase, I have proposed a further concession. In that case the company's price is £2,000,000. In fact, it simply means this: if we are compelled to sell, and ask the Government to buy, we sell our railway for the debenture debt alone. I have made a fixed figure here to overcome the difficulties in the old contract, of certain allowances for interest during construction. I thought it better and simpler to have a definite figure fixed: In the case of the Government asking to buy, the price to be £2,500,000; and in the case of the company asking the Government to buy, the price to be £2,000,000. As to clause 21, relating to the purchase of the Belgrove Section, I have there suggested modifications. The Commissioners seem to take the view I have always held, that the country is not one likely to be productive of very heavy traffic, and they do not see their way to recommend the Government to purchase this section in the present form of the offer. I have, therefore, proposed modifications. The first proposal was to sell the Belgrove and Motueka line, six months after its completion, for £100,000. This I have modified in my letter to the Government, viz.: that we should take £100,000 for this line, spread over ten years; or, that we should sell this line for half its cost now, without completing it into the Motueka Valley, *i.e.*, for £30,000; or, that the Government should maintain and work the line and pay the company the net profits. I should suggest an amendment to this offer: that the Government purchase the line after ten years at a valuation. Clause 8 has a slight modification. It gave the Government power not only to call upon the company to make any alterations, additions, or repairs that the Government engineers may consider necessary. I have modified that, giving power of arbitration in the case of dispute as to necessary alterations. No material change has been made. Clause 41, page 21, refers to alterations of haulage-rates. I have made a suggestion, to get over a difficulty there is in accepting the clause in the old contract. This empowers the Minister for Public Works to reduce haulage-rates if any of them are considered excessive. We suggest now that we should take the Government present schedule rates of the Wellington-Masterton Railway, *plus* 25 per cent.; that that should be fixed as our maximum, and that we should be allowed to regulate our rates, not having power to increase them beyond that. That is simply to guard the company from any extraordinary or abnormal differences of charging rates, which might suit the Government but not suit the company. One clause, No. 21, Mr. Blow points out, we have omitted. It was omitted in error, and relates to the rights of miners to carry their works over or under the railway, with certain restrictions and regulations. That was struck out inadvertently, from the fact of its having been in amongst the old land clauses, which have disappeared from the present contract. These, I think, are the only points of any moment in the contract, or in the amendments, which have been submitted to the Committee by Mr. Blow. The points, then, are really of no great moment, it being really a matter of adjustment where required.

90. Mr. Blow here estimates the cost of the line when completed will be £1,775,500. You want £2,500,000?—Mr. Blow, in the first place, I must point out, has taken the old original estimate of the section of line in question; he has not added to that, or taken into account the amended estimate which was submitted last year to the Committee, and which I explained was due to the addition of iron bridges as against wood, and the lining of tunnels, which were omitted in the old Government estimate made from a 5-chain survey, as compared with our completed survey and quantities, and which were discussed in Mr. Hay's report. Moreover, Mr. Blow has taken the estimated works cost. The company must take its capital cost. There is not only the cost of the works, but others, such as the cost of raising the money, and interest during construction.

91. *Hon. Sir J. Hall.*] He takes interest during construction?—He does, but it does not work out as he puts it. I have here a brief estimate, which I will put in, showing how that cost is made up. This estimate shows how it does work out. It shows that in asking for £2,500,000 there is only about £30,000 more than the actual cost to the company; that, if the company ask the Government to purchase, it will have to sacrifice the whole of its share capital, and that it is only taking its interest on the construction over the three years and a half for the new works. I think if you examine these figures you will see that it is necessary. Mr. Blow has given you the bare cost of the works, made from the old estimates of the Government.

92. *The Chairman.*] Are these proposals the best offer you are instructed to make?—With the permission of the Committee I will read my letter of instructions, and thus prevent any misconception on this point:—

“The New Zealand Midland Railway Company (Limited),

“DEAR SIR,—

61 and 62, Leadenhall Street, London, E.C., 13th May, 1893.

I am instructed by my directors to forward to you the following instructions with regard to the negotiations upon which you are about to enter with the New Zealand Government, with reference to the new contract for the construction of the line from Springfield to Jackson's, and the completion of the Belgrove extension.

"1. In all negotiations with the Government you are to be guided by the terms of the letter of the Board to the Premier of New Zealand, dated 14th April, 1893, with reference to the heads of the contract proposed to be entered into between the Board and the Government of New Zealand.

"2. You are specially to impress upon the Government that the terms contained in that letter are 'the least that the company can agree to' with the faintest prospect of financing the matter in London, and that if accepted the contract 'will be taken by the company as a complete discharge of all claims upon the colony in respect of the past.'

"3. Should the Government refuse to entertain the proposals laid before them, you are instructed to give the necessary notice that the company intends to take legal proceedings without delay to secure substantial compensation for damages, &c., from the colony, and at the same time to inform the Government and the colony, through the public Press, that my directors, while regretting the necessity of taking such proceedings, have been forced to do so through the action of the Government, and to safeguard the interests of the share- and debenture-holders of the railway and others interested in its completion.

"4. All existing contracts must be completed as speedily as possible, and all expenditure must be cut down to the lowest point. For these purposes my directors give you full powers of summary action with respect to all matters and to all persons in the employ of the company without exception.

"Yours faithfully,

"Robert Wilson, Esq., General Manager,

"ÆNEAS R. McDONELL, Secretary.

The New Zealand Midland Railway Company (Limited),
Christchurch, New Zealand."

That is my letter of instructions received from my Board in London, and it is well the Committee should be made aware of it. I merely give it to show what my instructions are, and in proof that the company have endeavoured to do their very best to bring this matter to a satisfactory and friendly settlement. I do not read clause 3 in any way threateningly. It is my desire to arrive at an amicable settlement; it is also the desire of my Board. But, unless the proposals submitted to the Committee are acceded to, it is impossible to raise the money. I need hardly recall last year's evidence adduced before this Committee—evidence that the railway could not possibly pay. That has had a very serious effect upon the company's prospects in London. It may have appeared very trifling to this Committee that such evidence should have been given by a man not reliable, or an expert on the question on which he spoke. The injury was done, however, by the fact that the statement had been made publicly by an officer of the Government. I regret exceedingly it should have been done. On the face of it it is incorrect. The company have documentary evidence in direct contradiction; they have the evidence and speeches of Ministers of Public Works of this colony; they have the records and statistics submitted here by the recognised officials of the Government, all stating that the line itself would pay, and pay well, immediately it was open—that it would pay 2 per cent. at least; that in addition it had the whole of its land-grant, and the increase of value of that land as well as the prospect of a great and rapid development of traffic. I may mention to the Committee that the whole of this evidence was submitted to counsel in London—to some of the most eminent men there, and their opinion was favourable to the company. In view of the evidence given last session that the line will not pay working-expenses, it is impossible for my directors to go to the city for further capital. There is no other way to finish the line than to submit proposals with a view of arriving at a friendly and amicable settlement, one which would enable them to complete their undertaking, and be able to assure their shareholders and debenture-holders that the best efforts have been made in their interest.

93. *Hon. Mr. Seddon.*] On that point, Mr. Wilson, Mr. Bell added to the evidence you have referred to, by telling the Committee that the company was financially unable to go on with the work and do anything last season?—I may explain the reason the company were unable at that time to go on with finance. This was due to the reports sent to London, that the land-grants given to the company were worth nothing at all. Reports of speeches made in the colony were sent home. The company cannot be blamed if people in the colony will speak against the place, and "wash its dirty linen in public." Neither can the company prevent reports getting to London. But the speeches saying the land-grant was worth nothing at all did get there. Moreover, you must remember it has raised a very grave doubt in the minds of the public in London, as to the *bona fides* of the Government, when wholesale mining reserves were made, against the spirit and intention of our contract. I am not going to enter into that now. It is purely a legal question, and I have no desire to raise any matter of discussion of any kind. I am here to try and arrange a satisfactory and amicable settlement, and I at present must decline to raise any question which would be warmly discussed on both sides.

94. I am very glad you have cleared up that point, as to the effect of the statement being made that the land-grants were unsaleable, or not worth what the colony asserted they were?—It was a most serious statement to make in the London market at the very time we were raising our capital. I can assure the Committee, had it not been for such statements and letters written from this colony to London, we should have been able to raise the necessary money. The people here do not seem to appreciate how delicate a plant finance is. The least breath of suspicion blowing upon a scheme in the London market may destroy its prospects and completely spoil its chances in an hour's time. The company have had grave difficulties to contend against. The London money-market has been unfavourable. Their whole position has been one of difficulty. They had to start with very small capital in the first instance, because it was exceptionally difficult at that time to raise any money for New Zealand. The colony had nothing like the financial reputation or the credit it has to-day. How it has got that is a matter outside this question. But, at any rate, it is in a very different position to what it was when we went to the money-market. I can only hope that the Committee will consider these proposals which the company now make in a broad spirit. I would ask the

Committee not to take them in a purely actuarial way, or in such a manner as they might do if the colony were to insist on a certain sum of money taken as a funded amount. What I say, and what I lay before the Committee, is that the proposals we are now making are the very best the company can offer the Government with any prospect of financing in London.

95. *Dr. Newman.*] Have you thought of any alternative scheme, whereby the colony should make an offer to you to clear out—that your company should sell out?—As I have pointed out, this company consists of shareholders and debenture-holders. Some of the latter hold very large sums indeed; they are involved in this company very deeply, and they would not “clear out,” as you put it. I think, myself, they will rather lie out of their interest and fight the Government to the utmost before they will give way to such a proposal. No doubt we all take our own view: but they believe they have been deeply injured; that they have not been treated at all fairly in the way in which their efforts to carry on the work have been met by the Government. They have tried to do their best, and they have not been helped in the way they consider they should have been. A little assistance in the past might have helped the company to finance, but they did not receive it. So in no sense are they prepared to take any such course as that suggested. They would rather, if possible, finish the line as proposed, in a creditable way, by so far completing what they have undertaken.

96. *Mr. Wright.*] In the last amended proposals, you say the bonds issued for the payment bear $3\frac{1}{2}$ per cent. instead of 4 per cent. What currency is proposed for these bonds?—The same as your present bonds in the London market, $3\frac{1}{2}$ per cent. Inscribed Stock.

97. Not terminable?—Not terminable. And, to guard the difficulty raised by Mr. Hutchison, the other day, as to “bulling” or “bearing” the market, the Government can choose whether they pay any instalment in their own inscribed stock or in cash. This would give the Government greater control of their own stock market. At times it might pay the Government better to finance a particular payment in the London market themselves rather than that the company should do so.

98. In stipulating that the maximum charges to be levied by the railway shall be those now in force on the Wellington-Manawatu line, plus 25 per cent.?—Wellington and Masterton; it is a Government railway.

99. Would that bring up the maximum charges to the charges current upon the Wellington-Manawatu line, from the time it was opened until recently?—No, I should take the present charges the Government are now making on the Wellington and Masterton line. I take that as the maximum, with 25 per cent. added. On certain things we might have to make some adjustment. I may, however, point out, although we have in our present contract maximum charges fixed considerably higher than the Wellington-Masterton Railway, yet our rates to-day on our line are as low, and, in some instances, lower than what are charged on the Government railways. With a railway company it is not a question of what are the highest rates it can charge. You must meet the requirements of traffic in your district, and adjust your rates so that you can get the traffic. In many cases, for instance, timber, at the present time on the West Coast we are charging lower rates than, I suppose, any line in the colony. We have competition, and we want to get the traffic. So that, as far as rates go, and as long as the Government are safe-guarded by a maximum, which is a reasonable one—I take it, the Wellington and Masterton rates to-day are this—they are protected by that maximum, while the company are enabled to charge what rates it likes, so long as it keeps within the maximum limit.

100. The charges on the Wellington-Manawatu line were for many years considerably higher than they are now?—Yes; probably.

101. *Sir John Hall.*] A question upon the subject of rates and taxes? You have stated what the company has paid within the last two years for rates and taxes?—For local rates.

102. Not rates and taxes?—No, local rates; not general taxation.

103. Have you considered the proposal now before Parliament for levying a land-tax upon the unimproved value of the land?—The land-tax was a point I was going to mention. Mr. Blow's memorandum says, “We exclude the land-tax.” Now, so long as we hold the land, other than the land on which the line is constructed, we do not object to pay that land-tax, because it will be our object to get rid of the balance of our land as soon as ever we can for settlement. I do not object to the Imperial tax. What I do object to is the local taxes.

104. *Hon. Mr. Seddon.*] The colonial tax?—Yes; the Imperial, colonial, or national tax—whichever you like to call it.

105. *Hon. Sir J. Hall.*] Then, with regard to your local rates, you are aware a proposal is before Parliament under which these could be charged, in view of the unimproved value of the land—would not that very largely diminish the payments of which the company complain?—Reducing the taxation?

106. Yes?—It might reduce it, but the local bodies would get us the other way. On the West Coast we have two large blocks of bush land round by Lake Brunner. We must expect it will take years before we can sell this for settlement. There are about 30,000 acres bush land, land which we hope to settle—assessed waste-land value at £1 an acre. If local bodies charge us rates on our unimproved value, we shall have to meet very large taxation on our land alone. I argue this, in regard to local taxation: the railway company now are very big ratepayers; you have local bodies who presumably may borrow on the security of the rates they are getting, and it would be wrong—morally wrong—to allow any local body to borrow on rates they are getting from the company, because the day we sold our railway the rating power ceases. We are ephemeral.

107. The land you mean; not the railway?—The railway itself.

108. If you sold it to the Government?—If we sold the line, power to purchase by the Government is put in our contract. We are an ephemeral ratable body. We may cease to exist any day. The Government may purchase the line.

109. As regards local rating upon the railway itself, which, I understand, is now heavy. Would not that be reduced to a comparative trifle if you were relieved from paying on the improvements

charge put upon your land, and only paid on the unimproved value of the land?—Yes; it would come very heavy on us, as we should have a large area of unimproved land. If they rated us only on a mere strip of railway land, without the improvements on it, that would, of course, be a trifling matter compared to what it is to-day. But to-day they are rating us on the capital cost of our railway.

110. What I wanted to ascertain is, whether this proposed alteration would not really reduce your complaint, your grievance, to nothing?—It might; but, on the other hand, it might bring us back to the same amount of taxation. At unimproved waste-land value we have £30,000 worth of land lying there on which we must be rated, in addition to paying local rates on our railways as well.

111. But you have to pay at present on both? You have to pay on your timber land, and on the improved value of the land occupied by the railway?—That is so, and we desire an alteration.

112. Now, would not this alteration in regard to the rating of your railway give you a very great advantage indeed?—Undoubtedly it would give some relief.

113. *Hon. Mr. Seddon.*] What provision, if any, has been made to meet a case of this kind: that the company in the construction of the works meets with difficulties, and cannot complete them within the time specified?—I have calculated the time of completion. I have gone carefully into the question. I know the country very well; indeed I have been over it dozens of times and studied it carefully, and I do not anticipate any engineering difficulties calculated to delay us. It would be something very abnormal indeed which could delay us. What was supposed to be a difficult part of the country proves now, when we have made our surveys through it, to be of a very solid nature indeed. Where we expected to meet the greatest difficulties I do not now anticipate anything of the kind. And I think my estimates will cover any fair contingency that might arise in the works.

114. But no provision is made for penalties by reduction. You receive these instalments, these debentures, right off. What guarantee do you give in return?—I think you have ample provision. The company expect to have completed and be working its line in three years and a half. The Government will only have paid three years and a half of the instalments in that time. The Government would see at once the progress the company made and know its expenditure. As to the company not carrying out its part of the bargain, I propose to meet that objection in the sense suggested by Mr. Hutchison the other day: that the first instalment should not be paid as suggested in the proposals on the signing of the contract, but twelve months after signing, so that in fact the Government would never make up in payments any sum approaching the amount of the expenditure which the company must make to complete its work in the time. I calculate it will take us three months before we start on works after getting the money. We shall have to advertise our contracts, and probably give the contractors three months in which to go through the plans and over the ground. It is a large expanse of country, and a country in which it is difficult for any man to form rapid and accurate estimates. We shall therefore have to waste practically three months before we can actually get to work after the capital is arranged for in London. So that, in making the first payment twelve months after the signing of the contract, the company's expenditure by that time will far exceed this first payment. But if you can suggest any reasonable clause by which the Government would be protected I should only be too glad if you will do so. I will agree to anything reasonable in that way.

115. You will admit there is novelty in these proposals to pay beforehand—that by them we are absolutely committing the colony to works not touched?—I will put it this way: If you make your first payment twelve months after the signing of the contract, you can put in a stipulation that it is not to be paid unless the company have expended more than that amount on the works. You could protect the colony in that way.

116. Would not that apply to each payment?—If you like. It would not affect us in the slightest degree. That might be done with perfect safety. I expect to spend at least £30,000 a month once we start. We must do this to get the work finished in the time named.

117. I am only calling attention to what I think an omission in the proposals?—I am quite willing to insert any reasonable condition. The suggestion I make is perfectly reasonable, and I have not the slightest fear that at any time these payments on account of the sale of land-grant will approach in amount our expenditure on works.

118. In an ordinary contract, bonds are given for the due carrying-out of the contract. A deposit is lodged, and bonds given?—That was a special circumstance, if you remember, arising in regard to Lake Brunner deviation.

119. I am not alluding to that, but to contracts generally. A contractor for a certain work, which he undertakes to do within a specified time, on receiving payments from the contractee, gives that contractee a guarantee. He gives bondsmen, and, in addition, a percentage of his earnings is kept back?—You are speaking of an ordinary contractor?

120. Yes?

Mr. G. Hutchison: He begins afresh.

Hon. Mr. Seddon: We have had so many breakdowns, and so many applications to Parliament for bills each time in favour of the company. Now, what guarantee have we now? Is the company prepared to give any?—You have a guarantee at once; in fact, you have two. The day the company sign the proposed new contract the whole of our land-grant passes into the hands of the Government.

121. It is ours now?—No, it is under contract to be paid to the company.

122. It is only kept there for you to select from?—Not that alone. It is ours, in a measure. It is conveyed in our present contract; and as long as our present contract exists it is ours.

123. *Mr. Wright.*] It is in pawn?—We still hold it, though, of course, we cannot take it away, and it must be handed to the company under certain conditions.

124. *Hon. Mr. Seddon.*] Another year and a half will put it out of pawn?—I will show you where you have security. When the company raise the new capital in London we have probably to raise it on debenture bonds; these bonds compel the company to spend that money on a specific work, between Springfield and Jackson's. To each individual bondholder the company give a bond that it is going to do the work; so that the Government are perfectly secure, the company could not spend a penny of that money on anything else. It is allocated for that specific work, and upon that the money represented by these bonds must be spent. So the Government are perfectly safe in that respect.

125. Will not the position of the present debenture-holders and the holders of the original debentures—the quarter of a million—be improved?—No.

126. Not if the terms now offered by the company are accepted?—No, I do not think their position will be at all improved, and for this reason: they must come in as part holders of the total security. It is my intention when I get to London, if we are successful with our proposals, to suggest to my directors that they should convert our existing debentures into 4-per-cent. debentures and have a total issue of £2,000,000 4-per-cent. debentures, which will all rank equally. Therefore, their position will not be improved in any way; they will have no better security excepting the improved value of the undertaking generally.

127. Suppose there is no contract at all, what is the position? How are they to get the money already invested?—If no modification is made they will, I have no doubt, soon ascertain their position. They will appeal to law; they cannot do otherwise, and will be compelled to do so in self-defence.

128. There is not much money made by going to law?—No; whichever side wins there must of necessity be expenses, and that is what I want the Committee to consider fairly. The company have tried to arrive at a friendly settlement of that which might degenerate into serious legal proceedings, which probably would not be creditable to the colony.

129. Had you any doubt when you were in London as to the colony's guarantee, as to the value of the land-grant?—My evidence here proves that our land-grant has hitherto paid us a considerable increase; and I maintain we have not taken the "eyes of the country." As good country is available for selection now as any we have ever touched in Canterbury or any other provincial district. That land-grant, if properly dealt with, will bring the Government in far more than the price we are giving it up at, and it will sell for an increase, as it has hitherto done. It is only a question of dealing with that land properly. If I myself were a man in a position to take up the company's contract and find the required capital, I would not let the Government have one acre of their land back. I would make a large profit on it in time, if it were properly treated. But the company is driven by the force of circumstances to make a sacrifice which, if it were in a position to finance, I would never have advised them to submit to. But people have talked all sorts of utter rubbish about the land-grant. People have made statements about the West Coast and Canterbury land, knowing nothing whatever about the places. One statement made is that on the West Coast there is nothing but black-birch, and that the land is either hill or swamp, and valueless. On a fair estimate, I should think there must be 40 per cent. of as good red- and white-pine as anywhere in the colony. But people make statements like that without a single atom of proof of what they are saying. Lots of land on the West Coast, if cleared and bushed, would grow grass and be good for stock. There are also patches of excellent land worth, I dare say, £10 an acre. There are patches not worth 2s. 6d. an acre; but there are patches very good. It must be remembered there are patches in Hawke's Bay not worth 10s. an acre. To make general statements like these I have referred to about the land-grant in either Canterbury or Westland is utterly fallacious.

130. *Mr. Tanner.*] Would it not be fair to say who made the statements?—With regard to the timber-land of the West Coast, it was said last year to be absolutely valueless. But I have evidence here to the contrary. I have an offer to purchase 300 acres at £1 10s. an acre—that is part of Block XXVIII.—after the timber is cleared off; while the timber is earning in royalty something like £2 an acre now.

131. £2 an acre per year?—No, for the timber-crop.

132. *Hon. Mr. Seddon.*] They get £3 10s. for what they gave £1 2s.?—Yes. I have another case. I sold on behalf of the company a small patch of land of 250 acres to a small settler at £1 7s. 6d. an acre. I saw him the other day, and he told me he was fattening four to five sheep to the acre. They were store sheep, bought for fattening, and put on the land before being sent to the market. The settler told me he would not sell his land for £4 an acre. It was rich scrub land, around Lake Brunner.

133. I suppose it would be a very effectual check to those pessimists who make the statements of which you have spoken, if the Government was prepared to give you cash in lieu of land-grant?—The answer is, if these proposals are accepted it will show the Government believe in the value of the land and has bought it. It would no doubt make a large profit. There is no doubt about it that the Government in dealing with that land will make in gross far more than they give for it. It is undoubtedly the cheapest method for the colony to get this line made. Our proposals are advantageous in every sense to the colony—only the colony gets an advantage through the misfortune of the company. Had the company had good luck in its finance from the earliest days they would never have considered the offer they make to-day.

134. Touching the clause making it compulsory for Parliament to buy in ten years. That is a very important modification or alteration, is it not?—It is a modification in this way: You can see from my estimates that, unless the company were driven by force of circumstances, they would never make that suggestion. But it is an answer at once to the wicked evidence which was given last session, that the line could not pay working expenses. When my directors place the matter before financiers they will say, "What about the railway paying?" My answer is, at once, "If this railway will not pay—which I am certain it will—in ten years the company can, by sacrificing the whole of its share capital, and its interest during construction, get its bare debenture debt back.

Debenture-holders will be satisfied to lend money if they can get their debenture capital back, should the line not pay after ten years from opening. The proposal is a concession. We fix two prices. If the Government are anxious to purchase the line, and it is paying well—which, I believe, it will be—we say we will take, in round figures, £30,000 more than the actual cost. But, if we want to sell, we are prepared to make a large sacrifice, and lose our share capital by the sale. You will see that the company require this clause, as an answer to any criticism about the evidence of last session that the railway will not pay. That is the reason I have put the clause in. It is a complete answer to that evidence, which has done so much harm.

135. In other words, it means that the colony takes the land-grant, the profits the company make on the land-grant, the interest now due; and the colony pays half the cost of the construction of the line, and in ten years, in addition to that, rebuys back in cash the amount it has given in land now?—No; you must not take that wrong view of the question.

136. Practically the colony has made a loan?—No.

137. Less loss of interest for the time being?—No; I differ from you.

138. In regard to land-grants, the profits, if they do not go to the company, would go to the colony. The colony has, at all events, paid £1,000,000. It has given away £1,000,000 in value towards the construction of the line. Then, in ten years they have to give £1,000,000 upon that. In the buying-over they have to take the line by arbitration, cost-value being the basis of arbitration. The company offers to sell for the £2,000,000 which it has cost to construct the line. The land-grants and profits amount to half, or £1,000,000 of the £2,000,000. The colony, then, has to pay £1,000,000 in cash or debentures in ten years, so that it has paid at the end £2,000,000 in cash and land?—Let me put this point clearly. The original contract was sent to London with certain statements attached, that here was a line the colony required to be built; that the colony had decided to build it on the land-grant system. The line was to open up new undeveloped country, and would, it was calculated, on opening pay only 2 per cent. on the capital invested. The colony knew perfectly well no financier in London would lend his money for 2 per cent., consequently they said for every £1 that the company spend on that line the colony is prepared to give it 10s. of land-grant, so that nominally the line should only cost the company half its capital value, because it will get one-half back, and more, by the land-grant value and its increase. The conditions have not changed since the contract was signed; but what are you doing?

139. Oh yes; there were alternate blocks at that time?—That is a detail which does not affect the principle at all. The principle is this: For every £1 the company spend, the Government give 10s. Look at it whichever way you like; let the payment be in either meal or malt, the principle is intact. You cannot get away from that. The Government, to cover the company from any risk that this land should not bring its £1 for £1, guaranteed that if it did not so bring half the cost of the line they would give more land until that sum was reached. The position to-day is exactly the same; we are asking for a continuation of that condition, and, what is more, we have to show the financiers that this money will be safely covered; this, unfortunately, because we have to meet the evidence of last session, which said that not only will the line not pay 2 per cent.—as originally stated by the Government, which made this 4 per cent. on the basis of half the cost, or half the capital, with reduction by land-grant received—but that it will not even pay 2 per cent., or even working expenses. There is our whole difficulty. The colony should not look at the question from a narrow, but from a broad point of view. By our giving back the whole of this land, and letting the Government deal with it, there is placed in their hands the means of making large profits, and dealing with the land as they choose for pastoral, agricultural, timber, and mining purposes. We give back the whole of the prospective profits. On the timber land there are probably enormous profits in the future. Therefore I think it is not fair to say the colony is paying over half the cost. In addition to that, you had arranged under the first contract to give the company £400,000 for interest during construction, to assist it. So the conditions to-day are no worse for the colony than the original contract. In fact, with the present and anticipated profits on the land, the position of the colony to-day, as compared with the original contract, is better by the difference of what the waste land is worth, and what it will sell for as land improved by the railway being constructed through it.

140. Let us keep to this point of buying back. According to the original contract, if in five years it was to the colony's advantage to purchase, there was the right so to do, was there not?—The colony had the right of purchasing it at its capital value, with some percentage added.

141. But the colony fixed when it would purchase?—Yes. The colony would fix when it would purchase at its capital value.

142. That might be in five, ten, fifteen, or twenty years?—Exactly; whenever it suited the colony to purchase. I have that same condition in to-day, that the colony can purchase the line back at its capital value whenever it chooses, ten years after opening, at £2,500,000.

143. Assume the line is paying a fair dividend, say, 3 per cent. or 5 per cent.?—I have my own views upon that, and, perhaps, they differ from the views of some of last year's witnesses. Mr. Maxwell gives £20,000 as the gross per annum; I differ in that. The Government would have the power, at any time after ten years from the day the line is opened, to buy it for its capital value. As a provision against the evidence given in this room last session, we say that, after ten years from opening the line—we must have that time to work and develop its traffic and prove its efficiency—we may come to the Government and say, "Buy this line." When we do that, however, we must sell at £500,000 below its capital cost. If such a contingency did arise, the company would lose all its share capital and all of the land it had retained. Is such a sacrifice likely? It is merely, as I have said, a means to effectually contradict the evidence brought last session, stating the line would not pay, and to enable us to raise the money at a reasonable cost. If there is any traffic development—of which I have no doubt—we have seven years in which to accumulate our traffic receipts to meet our interest. With that prospect we shall give, say, twelve or fourteen years for the traffic to develop; so that it will by that time pay interest on the capital cost of the railway.

144. Yes; but that £2,000,000 is a quarter of a million over the amount shown as the cost

by the tables submitted by Mr. Blow?—That table is not correct; it is a statement of an old estimated cost of works.

145. You will admit, I suppose, that, according to B 1 value, you have had £18,000 already in concessions, and that by the doing away with a tunnel a saving of £400,000 accrues to the company?

Hon. Sir J. Hall: And to the colony, also.

Hon. Mr. Seddon: No; the B1 value is kept the same.

Hon. Sir J. Hall: The company does not get the same payment in land.

146. *Hon. Mr. Seddon*.] Yes; there is no corresponding reduction. If you look at the contract you will see there is no saving?—There is the same proportion over the sections as there was before.

147. We get nothing by it?—You must remember this: If the line costs the colony £470,000 less, the colony in perpetuity has an advantage of, say, £23,500 a year less interest to meet, either by traffic-charges or otherwise, than it would have had before.

177. That is far-fetched?—It is a fact, nevertheless. You cannot get away from the fact that interest on £470,000 is saved in perpetuity for the colony. It does not matter whose it is—the company to-day, and the colony when it buys the line. But there is the saving in traffic-charges to the colony.

178. At all events, for the time being, it is the company?—Then, it must be for the people of the colony. If the company's rates had to be increased to meet that extra £25,000 a year, who would pay for it?—the colony! You cannot argue against that fact. The point is perfectly clear.

179. But apply it to the question of purchase, it makes all the difference. You had all the advantage of the land-grant, whilst the cost of construction has been revised?—Yes. You say it is a concession. I do not think it is, because you will find the contract says, "The company may construct the incline line instead of the tunnel line," on certain conditions, which conditions have been fulfilled by the company, and the consent of the Governor given, which settles this question.

180. We are not agreed as to the contract. We have kept well within it; but I wish to emphasise the fact that a concession has been granted?—You cannot call it a concession when it is contained in the contract.

181. Yes; it is a concession?—No; a concession would be an advantage outside the contract.

182. No; it is optional. We could have said we would not take it?—You must remember a provision was made in the contract providing for substitution. Where you have such provision you cannot say it is a concession. If there had been no provision in the contract it would decidedly have been a concession.

183. But it is a concession as from the original contract; there it is optional with the Government; they can either do it or refuse?—You may say, in the second contract, as compared with the first, this substitution was a concession; this is not a concession from the present contract.

184. You mean the company under this could have deviated without the consent of the Government?—No; but the consent has been granted.

185. Then, the Government had to be satisfied as to whether the incline line would be suitable for mineral and other heavy traffic, and whether it could be worked at a satisfactory cost?—Yes; it has been satisfied.

186. Then, if the cost of the construction of the entire line should be less, a reduction should be made in the grant of land?—Yes.

187. You say mineral traffic may grow, and traffic may be developed; but under this proviso, within ten years you force the Government to take the line at this price; at that time they may not be prepared to do it. During that time this development that may and will take place may not have taken place; consequently, the colony may be forced by this new condition. You got concessions about the gradients, and the tunnel. At that time the contract left it open for the Government to take over the line when they elected so to do. You got the concessions; and now you say, "You must take the line over in ten years"?—No; I do not say so. That is where I want to make the difference clear. What I say is this: that after ten years the Government shall have the right of purchasing the line for two millions and a half if they think it desirable to do so.

188. It provides that the company may at any time call upon the Government to purchase?—I say, ten years after the line is opened, if the company call upon the Government to purchase, the company must sacrifice £500,000; and the colony would get the line for £500,000 less than it cost the company to build it.

189. Yes; but according to these proposals the colony must take it?—Yes, for £2,000,000. If we call upon the Government to take it, we sacrifice £500,000, and the colony must take it at that sacrifice price.

190. That is a new condition, and was not in existence at the time we gave you the concession as to the Abt system instead of the tunnel?—I will tell you why I put this clause in.

191. It was so, at all events?—Perfectly true. What I want to point out, however, is this the only benefit the company can expect to get from that clause is, when the question of finance comes before the public the new departure will at once be seen. We shall have to issue another £1,300,000, and probably convert present debentures, which necessitates over £2,000,000 issue. Financial people will at once say, How are you going to refute the evidence brought before the Committee last session? The company's answer will be that the debenture-holder at any rate is secured for £2,000,000. That is the only reason I want the clause in: it is purely to assist the company in financing, and to give refutation to last year's evidence on the line not paying.

192. At all events, it means definitely that the colony is committed to a loan of £2,000,000 ten years hence, for this specific purpose?—It might be; it is not definitely committed, but it might be if the company were compelled to sell.

193. At the sweet will of the company, ten years hence, at all events, there is a loan of £2,000,000?—You can hardly put it that way. It would not be unless the company were driven into selling. The company will never sell to the Government for £2,000,000 if it can carry on without. It would be a loss of £500,000 to do this.

194. *Hon. Sir J. Hall.*] Is that clause a *sine qua non*?—No, it is not. It is important to facilitate the raising of the money but it is not a *sine qua non*.

195. *Hon. Mr. Seddon.*] We shall have to meet the objection. It is there as a condition and I am trying to meet it?—It is not a *sine qua non*. It may probably cost us considerably more to raise our money if we do not have the clause in. That is the whole point: the cost of raising the money; it may be raised without this clause but it will be more costly to do so.

196. *Mr. G. Hutchison.*] Would you have any objection to substituting capital value, less what the company had received in land-grants over the £2,000,000, in clause 20A?—I do not see anything gained by this.

197. And off that, capital value will have to be deducted what you have got already in land?—You mean for interest purposes? Less what we have received for land? That might be. I do not see any advantage.

198. As a credit?—Yes.

Mr. Wright: The point, no doubt, is a most important one from the company's point of view.

Mr. G. Hutchison: They want something to reassure their debenture-holders.

199. *Mr. Wright.*] It would be absolute security for the debenture-holders?—For our debenture-holders alone. They would be secured, and the others unsecured. We had to meet the difficulty of this evidence, of which I had spoken, when I got home. I thought it had not reached England, but I was mistaken. There it was known generally that the Government had proved by their officials that this line could not pay.

200. Did you not point out that their premises were all wrong?—Yes; but if I made a statement after that evidence had been published half the people would not believe the contradiction.

201. When Mr. Fox was examined, did Mr. Wilson say anything as to revised figures to support his calculation?—There was only a clerical error to the disadvantage of the company's own contention.

202. You accept Mr. Fox's calculations?—Yes; they only showed we were about £5,000 out, and this was adverse to the company.

203. *Hon. Sir John Hall.*] The Committee asked Mr. Wilson at the last meeting to put in a summary of the proposals. He has brought it, and I would suggest it be put in and printed?—Yes, I put it in.

Mr. Wright: I would like a return of a few figures, of what will be the annual cash charge upon the colony to meet the interest upon the debentures for £850,000 payable in twenty half-yearly instalments, which the Midland Railway Company propose to accept in exchange for land-grant. It is a very small calculation, and I think we should have it.

The Committee then adjourned.

WEDNESDAY, 30TH AUGUST, 1893.

Mr. ROBERT WILSON further examined.

204. *Mr. Wilson:* A suggestion was made yesterday, that clause 12 in the proposals might be modified to protect the Government in the event of the company not carrying on the works. Clause No. 12 in the proposed new contract, page 24, reads: "In consideration of the surrender by the company of such rights the Queen shall pay to the company the sum of £850,000 sterling, by twenty equal half-yearly instalments of £42,500 each, payable at the head office of the company in London, free from all deductions or taxation of any sort or kind whatsoever, the first of such instalments being paid on the execution hereof." After the word "execution" I suggest should be added "of works under this contract for the amount of £42,500. If at any six-monthly period when payment is due the capital expended on the works does not amount to the sum of the half-yearly payment made on that date, such payment due may be withheld by the Government until such time as the expenditure on works exceeds the total amount of the half-yearly payment then due." That would, I think, be a protective clause to guard against the company asking for payment if the works were not going on. As I explained yesterday, our expenditure would be something like £30,000 a month; so that there is very little possibility of such a contingency arising. Still it would be a precaution if that were inserted. It was also suggested yesterday that clause 20A might be altered.

205. *Mr. Wright.* Before Mr. Wilson goes to the next clause, I would suggest the insertion of the clause he has read would rather tend to complicate matters?—The proposal suggested is only to meet the question raised, that the Government were not guarded; that they might be called upon to pay a six-monthly instalment when the works were not progressing. This was simply proposed to meet the point raised. I am open to any other suggestion to meet the objection.

206. You said yesterday you would be satisfied if the first payment were not made until the end of twelve months?—Yes. There was also another suggestion made, as to clause 20, at page 25, with regard to the selling price in the event of the company asking the Government to purchase. It was suggested that the amount of £2,000,000 should not be inserted, but the words, "at the capital cost to the company" be substituted. If that is the wish of the Committee, I have no objection to the alteration being made. The price would then be ascertained at the capital cost to the company, instead of being fixed at the sum named.

207. That would rather place the colony in a worse position?—Possibly; but the following words will obviate this, namely, "at the capital cost, which shall not exceed £2,000,000."

208. *Hon. Sir J. Hall.*] At the capital cost, but not to exceed £2,000,000?—Yes; I will put it that way if you like.

209. *Mr. Wright.*] So as to remove any doubt that might exist that the £2,000,000 was something in excess of the capital cost?—Yes.

210. *Hon. Mr. Seddon.*] Still giving the company a limit of forcing the Government to purchase. As I pointed out yesterday, that is an alteration from the original contract?

Hon. Sir J. Hall. : I am inclined to agree.

Mr. Wilson. : That is not a *sine quid non*, if the Committee see any grave objection to it. It would be a great advantage to the company.

Hon. Mr. Seddon. : It means that the colony at that particular time must raise a loan of £2,000,000.

211. *Hon. Sir J. Hall.*] It is quite possible the colony may find it worth while to take over the line, but it should be optional, I think?—Perhaps you will consider this point. I will leave this question to the Committee. If they can see their way to accede to the clause, it would, of course, materially assist the company in financing. That is the main object of the clause. Then, there was a further suggestion with regard to 21B in the modified proposals. It is with regard to the Belgrove Section. There are three alternatives. First, No. 21: "Within six months of the completion of the Belgrove line the Queen shall purchase and the company shall sell the same at the price of £100,000, payment to extend over a period of ten years, as provided in clause 12." Second, No. 21A: "The company to sell to the Government the works already completed at half their present cost—namely, £30,000, payment to be made as per clause 12." Third, No. 21B: "The company to complete the Belgrove Section into the Motueka Valley, and the Government to work and maintain the same, paying to the company the net profit after deducting working expenses." Thinking that over, it appears to me to be a very incomplete clause, and I suggest that the Government should purchase at the capital cost at the end of ten years from the date of opening this section. It would enable finality to be arrived at in regard to that section. We should have it on our hands, and it would be a detached piece in the event of the Government purchasing the other part of the line; and, not having arranged the basis for completion of the Reefton-Belgrove Section, I suggest the Government should purchase at the capital cost at the end of ten years from the date of opening of that section. That would give ten years for the development of traffic on the line before the Government purchased it.

212. *Mr. Wright.*] As an additional alternative, or in substitution?—As an addition to clause 21B. At present it is incomplete; there is no finality in it. You see it does not provide for any final settlement.

213. *Hon. Sir J. Hall.*] What do you estimate the cost will be?—I estimate the cost will be £100,000.

214. *Mr. G. Hutchison.*] In reference to the suggestion made as to the company taking specie instead of bonds, are your calculations based upon the selling value of $3\frac{1}{2}$ per cents. upon a certain day?—At the current price on the day of issue.

215. Had you in your mind, at the time you made the proposal, a quotation?—Yes, but you see the current price of the bonds may vary.

216. No. What was the quotation in your mind at the time you made your proposal?—The price of the bonds to-day is about 96.

217. At the time you made the proposal, when you entered into this calculation?—I think it was 96.

218. Then, of course, you would not expect the colony to pay par value, with the calculation based upon that?—Yes, the Government must pay in full.

219. I put the position of the market being "beared" and sent down to 93, or something like that. In that case you would not expect the colony to pay you 100?—Our calculations are based upon par value, the Government would give bonds to realise the full amount.

220. I understood not. I understood that you had in your mind a quotation of 96?—No, the price happened to be 96. If the Government stock was above par we should only receive par value.

221. That is not likely at $3\frac{1}{2}$ per cent. You were willing to take stock, and at the time you had in your mind a quotation of 96?—Yes.

222. Why should the colony pay you £100 per bond?—The colony could not pay us £100 per bond; but they must give us extra bonds to make up the difference.

223. That is the same thing?—I mean to say we take payment in bonds to realise par value.

224. No, you take it at 96?—Not in my calculations. The value of the bonds then was £100. The company taking bonds is purely a matter of convenience for the colony.

225. Say they are worth in the market 96 now?—If they are worth 96, then the Government would pay the company the difference between 96 and 100.

226. Exactly 96 per cent.?—They would pay us 100 per cent.

227. Why should they, in the event of the bond being sent down to 93, pay you £100?—You do not understand me. You would have to pay £4 for each bond, if standing at 96.

228. I see. You want 100 per cent., par value?—We want par value.

229. I understood you were willing to take the bonds of the colony at their market price?—Exactly; but if their market price is only 96, and they are only worth 96, you must give us the balance to make them worth £100 per bond.

230. You want the £4 made up in other bonds?—Of course. That is merely a question of market price of the day. We have suggested that the Government should have the right to pay cash if they choose. Suppose you have the contingency of a "bear"; instead of our having to put the bonds in the market at a low price, the Government making up the difference, it might be advisable for the Government to pay the company that instalment in cash, to avoid the depreciation of their own bonds on the market. That is why I made the suggestion that it shall be optional as to form of payment.

231. That is quite incidental. Your stipulation is to receive £100 per bond?—Yes, that is so.

232. *Mr. Tanner.*] Then you really mean that you would not take the colony's bonds at par, sell them, and make what you could, whether it was more or less. You would expect if the debentures were selling about 96 for the £85,000 you would have to be paid £88,400; that is, with the 4 per cent. added?—That is, with the 4 per cent. added. We must receive £85,000 per annum. It would not be fair otherwise. If we take it in that other form, the colony would be open to those acting for the company depressing or raising the market by placing or withholding the bonds. I think it would be a dangerous thing to have such a possibility in dealing even with a small amount such as the six-monthly instalment. The London market, even with stock like that of New Zealand, is affected by the sale or the purchase of £10,000 worth of stock. You will hardly realise that such a small purchase as £10,000 or £20,000 worth will affect the stock like that, but it does. It will alter the price for the day one-quarter or one-half a point. The least thing affects the market. It is like a sensitive barometer. And that is one of the reasons why I suggested cash. Although you pay the company in bonds, there is no reason why the Agent-General in London should not finance these on behalf of the company. He could do so over a period of six months without affecting the market. And that is perhaps the wiser course.

233. There might be an advantage in that?—There would be an advantage. The bonds could be placed during the six months; whereas £42,500 placed in the market at once would doubtless depress the quotation.

234. *Mr. G. Hutchison.*] Would the company have any objection to taking the quotation a month before?—It would be better not to do so.

235. Because that would leave it unaffected by the placing of a particular parcel?—The company, in its own interest, would have to be very careful how it placed these six-monthly parcels of bonds.

236. It would not matter, if you were to get £100 for your bonds, how you placed them?—It would not, of course, if we were dealing in that way. That is why I have always suggested that if the Government paid the company in bonds you make a stipulation that the Agent-General should finance them and pay the company the cash.

237. That we might have the right to pay in cash or bonds, taking the quotation one month prior to handing over, so as to be to some extent unaffected by the immediate operations?—Having to pay us par value, it would, of course, be the Agent-General's duty to arrange when he financed the payments he did so, so as not to affect or depress the market. He could do this by spreading the issue over some time. If he were authorised to be prepared at the end of each six months to pay the company this £42,500, then he has that six months during which he can place the stock without affecting the market to any extent.

238. That is an obvious precaution?—Yes.

239. There are a few questions bearing upon those I put yesterday I wish to ask. What is the amount now of the land-scrip held by the company which has not been exercised?—About £35,000; that is to say, these are earnings by construction, not selected. We do not hold any scrip.

240. And the area of the land and the value of the land now held by the company. That is, not disposed of?—I have given this in a return handed in.

241. Already selected land-grants and which are still in your hands?—Do you mean not dealt with? We have some leases, you know. We have part of that Block 77, at Springfield, and two West Coast Blocks, 26 and 28. These are the two round Lake Brunner.

242. What is the acreage?—The acreage of these is about 30,000 acres.

243. *Mr. Guinness.*] The two together?—The two together.

244. *Hon. Mr. Seddon.*] What are the values now?—£1 an acre. That is the B1 value.

245. That would be £30,000?—Yes.

246. £35,000 are the land-grants earned, and there is this value of £30,000?—The B1 value, Yes.

247. Then, between the land selected and the land-grants earned there is £65,000?—Yes, which I may tell you is now being used for the completion of that section from Lake Brunner to Jackson's. We have constructed a longer length of line than we anticipated to be able to do with the original capital. This has been done out of savings, and from our land-grant earnings financed and we are now completing up to Jackson's on this capital.

248. *Hon. Sir J. Hall.*] That does not include the bridge?—Yes, it includes the bridge.

249. *Hon. Mr. Seddon.*] With the B1 value for the construction of this line, and £65,000 you have in hand and earned, in round figures, make £700,000?—The capital cost of the line, do you mean?

250. No. You have £65,000 worth of land?—Yes.

251. What is earned, and the B1 value?—Yes.

252. £618,000 is the land-grant you will earn if you complete the line?—Yes.

253. That makes £683,000?—Yes.

254. You have had a letter from the Government stating they would give favourable consideration to a proposal under which the colony was to offer the company, in lieu of land-grant, debentures bearing $3\frac{1}{2}$ per cent. interest, as you earned the land by the construction of the line. Instead of giving you land-scrip they would give you debentures convertible into cash, bearing $3\frac{1}{2}$ per cent. You have not given the Committee any evidence upon that proposal?—My answer to the proposal is the new proposals which I have submitted, to the effect that, unless we can get the £850,000 spread over ten years, we cannot get our money. The £618,000 paid as suggested by the Government would not enable us to finance and complete the works.

255. You mean to say with an absolute £ for £, because it means that, on the construction of the line, you could not?—No; the evidence last year was to the effect that the line when built would not pay working-expenses. We, therefore, have to go to the money-market and say, "We

can assure you your interest is secured for ten years, and that we shall have a margin of six years during which the earnings of the line will accumulate as a fund for interest purposes during the development of the traffic on the line; by which time it will be proved that the evidence that the line will not pay working-expenses is false, and allow time for developing the traffic to an extent that will pay interest on capital." That must be our answer.

256. How about this £618,000 to be paid in three years? You have seen by our Actuary that is all you get from the Government. You get no more than the £618,000 capitalised?—Yes; that is all very well. If we had the £618,000 handed to us to-day by the Government, and we could put it in trust to accumulate at $3\frac{1}{2}$ per cent. or 4 per cent., it would come to more; in fact, we should make more out of it. The fund at the end of ten years would be larger than the sum of £850,000.

257. But you yourself, according to your own suggestion, would get it in three years and a half. You would receive £200,000 a year? In three years the Government would pay you, by our process?—It would work out in the end, probably, better, financially, for the company. But, you will see, in going to the capitalist, we have nothing like so good a security to offer; because we have to earn the security, as we should have funds in the hands of the Government, with the undertaking that the Government should deal with those funds in yearly payments, which they hold on our behalf. Our security is not so good. We can only say, "In a year's time we shall earn £200,000, which will go into the fund; in another year there will be another £200,000, and in three years another £200,000. These, funded, will amount to nearly £900,000. Therefore, you will be perfectly safe." But the financier will not take that view of it. He says, "It is all very well to say you will earn this £200,000 in two years' time; but how do I know it?" We have an actual security to offer, if the Government will agree to hold this money for the company, and pay it out in instalments. The financier will feel secured. Otherwise, there is no doubt it would be better, financially, for us if we could accept your proposals to give us the bonds in instalments of £200,000 and £218,000. We could make more money out of it; but, unfortunately, we have not the same security to offer the money-market.

258. *Hon. Sir J. Hall.*] You mean, it does not look so well to the London financier?—That is so.

259. *Mr. Wright.*] From the financier's point of view, he can see that the money expended on the construction of the line will be a terminable security; and, on the other hand, the interest on the money he is lending will be guaranteed for ten years?—That is what it really comes to; and it is better for us, for we get our money cheaper by this arrangement.

260. *Mr. Guinness.*] Surely that can be proved?—Yes.

261. *Mr. G. Hutchison.*] £618,000 in the period over which the colony is asked to give the money represents £850,000?—Yes, it does.

262. At 4 per cent.?—No, at $3\frac{1}{2}$ per cent.

263. Is that so?—Yes; at 4 per cent., which, probably, we could get, it would be £900,000 odd.

264. If you were in a position to finance in the ordinary way, would you consider the £618,000 a present equivalent for the increased land-grant?—If I could finance the money to-day for this line, I should be the last person in the world to consent to parting with the land-grant as we are doing now.

265. But you get the value of your land-grant, that which represents £618,000. We may consider you would probably have to go on selling for twenty years or so?—I feel sure it would not take long to sell the lands, judging from the company's experience.

266. Longer than ten, any way?—We should have the whole of the accumulated price from the land we had sold in the meantime. It would have become a large fund long before the twenty years.

267. There is one question in reference to that. Suppose the Government, on certain conditions, were to say, Here is £200,000, the first one-third instalment paid down at once. Surely you would be able to finance on that, and the succeeding two years the same?—The point is this: The matter has been gone clearly into in London when I was at home. The directors took the very best financial advice. It was not the result of five minutes' conversation, but of six weeks' close negotiation and discussion. And my instructions are that I must negotiate on the given basis, because the directors cannot see their way to finance on any other method.

268. Do you say that the statement made in the letter from the Government, as to what it would consider and refer to the House for decision, has not been considered at all?—Yes; that was the first thing considered, to see if on that basis the matter could be financed. What the company has tried to do, and what I think they have fairly done, is to arrive at the same result through a different plan of payment. The Government giving £618,000, paid in this deferred form at funded value, practically means we have arrived at the same position. We now accept in principle what the Government have offered us—the £618,000, value of land-grant. It is purely a question of how it has to be arranged for payment, and whether the Government should hold that amount of money for these ten years on behalf of the company. In principle and cost we may say the two things are practically identical. It is only now really a question of the form of arrangement for payment. In the other form it comes to the same value as far as the colony is concerned; but the directors cannot see their way to arrange otherwise than proposed.

269. Except that there is this difference: that it is very simple for members of the House to understand that as you earn your land-grant, instead of land grant you are to get debentures of the same value. Every man would understand that; but everyone will not understand your proposals. To members generally they will appear involved?—It is rather a misfortune, but I think it would be possible to explain it in this form: that in principle the offer is to purchase by the Government the land-grant for £618,000. The difference is only in the system of payment. The disbursement to

the company by the colony is the same; only under these proposals the purchase-money is retained, and doled out to the company in instalments every six months, the Government giving the company the benefit of the interest upon the money they are holding, and, as security for that, having the expenditure on construction of the line, and the land as well. I do not think it really is so very involved.

270. It would be very simple if you had constructed the line and earned the land-grant?—Yes.

271. There is no mortgage on the land until you have made the line?—It is in pawn under the contract as long as the contract holds good. And in principle, morally speaking, the Government have parted with this land to the company.

271A. They have not parted with it. They have only parted merely with certain portions, which particular portions have not been defined?—No, but they have parted to the extent of £618,000 of the total value.

272. *Mr. Tanner.*] But then only conditionally?—It is more than that. Not only have they parted with it morally in a measure, that is to say, pledged £618,000 worth, but they are pledged that the company may take any part of that £3,000,000. It has given the company not only the right of getting its £618,000, but also of taking the pick of the very choicest pieces of land. So that we really give back £618,000, and our right of choosing that which is most valuable, and will probably sell for more than the £618,000. That, I think, is an important concession on the part of the company.

273. *The Chairman.*] I see you value the land at £2,960,000; that is the reserve area?—We do not value it. That is the Government valuation.

274. *Hon. Mr. Seddon.*] You forget what your proposals are leading up to—that is, that the colony is expected to relieve you of the construction of a portion of your line from Belgrove to Reefton; with regard to which probably, for a number of years, there would be very great risk as to its being payable?—I want to point out, Mr. Seddon, the land-grant on that basis is smaller in proportion than on any other section. It is £330,000 only. It was allocated to the different sections in proportion, and on the Belgrove Section it is only £330,000.

285. But you told the Committee last year, if they insisted upon you making that piece of line at once they would cry a “go”?—My opinion has been strongly confirmed by the reports of the Commissioners you have received as to the Belgrove district.

276. There is that view of the question: Parliament may say, keep to the contract as a whole?—You must remember the company do not refuse to make the section.

277. *Mr. Guinness.*] I would like to ask a question on that point. What would be the value of the land-grant the company would earn if they completed the line from Belgrove to Reefton? I think it is £330,000?—Yes, about £330,000.

278. That would be £670,000 cost?—The statutory cost, the estimated cost is £793,000.

279. *Mr. Wright.*] That is very much below the mark?—It is a long way below the mark.

280. *Mr. Guinness.*] But that is the statutory estimate?—Yes.

281. For completing the link between Reefton and Belgrove?—Yes. You would only have to pay half statutory cost as the land-grant. I may mention, in the contract the estimated cost of the line was £2,500,000. The Government original estimates give over £3,000,000. The former were under-estimated, and admittedly so. This cost of £2,500,000 was only taken for land-grant purposes. I think the estimated actual cost was £3,382,000.

282. *Mr. Tanner.*] Do I understand you, Mr. Wilson, these are the only alternative proposals the company are in a position to make?—It is so.

283. On the basis?—On the basis of deferred payments.

284. No matter in what way the arrangement may be ultimately come to?—That is the only way in which the company can see its way to get the money at present.

285. What is the difference: If the Government give you a sum of money in three years, what is to hinder you receiving that and spreading it over the time you want it? If you receive it, why can you not spread it over?—I agree with you we should gain more in actual money value, but it is in a form the financiers will not take. It would not matter to us if we could only raise the money.

286. A higher price would have to be paid if you get the money?—That is it. The London money-market will lend at $1\frac{1}{2}$ or 2 per cent. less to a Government than they will to a private company. The company cannot get over that fact.

287. *Mr. Guinness.*] The one is for the longer term and the other is for the shorter period?—Yes, and that makes a great difference.

288. *Hon. Mr. Seddon.*] Why could not it be a stipulation that the Government should pay this money into the funds, with all the provisos you are putting here, the Government to pay in ten years?—We must have the money available for interest purposes.

Hon. Sir J. Hall: That would not be any better for the Government.

289. *Hon. Mr. Seddon.*] But it puts it in a concrete form?—After all it is a question of book entry, is it not. Suppose you agree to these conditions. That becomes an account as any other disbursement account would be, and the thing is ended and closed at the end of ten years, just as any thing else would be. Suppose it was three years, it would make no difference to the Government: for this reason, time must improve the company's property. The company in the meanwhile cannot remove any of its property. It stands as an important asset in the colony. The Government have got the advantage; they have our lands for security, and they have the money for the lands to use in the meantime. So, of course, the Government is in an absolutely sound and safe position. They can pay the instalments without the slightest risk. With us it is a question only of how we can get our capital. In no other way than that stated can we get it, so far as I am aware.

290. *Mr. Wright.*] By means of this extended form it would be, in your judgment, far easier for the colony than the three substantial payments?—It would be better than the three payments.

291. *Mr. Guinness.*] What is your opinion, Mr. Wilson, as to the effect of a breach of this contract if it is thrown up?—It is very simple to see what the effect will be. You must remember these three-quarters of a million debentures are held in large blocks by financial people in England. Our shares and our debentures are held firmly in blocks of £3,000 and £4,000 and much larger sums; these are held by many leading financial people, and many of the big financial houses in the city hold some of our debenture stock. People having gone into this railway in good faith, on the evidence then laid before them originally, when the new evidence of last session was laid before them, it was a difficult matter to induce them to submit any offer for settlement at all. The company submitted the whole evidence to counsel, and the opinion they got was so favourable that a large section of the debenture-holders said, "We will wait for our interest and fight the Government." Suggestions were made that proposals should be submitted by which we might come to a friendly and satisfactory settlement, and so get the railway finished with some amount of satisfaction to both parties. The feeling is very strong in London; you have only to ask the Agent-General and get him to ask his brokers what they think the effect of such a thing would be. It may not seem a very big thing, but it would materially affect for the time being, and probably for a considerable period, the present credit of the colony and cause a strong opposition to any new loans. New Zealand credit has improved this last two or three years very much indeed; you can see that from the Inscribed Stock quotations.

292. *Hon. Mr. Seddon.*] How is that?—Whether it is due to the frozen-mutton trade or other causes I do not know; but that it has improved, there can be no doubt. And anything happening like a refusal to treat the company fairly, would have a serious effect on the credit of the colony. There can be no doubt about that.

293. *Mr. Guinness.*] What number of men would you estimate during the three years and a half would be in employment if worked is pushed rapidly ahead?—The intention is to let the whole of the works from end to end—to have the whole thing going at once. I should think we should have 1,500 or 2,000 men on, or probably more.

294. *Hon. Mr. Seddon.*] At all events, Mr. Wilson, you will require an extension of time?—Yes, we ask for an extension. We say nominally five years; but I must show we have ample margin for contingencies, so I ask for five years; but we should endeavour to finish the work off in three years and a half.

295. Is the colony to understand, unless these terms are met, as to financing and extension of time, that you could not do the work?—It would be hopeless, unless we get a modification of our existing contract, including the extension of time. I do not think there is the slightest hope of our being able to finance on the present contract basis.

296. And without financing the works cannot continue?—No; we must have money to carry on work.

297. *Mr. Wright.*] I want to ask a question, Mr. Wilson, in respect to your statement that you would probably complete the line between Springfield and Jackson's in three years and a half. Will you inform the Committee as to the position of the surveys?—They are all completed; both the surveys and the quantities are all ready. I could advertise my contracts to-morrow if I had the money.

298. So you are quite ready to put the work in hand at any number of points?—I could let the whole of the works from east to west. I could advertise them in a week from now. All my plans are ready.

299. *Hon. Sir J. Hall.*] The bridge plans, and everything?—Yes, they are all ready, excepting some details.

300. *Mr. Wright.*] You have surveyed and re-surveyed the road called Arthur's Pass?—My surveys are now complete. There are chain surveys from the point at Springfield to the point at Jackson's. I have complete chain surveys all through. I have carefully altered and adjusted the line to obtain the best possible location.

301. You have made repeated trial surveys?—I have had parties out for eighteen months. I had the new trial lines run through the gorge, to enable me to fix on the best possible line.

The Committee then adjourned.

THURSDAY, 7TH SEPTEMBER, 1893. (A. R. GUINNESS, Esq., Chairman.)

MR. THOMAS HENRY BANNEHR examined.

1. *The Chairman.*] I understand you desire to give evidence in regard to the Midland Railway contract and the company's proposals. Where do you reside?—In Nelson.

2. Do you occupy any official position in the local governing bodies?—Not in the local governing bodies, but I am Secretary to the Nelson Railway League.

3. Will you make a statement?—I wish to point out in regard to the present applications made by the Midland Railway Company, that the people of Nelson—as ascertained in various ways, by public meetings and otherwise—are firmly impressed with the view that the Government should stand to the contract as it exists at present. On the faith of that contract very many engagements were entered into by the Nelson people, and they consider, firmly, that the Government and Parliament should stand by that contract. Otherwise they feel there will be a serious breach of faith. The present proposals in effect give up the land-grant in respect to the Springfield-Jackson's Section, the country being called upon to pay cash in respect to them. I wish to point out that the land in respect to that section is not contiguous to the railway between these two points, and that, consequently, when the line is constructed, the land will not be enhanced in value. With land in such districts, divided by hills and mountains, experience has shown—at all events in Nelson—that the cost of roading and surveying leaves very little profit, or none at all, when the land is sold. We therefore consider that the amount demanded, or rather asked for, by the company of £85,000 a year for ten years, will really have to be found by the colony. The company ask the right, at the

end of ten years, to say to the colony, "You must give us £2,000,000 for the line as constructed." We take it, then, that very nearly £3,000,000 will be added to the debt of the colony, and that the Nelson people will have to bear a large proportion of that extra indebtedness. They will have to pay taxes for it without any advantage whatever. In that respect they will be very unfairly treated. The proportion of population of the district affected, as compared to that of the whole of New Zealand, would make the share of liability of the former something like £100,000, for which they gain no advantage whatever. I may say, from all kinds of people in Nelson, we have had the opinion I expressed. The Nelson Railway League, especially, has been very strongly supported in the view that the contract should be adhered to. I might even refer to letters received from men like the Bishop of Nelson and others, who have expressed that opinion on the grounds I have endeavoured to set forth. I do not know quite whether I ought to say anything at all about the land and the resources of the country; but I might refer you, Sir, and the Committee, to the report of the Hon. Mr. Sheppard, published in the proceedings of the Nelson Provincial Council of 1873. I might also refer you to the report of Mr. Cox, of the Geological Department, as to the mineral resources of the country; and, individually, I could give some statements in regard to the value of the land to be opened up by the line. Nelson has suffered very considerably by reason of the company not having pushed on with the line, as was intended by the contract, and as we understood was to have been done. The contract now has only a little more than eighteen months to run of the ten years, and the first section from the Nelson end is not completed yet, although the contract stated that immediately surveys could be obtained that that section should be proceeded with. It was an understood thing, in our part at all events, that the section from Nelson should proceed at the same time as that from Springfield and that from Brunnerton. As to the value of the land from a mineral point of view, the company itself, I think, have shown they appreciate that; and they must have got their opinions, I take it, from such reports as I have referred to—that of Mr. Cox and others. In one of their maps issued in London they point out that practically the whole country on the Nelson side is a large coalfield. If you refer to the reports I have mentioned you will find the whole of these valleys—the Tadmor, the Buller, the Owen, the Mangles, the Hope, the Matakītaki—contain coal. The map of the company practically admits that. I do not know that I could say anything further on that point. As to the agricultural land, I may point out that any one simply travelling along the coach-road is unable to see the capabilities of that country. It is necessary to know the off valleys to gain any knowledge of what the country actually is. Possibly some members of the Committee may know; at all events my statements can easily be verified. Some of the members of the Committee may have even gone up to the Owen. That is not nearly so good as many of the other valleys. But there are all through portions containing valuable flats. I may give the Mangles as an instance. Immediately you go through a narrow gorge you enter a plain of some nine miles in extent, gold and coal being distributed throughout, according to Mr. Cox. You come next into the Matakītaki, and passing on through the Shenandoah to the Maruia Plain. That plain is about twenty-five miles in length. I have not been there myself, but it contains a very large area of exceptionally good land.

4. We have had all that information. We shall be glad of any further information you have of your own knowledge. I do not know whether you have been up several of these valleys?—I have been up several of them.

5. I think the main point upon which the Committee want evidence is, in what way the Nelson people will suffer, either by the contract being altogether abandoned, or the proposal now made to delay the carrying out of the work in the meantime?—The view we have held of that proposal is that it provides for no engagement whatever, and that it only enables the company to enter into the arrangement just as any foreign company or any one in the colony might do. At the completion of the work there is nothing binding at all. We feel that, having rested on the faith of Parliament and of the contract, if that contract, existing now, is departed from, there will be no faith hereafter in any contract between the Government of the day and any one with whom they may enter into an engagement. If you break this you form such a precedent that we can have no faith in anything at all. We say we have suffered under this contract, and you propose to make us suffer more. You propose to tax us to find this money, and give us nothing in return.

6. Are you aware of the fact that the principal expenditure the company has incurred is within the Nelson Provincial District?—Within the Nelson Provincial District! That is rather a strange term to use at the present time, seeing the provinces are abolished.

7. That is the name given over the boundary of the old province. It is not called province now, but provincial district?—I have no doubt it is so.

8. Are you also aware of the report with which this Committee has been supplied by the Railway Commissioners, that the extension of the line from Motueka Valley would not pay the Government to take it over and work it?—I am aware of that report. But I do not consider the Commissioners, or their officer, in making that report, have done justice to the locality, or that the latter is fair in the consideration of facts; nor do I think it would be fair to take that statement without explanation—for this reason: if you made a road from here half-way to your beach at Wellington, it would be of no use as a provision for the traffic between the harbour and this place. In the same way, if you carry a railway simply over the Spooner's Range, without tapping the valleys on the other side, you are not giving communication between any points which would be conducive to traffic. The whole necessity of that line is that it will form a portion of a trunk railway of the colony, as was pledged many times by the Parliament of New Zealand.

9. Can you give the Committee information as to whether it is the through traffic between the goldfields, the West Coast, and Nelson, that you, as representing Nelson people, think will pay, or whether it is the traffic due to the opening up of these valleys of which you have spoken?—I think there are many considerations to be taken into account. For one thing, there is the possibility, the probability, indeed, of opening up this coal-bearing region in less than, roughly speaking, forty miles from Nelson. That is a point which requires to be taken into consideration. The settlement of that land, and the traffic it will bring, is another thing to be considered. The development of the gold-bearing land is another. The trade with the West Coast is another. The through traffic, and

the connection between Nelson and the rest of the South Island, is another important feature to be taken into account.

10. Do you say that the making of the railway to Motueka would mean a line through one of the best portions of the country to be opened up, or one of the worst?—There is no country to be opened up practically between Belgrove—that is, between the hill on one side and the hill on the other. You must remember the line—the Government line—after leaving Belgrove ascends the hill practically at once. It enters the tunnel and winds through some gullies on the other side of that range—the drift range—that is all really of very little value.

11. Is that not the country most settled now?—No; there may be one or two people, but practically no settlement.

12. If that is so, how do you say the Railway Commissioners have not given a fair estimate of traffic, that is if there is no settlement there, no population, and no land opened up?—I say it is, because, unless it is defined where the station is to be on the Motueka Valley side, it is an utter impossibility for any man to give an estimate of the traffic. As you are probably aware, immediately you get into the Motueka Valley proper and over the Motueka-Motupiko cart-bridge, you are at the mouth of the Motupiko Valley, which contains a deal of rich land. Two or three miles below that is the Tadmor Valley, twenty miles in length, containing good land. I have seen hops growing there, and that is an indication of good land. And even on the road between that and the next valley lower down, the Sherry Valley, where blue marl is exposed in the cuttings, an indication of coal, I have seen gold miners at work at the very summit of the hill. If the station is in an inconvenient place it makes all the difference. I want to point out that the settlers further down the Motueka Valley may take another road towards the present Government railway. In the matter of putting produce into a wagon it may make very little difference whether they ascend the hill or whether they leave it at the station on the other side.

13. *Mr. Wilson.*] With regard to the traffic which you say comes down from Tadmor and Sherry Valley, do you say it is as simple for settlers to cart their produce into Nelson as it is to cart it to the foot of Norris's Gully and take the train after?—No, I do not say that. I say it depends largely upon where the station is, and that it might be more easy for the settlers, we will say at Tadmor Valley, to take the more gradual ascent up the other hill and get into Belgrove, than to go away up the valley along a bad road.

14. You perhaps do not know where the proposed station shall be. It is proposed to be at the junction of Norris's Gully and Motueka Valley. Is there a main road which runs up the Motueka Valley and which practically taps the Tadmor?—It goes up.

15. Very well. There are the Sherry, the Baton, the Tadmor, the Motupiko, and Clark's; that road really serves all these valleys, does it not?—No.

16. It does serve these valleys, does it not?—There is a road by which you can reach all these valleys.

17. Is not one of the great obstructions to traffic between Nelson and the Motueka Valley the road over Spooner's Range?—Undoubtedly.

18. Would the railway, as proposed to be extended to the foot of Norris's Gully, obviate the necessity of carting over that range at all?—It might. But, as I have tried to point out, it would be a question of convenience. The settlers could cart over the hill by using the other road lower down the valley. There is a road over Spooner's Range lower down the valley. They could ascend in that way.

19. In your opinion, it is not necessary to have a railway into the Motueka Valley at all?—I do not say that. I say it is to be considered only in the way I have spoken of. It will not serve the whole of the valleys there; and the point you have mentioned, you must remember, is a little distance from any settlement.

20. It is close to the settlement of the Motueka Valley itself—that is, Brommell's?—I suppose it is half a mile from Brommell's, and you cannot call that a village.

21. Is there any other village close to it?—Yes, the Motupiko, and the Tadmor, a little lower down the river.

22. You mentioned just now the mineral resources of the Buller Valley, and you mentioned the Owen. Will you kindly give the Committee something of the probability of profitable undertakings at present being worked in the Buller Valley, or Owen?—No, I do not know that it would be possible to get a statement showing the value of the properties profitably working.

23. It is not a fact that the Owen Valley was supposed to be the richest gold-bearing part of the district?—Excuse me, it was not ever supposed to be the richest district. Certain reefs were found; but these reefs, so far as tested, did not contain a very large quantity of gold.

24. But were they a failure?—That has not been properly tested.

25. It cost me £50, at any rate?—Yes; and it cost Nelson people a great deal more than that.

26. *Mr. Saunders.*] Do you know the altitude of the Maruia Plain?—I think I had better not answer that question. It is easily ascertained by reference to the map. I have told the Committee I have not actually been there. I could give the altitude of a good many of these places, but of that I could not.

Mr. JOHN GRAHAM examined.

27. *The Chairman.*] What position do you occupy in regard to local matters?—I happen at present to occupy the position of Chairman of the Town District School Committee. I am also a member of the Borough Council of Nelson, and I am a Justice of the Peace of the colony.

28. Will you make a statement of what you think should be done?—I take it it would only be wasting the time of the Committee, and for no purpose, to go into details as to the quality of the land, the kind of country, the minerals, or anything of that kind through which the railway—not the proposed railway, but the railway to be constructed under the contract—is to go. We believe that question really was decided long ago. The company, for itself, before entering into the contract, made itself, through its promoters, aware of the nature of the country. They expressed themselves at the time as being satisfied with the conditions of the country offered them. It is now stated that the Nelson end of the country is not sufficiently good to warrant the com-

pany in carrying out the contract they have entered into. They now, after nine years of the contract time has expired, are submitting propositions to make an entirely different arrangement to the one included in the contract. If the country is of so poor a character that it is not suitable for constructing the railway, it is the same as it was nine years ago when the contract was entered into. There was no deception, and there has been no deception on the part of the Government of the colony or the people of the colony in this respect. On the contrary, in the year 1884, when the East and West Coast and Nelson Railways Act was submitted to Parliament by the then Premier, Sir Julius Vogel, he, in introducing the Bill, was extremely careful not to mislead any one who might possibly be contractors for the work. You will see in his speech how anxious he was that any one who went in for the contract should see and ascertain for themselves the kind of country included in the proposed land-grant in aid of completing this railway. On that occasion he spoke directly of the land being of a poor and doubtful character, as far as it was known; and he explained that he meant by that that its capabilities were doubtful. It might, or it might not, contain vast stores of mineral wealth. He said there was really a vast amount of valuable forest. "Of the agricultural capabilities of the land which it will possibly give," he said, "we are not in a position to express an opinion." By speaking otherwise, he said, it might devolve upon the Government a certain amount of responsibility which it was well the Government should avoid. Therefore, it appears to me, and to the Nelson people whom I represent here to-day, that the company have no grievance against the Government in any way. The contribution of the Government towards completing the railway, which is to be their own property when completed, is just as the company saw it before they took the contract. Since the contract has been entered into, the Nelson people have always had faith that once it had been entered into by the colony it would either be completed by the contractors or they would have to declare their inability to do it, and give it up in the ordinary way. When that contract was made it was distinctly stated—and intended, I believe—by the Legislature that no money-payments should be made in consideration of the carrying out of this work. It would involve a very considerable amount of extra taxation in the shape of borrowing by the colony. The stipulation given was, that we had a large amount of land which was utterly useless to the colony as it then stood, and it could only be improved in value by the construction of the railway. The company understood all the conditions, accepted them; and they have not, as far as we believe, carried out the conditions or intentions of the contract simply because they have been unable to carry out the work. If a company undertakes work of this kind and cannot raise the funds to carry it out, it is their misfortune, and not the colony's fault. The inhabitants of the district whence we came consider that no such arrangement should be made for carrying out the work; that it will involve taxation upon the country; that it will be departing entirely from the original ideas and intentions which gave rise to the construction of this railway. And even as to the present contract, it is doubtful whether the conditions of that would ever have been given effect to without the assistance of the electors of what is called the Provincial District of Nelson, joining with those of Canterbury and Westland, for the purpose, of having this work carried out. The Nelson people think that, on principle, the contract having been made, it would be a very bad precedent on the part of the colony to depart from it. But, in addition to that, they feel particularly hurt, after the struggles they have had to assist in getting this work undertaken, at the proposals now made. They feel it a peculiar hardship that the proposals now made are for the purpose of carrying the work out on a money-grant basis instead of on the land-grant basis as originally intended. The two proposals do not really include the carrying-out the whole of the original work. If the whole of the original work is not carried out, the idea of the promoters and Sir Julius Vogel as chief of the promoters, will not be carried out. The idea of carrying out this work was that it should form a main trunk line of railway from the north end to the south end of the South Island. It was not a matter of whether any particular section of it should pay, but that it should form one connected line throughout New Zealand for the benefit of every part of it. The people of the district of Nelson object strongly to the proposals of the Midland Railway Company now before the Government. They have felt satisfied during the whole time that the contract, having been once entered into, it would be faithfully carried out, or if the company could not do it that it would simply give it up and not make the fact of their having an existing contract a lever to induce the Government of the country to involve themselves in what is practically a further loan of £3,000,000. Because, in addition to the money-grant of £850,000, there is very little doubt that in time the country will be called upon, as the company would have the power to do under the new arrangement, to purchase the line for another £2,000,000. We feel, in the district from which we come, it would be far better for the country, if the company cannot carry out the contract they have bound themselves to carry out, to give it up altogether. With reference to Nelson itself they have suffered very considerably from the delays that have occurred in carrying out the work. The land in our district has been locked up against settlement. It has been said that in Nelson there is very little land for settlement. But there is a great deal of land that would have been taken up if the railway contract had not existed. The result accruing to Nelson has been rather an evil than a good one, because many of our best settlers—sons of the old settlers—leave Nelson for elsewhere, who knew of land and would have gladly settled upon it in the Nelson district if they had been able to procure it. But it has been shut up for the line for eight or nine years, and they have been deprived of getting any chance of that for settlement. And the district has simply lost the services of good settlers, possibly never to receive them back again, although we are aware that many who has left us even now regret going. If the land were opened up for settlement many would return to the district in which they have been brought up, and which they have left through no preferences for the places to which they have gone in other parts of New Zealand. It is a misnomer to say there is no land for settlement in Nelson. There is a very great deal; but, as you have stated, the Committee are aware of that. It is not a question at the present time whether the land exists there or not. The question is, there is a contract entered into by the company, who were satisfied with the conditions laid down, and who accepted the contract. And we contend it is their duty to carry it out or throw it up.

APPENDICES.

APPENDIX A.

STATEMENT showing the Total Area and Contract Value comprised in the B1 Map attached to the Contract, and the Area and Contract Value of the Lands which the Company has selected to Date, and Area, and B1 value of Lands unselected.

District.	Total comprised in the B1 Map.		Total selected to Date by the Company.			Balance unselected.		
	Area.	Contract Value.	Area.	Contract Value.		Area.	Contract Value.	
	Acres.	£	Acres.	£	s. d.	Acres.	£	s. d.
Westland ...	663,400	415,075	20,500	20,500	0 0	642,900	394,575	0 0
Canterbury ...	1,302,300	668,100	182,898	126,403	5 0	1,119,402	541,696	15 0
Amuri ...	964,100	482,050	71,096	35,548	0 0	893,004	446,502	0 0
Nelson	2,983,400	1,562,774	1,914	957	0 0	2,981,486	1,561,817	0 0
Township sections	...	17,434	...	1,844	0 0	...	15,590	0 0
Totals ...	5,913,200	3,145,433	276,408	185,252	5 0	5,636,792	2,960,180	15 0

The New Zealand Midland Railway Company (Limited),
Wellington, 24th August, 1893.

NORMAN H. M. DALSTON,
Accountant.

APPENDIX B.

EPITOME OF THE COMPANY'S PROPOSALS CONTAINED IN THE PROPOSED NEW CONTRAC .

Clause 2.—The company asks for extension of time to complete works ; nominal period, five years, and within two years from date of contract signed will construct line into the Motueka Valley, if necessary (see clause 21).

Clause 10.—The company surrenders its land grant and rights to all lands within authorised area (except future selections for construction now going on) for £850,000, payable in twenty half-yearly instalments, either in 3½-per-cent. bonds or cash. The first payment not to be made until nine months after signing of contract.

Clause 13.—The completion of the Belgrove-Reefton section to be subject to further negotia-tions after the construction of the East and West line.

Clause 17.—The company not to be charged rates or taxes, except those levied direct by Government. All such rates, &c., to be on income, and not on capital value.

Clause 20.—If Government wish to purchase line at any time ten years after completion, price to be £2,500,000.

Clause 20a.—If company wish Government to purchase line, price to be £2,000,000.

Clause 21.—As to Belgrove Section, the company to extend into Motueka Valley, and the Government shall purchase for £100,000—payments over ten years ; or the company sells works already executed for half-cost, viz., £30,000—payments over ten years ; or the company extends line to Motueka Valley, the Government work and maintain, paying company net profit. The Government to purchase at valuation at end of ten years.

26th August, 1893.

APPENDIX C.

LETTER FROM MR. MORRIS FOX, RETURNING TABLES, AS CHECKED.

Mr. MORRIS FOX to the CHAIRMAN, Public Accounts Committee.

Re *Midland Railway Company*.

SIR,—

Government Insurance Department, 28th August, 1893.

In accordance with instructions conveyed in a memorandum of the 26th instant, from the Clerk of the Public Accounts Committee, I have read letter No. 35 in paper D.—6, from the Under-Secretary of Public Works, and have also checked the Tables A to H in the *Midland Railway Company's* statement supplied to me and returned herewith.

Tables A, B, C, D, E, and F.—The accumulations given in the company's tables are practically correct, £27 being the largest error, which is of no importance considering the amounts involved and the purpose for which they are required. I append a statement showing the correct accumulations, and also, as likely to be of use, the proofs of their correctness as shown by the equality of the present values of the accumulations and the present values of the three instalments at the various rates of interest. I have pointed out in my statement that in each of the Tables A, B, C, D, E, and F the ten years will not expire until *eleven* years from the 31st December, 1893.

Tables G and H.—I also give accumulations and present values for Tables G and H. There were errors of £1,132 and £5,122 in these tables. There appears to me to be a radical error in the calculations in these two tables, which I have explained in a note in my tables.

The Calculations furnished by me and embodied in Letter No. 35 from the Under-Secretary of Public Works.—The present value at 4 per cent. of an annuity of £1 per half-year for twenty half-years, the first instalment payable at once, is £16·67846. The present value of a similar half-yearly annuity of £33,750 will therefore be £33,750 × 16·67846 (=£562,898).

The present value, at 4 per cent. of £200,000 due in one year, is	... £192,308
" " £200,000 due in two years, is	... 184,911
" " £218,000 due in three years, is	... 193,801

Total present value £571,020

This sum of £571,020, discounted at 4 per cent. for about three and half months, is also £562,898; and therefore the present value of the three land-grant instalments (due at the end of 1894, 1895, and 1896 respectively) will be equal to the present value of the twenty half-yearly annuities of £33,750 about the middle of next month, September, 1893, taking interest at 4 per cent.

I have been much pressed for time in supplying this information, but I shall be happy to remedy any deficiencies if you will kindly indicate in what direction you need further information.

I have, &c.,

The Chairman, Public Accounts Committee.

MORRIS FOX, Actuary.

TABLE A.

TABLE B.

£618,250, payable in three sums of £206,083, as stated, and accumulated for 10 years at

3 per cent.			3½ per cent.		
£806,911			£842,944		
<i>Proof.</i>			<i>Proof.</i>		
Present value of £206,083 due	..	£ 206,083	Present value of £206,083 due	..	£ 206,083
" £206,083 due in 1 year	..	200,081	" £206,083 due in 1 year	..	199,114
" £206,083 due in 2 years	..	194,254	" £206,083 due in 2 years	..	192,381
Total present value	..	£600,418	Total present value	..	£597,578
Present value of £806,911 due in 10 years	..	£600,418	Present value of £842,944 due in 10 years	..	£597,578

TABLE C.

TABLE D.

£618,250+10 per cent. (=£680,075), payable in three sums of £226,692, as stated, and accumulated for 10 years at

3 per cent.			3½ per cent.		
£887,602.			£927,238.		
<i>Proof.</i>			<i>Proof.</i>		
Present value of £226,692 due	..	£ 226,692	Present value of £226,692 due	..	£ 226,692
" £226,692 due in 1 year	..	220,088	" £226,692 due in 1 year	..	219,024
" £226,692 due in 2 years	..	213,680	" £226,692 due in 2 years	..	211,619
Total present value	..	£660,460	Total present value	..	£657,335
Present value of £887,602 due in 10 years	..	£660,460	Present value of £927,238 due in 10 years	..	£657,335

TABLE E.

TABLE F.

£618,250+15 per cent. (=£710,987), payable in three sums of £236,996, as stated, and accumulated for 10 years at

3 per cent.			3½ per cent.		
£927,947.			£969,385.		
<i>Proof.</i>			<i>Proof.</i>		
£			£		
Present value of £236,996 due ..	..	236,996	Present value of £236,996 due ..	..	236,996
" £236,996 due in 1 year ..	..	230,092	" £236,996 due in 1 year ..	..	228,981
" £236,996 due in 2 years ..	..	223,392	" £236,996 due in 2 years ..	..	221,238
Total present value ..	..	£690,480	Total present value ..	..	£687,215
Present value of £927,947 due in 10 years ..	..	£690,480	Present value of £969,385 due in 10 years ..	..	£687,215

In all of these Tables (A, B, C, D, E, and F) it must be noted that, if the three equal instalments are assumed to be payable at the end of 1894, 1895, and 1896 respectively, the ten years will not expire until the end of 1904, or *eleven* years from next December. The above present values, therefore, need to be discounted for one year at the several rates of interest, to arrive at the present values at the end of this year, 1893, which will give the present values hereunder: Table A, £532,928; Table B, £577,368; Table C, £641,221; Table D, £635,104; Table E, £670,366; Table F, £663,975.

TABLE G.

TABLE H.

£618,000, payable in three sums of £200,000, £200,000, and £218,000, as stated, and accumulated for 9½ years at

4 per cent.			5 per cent.		
£862,154.			£935,817.		
<i>Proof.</i>			<i>Proof.</i>		
£			£		
Present value of £200,000 due ..	..	200,000	Present value of £200,000 due ..	..	200,000
" £200,000 due in 1 year ..	..	192,308	" £200,000 due in 1 year ..	..	190,476
" £218,000 due in 2 years ..	..	201,554	" £218,000 due in 2 years ..	..	197,732
Total present value ..	..	£593,862	Total present value ..	..	£588,208
Present value of £862,154 due in 9½ years ..	..	£593,862	Present value of £935,817 due in 9½ years ..	..	£588,208

There is a similar error in these two Tables, but, as specific years are given, I cannot correct in quite the same way. For the first year, ending 31st December, 1894, the first instalment of £200,000 has been accumulated at interest, whereas I understand this first instalment is not supposed to be due until 31st December, 1894; if £200,000 is due 31st December, 1894, £200,000 due 31st December, 1895, and £218,000 due 31st December, 1896, then the sum of their present values at the end of this year, 1893, at 4 per cent. and 5 per cent., will be, respectively, Table G, £571,020; Table H, £560,198.

28th August 1893.

MORRIS FOX,
Actuary.

APPENDIX D.

RAILWAY RETURNS.

The SECRETARY, Railway Department, to the CHAIRMAN, Public Accounts Committee.
SIR,— Railway Department, Head Office, Wellington, 29th August, 1893.
In accordance with the request made by the Hon. the Colonial Treasurer to the Railway Commissioners, I am directed to forward the enclosed return of cost of construction, net revenue, &c., of the New Zealand Railways for ten years ending the 31st March, 1893.
I have, &c.,
E. G. PILCHER, Secretary.
The Chairman, Public Accounts Committee, House of Representatives.

NEW ZEALAND RAILWAYS.

In this return of the cost of construction, net revenue, &c., for the ten years ending the 31st March, 1893, the cost of construction is as supplied by the Public Works Department; the net revenue is as supplied by the Working Railways Department; the estimated interest of $4\frac{3}{4}$ per cent. on cost of construction is given by the Hon. J. G. Ward, Colonial Treasurer.

Year.	Cost of Construction.	Interest at $4\frac{3}{4}$ per Cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84 ...	11,078,501	526,229	305,314	220,915
1884-85 ...	11,810,194	560,984	355,686	205,298
1885-86 ...	12,472,814	592,459	357,078	235,381
1886-87 ...	13,017,567	618,334	299,696	318,638
1887-88 ...	13,352,978	634,266	307,515	326,751
1888-89 ...	13,472,837	639,960	350,570	289,390
1889-90 ...	13,899,955	660,248	412,782	247,466
1890-91 ...	14,278,586	678,233	420,998	257,235
1891-92 ...	14,656,691	696,193	408,914	287,279
1892-93 ...	14,733,120	699,823	449,380	250,443
Totals ...	...	6,306,729	3,667,933	2,638,796

29th August, 1893.

A. C. FIFE,
Accountant, Railways.

The SECRETARY, Railway Department, to the CLERK, Public Accounts Committee.

Railway Department, Head Office, Wellington, 31st August, 1893.

In reply to your request of the 29th August, I am now directed by the Railway Commissioners to forward the enclosed supplementary returns of profit or loss on various sections of New Zealand Railways for ten years ending the 31st March, 1893.

E. G. PILCHER, Secretary.

E. W. Kane, Esq., Clerk, Public Accounts Committee, House of Representatives.

NEW ZEALAND RAILWAYS.

RETURN supplemental to that furnished yesterday to Public Accounts Committee, showing Profit or Loss on each Section of Railway, 1st April, 1883, to the 31st March, 1893, reckoning Capital devoted to their Construction to have been raised at $4\frac{3}{4}$ per cent. interest. Details attached.

Section.	Cost of Construction at 31st March, 1893.	Interest at $4\frac{3}{4}$ per Cent.	Net Revenue		Loss.	Gain.
			Over Working-expenses.	Under Working-expenses.		
Kawakawa ...	90,337	39,618	10,223	...	29,395	...
Whangarei ...	70,145	32,569	5,009	20	27,580	...
Kaihu ...	49,622	2,357	...	161	2,518	...
Auckland ...	1,912,287	805,331	327,559	...	477,772	...
Napier-Taranaki ...	2,391,394	1,000,056	482,076	...	517,980	...
Wellington ...	1,067,812	452,428	226,748	...	225,680	...
Hurunui-Bluff ...	8,353,213	3,606,396	2,387,598	...	1,218,798	...
Greymouth ...	200,288	90,639	102,070	...	1,172	12,603
Westport ...	227,496	105,051	111,112	...	10,935	16,996
Nelson ...	165,609	78,100	13,639	2,230	66,691	...
Pictou ...	204,917	94,184	4,580	270	89,874	...
Totals ...	14,733,120	6,306,729	3,670,614	2,681	2,668,395	29,599

Net loss, £2,638,796.

Accountant's Office, 31st August, 1893.

A. C. FIFE,
Accountant, New Zealand Railways.

KAWAKAWA SECTION.

Year.	Cost of Construction.	Interest, at $4\frac{1}{2}$ per Cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84	26,603	1,264	621	643
1884-85	86,283	4,098	655	3,443
1885-86	89,441	4,249	958	3,291
1886-87	90,528	4,300	1,951	2,349
1887-88	90,069	4,278	1,393	2,885
1888-89	89,993	4,275	973	3,302
1889-90	90,235	4,286	857	3,429
1890-91	90,235	4,286	1,039	3,247
1891-92	90,337	4,291	1,225	3,066
1892-93	90,337	4,291	551	3,740
Totals ... ..	...	39,618	10,223	29,395

WHANGAREI SECTION.

Year.	Cost of Construction.	Interest at $4\frac{1}{2}$ per Cent.	Net Revenue.		Loss.
			Over Working-expenses.	Under Working-expenses.	
	£	£	£	£	£
1883-84	61,558	2,924	...	20	2,944
1884-85	64,032	3,041	488	...	2,553
1885-86	68,241	3,241	617	...	2,624
1886-87	69,961	3,323	717	...	2,606
1887-88	69,721	3,312	81	...	3,231
1888-89	69,722	3,312	692	...	2,620
1889-90	70,095	3,330	398	...	2,932
1890-91	70,095	3,330	1,126	...	2,204
1891-92	72,090	3,424	244	...	3,180
1892-93	70,145	3,332	646	..	2,686
Totals ... ..	...	32,569	5,009	20	27,580

KAIHU SECTION.

Year.	Cost of Construction.	Interest at $4\frac{1}{2}$ per Cent.	Net Revenue under Working-expenses.	Loss.
	£	£	£	£
1892-93	49,622	2,357	161*	2,518

* Loss on three months' working.

AUCKLAND SECTION.

Year.	Cost of Construction.	Interest, at $4\frac{1}{2}$ per Cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84	1,179,937	56,047	28,079	27,968
1884-85	1,319,672	62,684	34,275	28,409
1885-86	1,545,181	73,396	37,929	35,467
1886-87	1,672,506	79,444	19,228	60,216
1887-88	1,807,971	85,879	23,950	61,929
1888-89	1,797,949	85,403	33,210	52,193
1889-90	1,898,964	90,201	28,351	61,850
1890-91	1,909,937	90,722	42,342	48,380
1891-92	1,909,918	90,721	39,756	50,965
1892-93	1,912,287	90,834	40,439	50,395
Totals ... ..	...	805,331	327,559	477,772

NAPIER-TARANAKI SECTION.

Year.	Cost of Construction.	Interest at 4½ per Cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84	1,691,151	80,330	26,263	54,067
1884-85	1,885,791	89,575	34,527	55,048
1885-86	1,909,700	90,711	36,297	54,414
1886-87	2,027,407	96,302	36,596	59,706
1887-88	2,062,933	97,989	37,410	60,579
1888-89	2,162,524	102,720	44,658	58,062
1889-90	2,168,516	103,005	58,133	44,872
1890-91	2,368,317	112,495	55,473	57,022
1891-92	2,386,055	113,338	74,952	38,386
1892-93	2,391,394	113,591	77,767	35,824
Totals ... ..	...	1,000,056	482,076	517,980

WELLINGTON SECTION.

Year.	Cost of Construction.	Interest at 4½ per cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84	781,417	37,117	11,126	25,991
1884-85	799,714	37,986	16,798	21,188
1885-86	815,000	38,713	20,850	17,863
1886-87	961,871	45,689	22,036	23,653
1887-88	966,386	45,903	19,436	26,467
1888-89	976,465	46,382	20,753	25,629
1889-90	1,050,095	49,880	25,623	24,257
1890-91	1,051,577	49,950	29,820	20,130
1891-92	1,054,465	50,087	28,698	21,389
1892-93	1,067,812	50,721	31,608	19,113
Totals ... ..	...	452,428	226,748	225,680

HURUNUI-BLUFF SECTION.

Year.	Cost of Construction.	Interest, at 4½ per Cent.	Net Revenue over Working-expenses.	Loss.
	£	£	£	£
1883-84	6,615,631	314,242	222,100	92,142
1884-85	6,908,840	328,170	251,782	76,388
1885-86	7,288,049	346,182	239,601	106,581
1886-87	7,428,562	352,857	196,488	156,369
1887-88	7,574,218	359,775	204,192	155,583
1888-89	7,580,494	360,074	222,714	137,360
1889-90	7,830,935*	371,969	276,016	95,953
1890-91	7,996,242*	379,821	270,881	108,940
1891-92	8,347,942*	396,528	232,258	164,270
1892-93	8,353,213*	396,778	271,566	125,212
Totals ... ..	...	3,606,396	2,387,598	1,218,798

* Include £25,000 for stock in suspense.

GREYMOUTH SECTION.

Year.	Cost of Construction.	Interest at $4\frac{3}{4}$ per Cent.	Net Revenue over Working-expenses.	Loss.	Gain.
	£	£	£	£	£
1883-84 ...	166,269	7,898	8,311	...	413
1884-85 ...	176,975	8,406	8,496	...	90
1885-86 ...	180,300	8,564	9,850	...	1,286
1886-87 ...	189,393	8,996	10,437	...	1,441
1887-88 ...	195,114	9,268	11,450	...	2,182
1888-89 ...	199,121	9,458	13,188	...	3,730
1889-90 ...	200,219	9,510	8,338	1,172	...
1890-91 ...	200,231	9,511	9,675	...	164
1891-92 ...	200,288	9,514	11,556	...	2,042
1892-93 ...	200,288	9,514	10,769	...	1,255
Totals ...	...	90,639	102,070	1,172	12,603

WESTPORT SECTION.

Year.	Cost of Construction.	Interest at $4\frac{3}{4}$ per Cent.	Net Revenue over Working-expenses.	Loss.	Gain.
	£	£	£	£	£
1883-84 ...	206,945	9,830	6,619	3,211	...
1884-85 ...	210,886	10,017	6,128	3,889	...
1885-86 ...	214,402	10,184	8,492	1,692	...
1886-87 ...	214,804	10,203	10,385	...	182
1887-88 ...	222,894	10,587	8,444	2,143	...
1888-89 ...	232,934	11,064	13,000	...	1,936
1889-90 ...	226,415	10,755	13,696	...	2,941
1890-91 ...	227,354	10,799	12,588	...	1,789
1891-92 ...	227,496	10,806	16,613	...	5,807
1892-93 ...	227,496	10,806	15,147	...	4,341
Totals ...	...	105,051	111,112	10,935	16,996

NELSON SECTION.

Year.	Cost of Construction.	Interest at $4\frac{3}{4}$ per Cent.	Net Revenue.		Loss.
			Over Working-expenses.	Under Working-expenses.	
	£	£	£	£	£
1883-84 ...	156,683	7,442	1,828	...	5,614
1884-85 ...	164,490	7,813	2,171	...	5,642
1885-86 ...	166,700	7,918	2,206	...	5,712
1886-87 ...	163,965	7,789	1,764	...	6,025
1887-88 ...	165,178	7,846	1,429	...	6,417
1888-89 ...	165,087	7,842	1,130	...	6,712
1889-90 ...	165,448	7,859	96	...	7,763
1890-91 ...	165,447	7,859	...	2,230	10,089
1891-92 ...	165,609	7,866	2,048	...	5,818
1892-93 ...	165,609	7,866	967	...	6,899
Totals ...	...	78,100	13,639	2,230	66,691

PICTON SECTION.

Year.	Cost of Construction.	Interest at $4\frac{1}{2}$ per Cent.	Net Revenue.		Loss.
			Over Working-expenses.	Under Working-expenses.	
	£	£	£	£	£
1883-84 ...	192,307	9,135	387	...	8,748
1884-85 ...	193,511	9,192	366	...	8,826
1885-86 ...	195,800	9,301	278	...	9,023
1886-87 ...	198,570	9,432	94	...	9,338
1887-88 ...	198,494	9,428	...	270	9,698
1888-89 ...	198,548	9,431	252	...	9,179
1889-90 ...	199,033	9,454	1,274	...	8,180
1890-91 ...	199,151	9,460	284	...	9,176
1891-92 ...	202,491	9,618	1,564	...	8,054
1892-93 ...	204,917	9,733	81	...	9,652
Totals ...	...	94,184	4,580	270	89,874

INSTALMENTS OF INTEREST PAYABLE BY THE COLONY.

The SECRETARY, Treasury, to the CLERK, Public Accounts Committee.

(No. 580.)

SIR,—

Treasury, Wellington, 4th September, 1893.

I have the honour, by direction of the Colonial Treasurer, to acknowledge the receipt of your memorandum of the 29th ultimo, inquiring what will be the annual cash charge upon the colony to meet the interest upon the debentures for £850,000, payable in twenty yearly instalments, which the Midland Railway Company propose to accept in exchange for their land-grants; and to enclose herewith a statement as requested, but compiled to show interest on half-yearly instalments—the period mentioned in clause 12 of the proposed agreement.

I have, &c.,

The Clerk, Public Accounts Committee,
House of Representatives, Parliament Buildings.

JAMES B. HEYWOOD,
Secretary to the Treasury.

TWENTY HALF-YEARLY INSTALMENTS of £42,500.—Interest at $3\frac{1}{2}$ per centum per annum.

	£	s.	d.	£	s.	d.
1 half-year	£42,500	...	...	$3\frac{1}{2}$ per cent.	743	15 0
2 "	42,500 + £42,500 = £85,000	...	...	"	1,487	10 0
3 "	85,000 + 42,500 = 127,500	...	...	"	2,231	5 0
4 "	127,500 + 42,500 = 170,000	...	...	"	2,975	0 0
5 "	170,000 + 42,500 = 212,500	...	...	"	3,718	15 0
6 "	212,500 + 42,500 = 255,000	...	...	"	4,462	10 0
7 "	255,000 + 42,500 = 297,500	...	...	"	5,206	5 0
8 "	297,500 + 42,500 = 340,000	...	...	"	5,950	0 0
9 "	340,000 + 42,500 = 382,500	...	...	"	6,693	15 0
10 "	382,500 + 42,500 = 425,000	...	...	"	7,437	10 0
11 "	425,000 + 42,500 = 467,500	...	...	"	8,181	5 0
12 "	467,500 + 42,500 = 510,000	...	...	"	8,925	0 0
13 "	510,000 + 42,500 = 552,500	...	...	"	9,668	15 0
14 "	552,500 + 42,500 = 595,000	...	...	"	10,412	10 0
15 "	595,000 + 42,500 = 637,500	...	...	"	11,156	5 0
16 "	637,500 + 42,500 = 680,000	...	...	"	11,900	0 0
17 "	680,000 + 42,500 = 722,500	...	...	"	12,643	15 0
18 "	722,500 + 42,500 = 765,000	...	...	"	13,387	10 0
19 "	765,000 + 42,500 = 807,500	...	...	"	14,131	5 0
20 "	807,500 + 42,500 = 850,000	...	...	"	14,875	0 0
					29,006	5 0
					£156,187	10 0

4th September, 1893.

R. J. COLLINS, Accountant to the Treasury.

Approximate Cost of Paper.—Preparation (not given); printing (1,525 copies), £30 7s. 6d.

By Authority: SAMUEL COSTALL, Government Printer, Wellington.—1893,

Price, 1s.]

