

the line to the amount of £7,380 3s. 4d., which has also been used towards defraying the cost of construction-works, making the total amount received £31,643 13s. 10d. Proposals, similar to those which were submitted to the Public Accounts Committee in the session of 1896, have been received. They are of such a nature as to prevent them from being seriously entertained. Mr. A. Young, the receiver of the Midland Railway, had several interviews with me in London. In conversation with him I maintained the position taken up when the matter was before the Arbitrators—namely, that as the groundwork was the contract itself, the debenture-holders could not be placed in a better position than the principal—the company. I, however, pointed out that, such being the case, one of two things must happen—namely, those interested must either submit proposals for the completion of the contract, or throw themselves by petition upon the generosity of the people of New Zealand.

Mr. Young maintained that under the special Act passed in 1884 the railway and all the assets of the company remain legally charged to the debenture-holders, and that, such being the case, their security could not be taken away, even by the Government of New Zealand, although default was made in repaying the moneys expended on the construction of the line. From what I could gather, he was referring to an old contention—namely, that as soon as a section was finished the debenture-holders could take it, and that default in completing the contract by the company would in no way affect the debenture-holders. As we have been advised, this argument cannot be maintained; and, in my opinion, it is simply absurd for the debenture-holders to imagine that they can obtain from the colony a repayment of the eight hundred thousand odd that they have invested in the construction and equipment of the railway.

The contention of the debenture-holders that they could enter legal proceedings in Great Britain has proved fallacious, for their own solicitors have advised that proceedings must be taken in the colony. A proposal was mooted to me at Home by one having a good knowledge of the position that if the colony was prepared to give a guarantee of 3 per cent. for a period of, say, ten years, there was a possibility of raising the million required to complete the line between Jackson's and Springfield, and to finish it to a point to be agreed upon at the Reefton end, and also at the Nelson end. This meant that if the net amount received on the working of the line did not give 3 per cent., the difference between that obtained and 3 per cent. should be found by the colony. In the absence of any definite proposals from the company or the debenture-holders for the construction of the whole of the railway, or even that portion between Springfield and Jackson's, I think, for the present, there is nothing to be done but to proceed with the construction of the work, rendering periodical claims for the amount expended in construction. If, in the meantime, the debenture-holders like to take steps under section 124 of "The Railways Construction and Land Act, 1881," that is their business; or if, on the other hand, they submit some reasonable proposal for the construction of those portions of the line on a guarantee such as hereinbefore mentioned, then in such case I should advise full and fair consideration being given thereto. Failing inability on the part of the debenture-holders to make any proposals, their obvious duty is to throw themselves on the generosity of the colony at an early date, otherwise another year will be lost and nothing done towards putting an end to the present unsatisfactory state of affairs, for it is almost certain that, at no distant date, default in meeting the claims upon construction account will undoubtedly take place.

AID TO THE PUBLIC WORKS FUND.

Special provision to the extent of £250,000 was made last year under the above head for carrying on our railway construction works. The expenditure thereunder during the year amounted to £193,308, so that a balance of only £56,692 remained at the commencement of the current financial year, and the whole of this amount has since been expended; while our liabilities in respect of these works, including additions to open lines, amounted on the 31st March last to £106,312, and on the 31st July to £233,907.