

Mr. Chapman also suggested that the action of the Agent-General in this matter had an effect on investors in inducing them to put money into this concern. But, as I have shown, the Agent-General had no connection with it at all. He was not authorised to act as a trustee up to the date this prospectus went to press, and his name does not appear on it, and I submit that the names of the directors were in themselves sufficient to warrant investment on the part of persons who invest on the strength of good names on a prospectus. Some of these names were amongst the first in the City; and as to the connection of the Agent-General with the matter, that was simply non-existent. The names of the directors are a sufficient reason for investors, who did not go into matters with great care themselves, in investing their money in this company.

*Mr. Button* (to Mr. Chapman): We want to know what you claim as the position of the company with regard to the railway now. Do you claim on behalf of the debenture-holders that you have a first charge over the railway legally? It is important we should know our position in this respect before we can arrive at any conclusion as to what you should be entitled to in an equitable settlement.

*Mr. Chapman*: We are not putting our petition on the footing of a legal claim at all. It is because of possible, and, indeed, probable difficulties in our legal position that we are asking the committee to consider in what position we ought to be put.

*Mr. Button*: I want to know what you claim with regard to it. Have you a legal claim, and intend to reserve that? or are the debenture-holders taking the position that they have no legal claim against the Government?

*Mr. Chapman*: It is exceedingly doubtful; at any rate, their position is such that I cannot point to them a procedure under which they can assert that claim.

*Mr. Blow*: I was going on to refer to what has been styled the profit of the Government on seizing the line. I produce a copy of a statement signed by the Governor on behalf of the Crown [see Exhibit G], and by the general manager of the railway on behalf of the company, and that statement, as well as giving particulars as to mileage of the sections, shows in two parallel columns the actual estimated cost of the work, and the reduced figure to bring that amount down to the amount named in the contract. The contract provided that the cost of this line should be taken to be £2,500,000, but, as a matter of fact, the estimated cost was in excess of that. We first have a column giving the actual estimated cost, and then we have a column bringing those figures down to the £2,500,000 limited by the contract. This statement, as I have already mentioned, is signed by the Governor and by the general manager of the company. A precisely identical statement in every way, except as regards signatures, is signed by Mr. C. Napier Bell, the original chief engineer of the company, and by Mr. W. N. Blair, the Assistant Engineer-in-chief of the colony. I wish the Committee to understand that the figures inserted in this statement were inserted by engineers of very high standing. Mr. Napier Bell is an engineer eminent in his profession, and as regards the late Mr. Blair's abilities and qualifications I need offer no remarks, as they are well known to members of the Committee. The estimate of actual cost was considered to be a liberal one, and, as regards the section between Springfield and Brunnerton, the amount limited in the contract was considered to be sufficient to construct that section of the railway; and the two columns, "Estimated cost" and "Proportionate cost," are therefore the same for that section. But as regards the section between Stillwater and Belgrove, the limit prescribed by the contract was considered insufficient, and larger figures therefore appear in the former column than in the latter, in the case of that section. The contract assumed the cost of the latter section of the line to be £1,000,000, whereas these engineers estimated that it would be £1,330,000. So that, as regards each subsection of that section of the line, the amount in the column headed "Proportionate cost," is reduced from the actual estimated cost so as to bring it down to the sum total of £1,000,000. The estimated cost of the section of the railway from Brunnerton to Jackson's was put down at £203,500, and similarly the estimate for the Stillwater-Reefton Section, which is as far as the line has gone in the other direction, was put down at £275,000. In addition to these two sections, the company was bound by the terms of its contract to start within a limited period a section of the line at Belgrove and a section of line at Springfield. Of these two sections the one at Belgrove has only been formed, no rails having been laid, and the one at Springfield has had the rails laid, but no trains ever run, except an occasional excursion train. These two sections were to cost £60,000 each. If you add £120,000 to the two figures I have just mentioned, you will have a gross total of £598,500. It is quite likely that the construction of the sections between Brunnerton and Jackson's, and between Stillwater and Reefton, actually cost more than the estimate. I have every reason to believe that they did; but I think I may safely say that it is in the highest degree probable that the Government could have constructed these two sections of the line for the amount of the estimate.

At this stage the Committee adjourned.

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MONDAY, 27TH JULY, 1896.

Mr. LABATT examined.

1. *Mr. Blow*.] You stated Mr. Wilson was remunerated partly by salary and partly by commission. You told us what the salary was; I wish to ask the percentage Mr. Wilson received?—It was 10 per cent. on all payments to contractors, and 5 per cent., I think, on sundry charges of construction—sundry purchases of material.

2. That would be rails imported from England; on that he would receive 5 per cent.?—I cannot say that for certain without referring to the books.

3. Can you give the Committee any information as to what the items were on which he received 5 per cent.; or were they exceptional amounts altogether?—The amounts I had to deal with were all small purchases in the colony.