

*bona fides* of their belief that their security was good. And, in addition to the £38,000, they also really contributed a sum of £12,000, which was coming to them from the railway and was put into the line, making a sum of £50,000 contributed by them. In further illustration of the fairness of the view taken by the debenture-holders, the contract itself provides for the Crown acquiring the line in case of failure by the company to carry out the work. I ask you to bear with me for a moment while I read section 43 of the contract. This is what the Crown should do as a matter of right :—

“ If under the provisions of the principal Act or the said Act, or under or by virtue of these presents, the Governor shall be entitled to take possession of the said railway or any part thereof, then in lieu of taking such possession he may, if he think fit, exercise the right to purchase the said railway, although the said period of ten years may not have expired, or the said railway may not have been wholly constructed, and such right shall be deemed to arise on his giving six months' notice to the company of his intention to exercise this right, and thereupon, and without any further notice as prescribed in the principal Act, the price to be paid for the said railway shall be ascertained and determined as provided by the principal Act, except that section 118 thereof shall not apply.”

That section plainly shows what should be done in case of the company finding itself in difficulties and the Crown stepping in and seizing the railway. The Crown does not here pay 5 per cent. on the cost of construction. If the company had constructed the line the Crown would have had to pay that £5 per cent. extra, but if the Crown took the line under section 43 of the contract they would not have to pay it. Looking at that clause, the debenture-holders might very well say, “ If the company fails to complete the line the Crown can only get rid of us by buying the line of us at the bare cost price. Then only they get our security, which cannot be taken from us without paying us a penny, as has happened in this case.” I now come to the last branch of what I have to say—the value of the property to the Crown. There were eighty-three miles of line completed when the line was seized, and there have been £50,000 of money contributed by the debenture-holders since then. It is said by Mr. Blow that about £7,000 was the cost of the portion constructed, and that that is less than the average cost of the Government railways. If you add this £50,000 to the construction it should make seven miles of railway, which would give ninety miles of railway constructed by the debenture-holders. That, as you know, is considerably more than the whole length of the Manawatu Railway. To show that the line was well constructed, we have the evidence of Mr. Young, an eminent engineer, who, comparing it with the other railways in the colony, said it was better constructed than the existing Government railways. Mr. Blow has reported that it is not so well constructed as our railways now are, but that is because the manner in which railways are constructed has improved since the Midland Railway was made, for, comparing the line with those in existence at the time, we are entitled to say that it is as good as the best in the colony. Mr. Dalston will give you figures to show that its actual cost was £750,000 or more. That is the actual amount expended on the line, and that is the cost of the eight-three miles of railway. The estimate made by Mr. Blair and Mr. Napier Bell was £605,685, or, roundly, £606,000, so that there is a difference between the estimate and the actual cost; but I think every one who is familiar with public works knows that these estimates are exceeded when the work comes to be done. We say that £750,000 has been spent on the line, and that is without adding anything for interest. As a matter of principle, it seems to me to appeal to one's common-sense that interest should be added, for if the Crown went to the London market and borrowed a million for, say, five or ten years for the construction of a line they must add the interest paid on the loan to the cost of the line. I understand that in England the interest on the money borrowed is always charged to the cost of construction, and appears on the assets side of the ledger. The Crown, too, recognise the fairness of this, because they provide that £400,000 might be added for interest. I submit the fair way is this: take £750,000 as the total cost of the line made and give us the proportion which our outlay bears to the total estimated cost, and we should get £85,000 added to our £750,000 as interest during the course of construction. That would make £835,000 for the total line. I submit that is the lowest sum at which the cost of this line should be estimated. We have added nothing for other charges which might fairly be included. Directors' fees, money paid in connection with raising the loan in London, and other outlay would all be treated in the company's books as expended on the line, and yet not one halfpenny of such charges has been added to our statement of £750,000 as the cost of constructing the line. That is wholly and solely made up of the money actually expended on the construction of the line without any charge for cost of floating the loan, for directors' fees, or other necessary expenses in London. I submit £830,000 is the lowest sum at which the value of the line should be estimated for this purpose. In addition to the ninety miles of line that have been constructed there are many other expenses. There was £30,000 for rolling-stock and all the other appliances which are necessary in order to work a railway in an efficient manner. All this property the Crown has confiscated; and what does the Crown tell us? “ Oh, you have your land grants.” The Privy Council says they are “ a grant in aid of the construction of the line,” and I submit no deduction should be made from the £830,000 for the land grants. Assuming that the whole line were completed, the Crown would be entitled to purchase it by paying the cost and adding a certain amount (£5 per cent.), but the land grants would not be taken into consideration. They were given as an inducement to the English investor to put his money in the undertaking. Therefore they were not to be treated as part of that which the Crown had power to seize on account of the non-completion of the line. It may be said, “ You have not finished the line: only ninety miles of it,” but it is a fair observation to make that the grants were to be made on certain sections being completed, and I put it that if the line were finished from, say, A to B the colony should grant, and agreed to grant, land in respect to that completed portion, because it was useful to the colony, and therefore entitled the