

which was worse than worthless; he is proving, from the Public Works Department, whose calculations the Minister for Public Works referred to in 1886 as showing a profit of at least 2 per cent., that the then calculations were utterly misleading, and he does not indicate when the discovery of their error was made, or why that discovery was not earlier communicated to the company. I submit that it is greatly to be regretted that this class of evidence was postponed by the Government till the close of their case—that we never had a hint from them that it was intended to present such a plea—and that they have thereby prevented us from meeting it. For the Committee know that we have now but a day or two at the outside when we can be heard before them, and I prefer to call no witnesses in rebuttal rather than to present hurried and partially prepared evidence on so important a part of the case.

And further on, referring to the statements or tables which the Government had put in to show that on the average we must lose over £11,000 a year on the working of the railway, Mr. Bell said:—

I must ask leave to speak two or three sentences with regard to these tables. The tables, sir, are unfair, misleading, and ought never to have been issued from any public department.

Now, Mr. Bell tells you that the real—the only—cause of the company's failure was insufficient share capital. I say that an appeal to practice will completely answer this criticism. I desire to say that a reference to railway company statistics will show that it is quite common to enter into large contracts with comparatively small share capital, the money necessary for the works being found by various means,—(a) mortgage debentures, (b) preferred shares, (c) deferred shares; and, provided there is a reasonable expectation of the works being reproductive, as we were led to believe by the colony this railway would be, there has never been any difficulty in raising the money necessary for constructing any number of railway lines. The New Zealand Midland Railway Company, it is true, had only issued £250,000 out of its authorised capital of £500,000; but it had power to issue the balance of shares, and its articles of association permitted the issue of preference stock as well as to increase the share capital if necessary. Then, there were the land concessions, valued at £1,250,000, which should materially have increased the facility of the company to borrow. Unfortunately, however, the decrying of the value of the land concessions throughout the colony, and also evidence I have just referred to, together with the many reiterated statements of public men throughout New Zealand in 1892 and onwards, that the line when completed would never pay oil for its wheels, debarred the company from being able to issue the further capital necessary or to finance. It must be borne in mind, too, that at the time the company was formed in 1885, investments in New Zealand were looked upon askance by the English investor, and it was only through the high standing and the great exertions of the directors that the company was formed and enabled to float the first issue of the £250,000 in shares and the £745,000 in debentures issued in 1889. Nearly all large British railway companies, as well as American and foreign companies, have had to rely upon various means of borrowing in excess of their ordinary share capital by preferred and deferred shares, as well as by debenture stock, to complete their original undertakings. The Midland Railway Company did then just what other similar companies did, and if the difficulties and opposition I have referred to had not been encountered, we would have been able to carry through. But still another change comes over the scene. In 1885, 1886, and 1887 Ministers of the day declared that success and profit safely lay before this undertaking. In 1892 the Government brought forward evidence to prove that failure and loss were its inevitable fate. In 1900 the Government lead evidence which is consistent only with the conclusion that the company's default in not carrying out the contract is inexcusable, and that it would have paid us well and been a success. The inference, indeed, from all we heard from increased traffic, enormous increase of population, tourist traffic, &c., is that we had a fine profitable undertaking, and should have gone on and prospered. Do these changes of front seem fair? Are they sincere? I say that, looking at the Crown's rights to enter and complete the line in 1892—looking at the Government's conduct then, and since then, and its effect upon our finance—it is really unjustifiable to now raise this claim against us, even if other grounds warranted it. If such a claim was contemplated why was the company not told plainly in 1892, "If you do not finish in contract time we will raise a counter-claim for damages." Instead of that a recommendation is made that the contract time shall be extended; and in 1893 and 1894 it is the same?

*If this Huge Loss was being suffered by the Colony why has the Crown delayed Construction?*

But look at another phase of this matter. It is over five years since this line was seized by the Government. There was no limit on the rate of construction. The Government might have put on any number of men, and have finished before to-day. But instead of that they crawled on, and in five years have constructed about twenty-two miles at most. And now they seek to make us responsible for delay. In 1895 they seized the line for wilful default. Why did they not end the contract then? In one way it plainly suited the Crown's purpose to keep the contract alive, for otherwise they would not have got a penny out of the debenture-holders, whereas they got, after seizure of the line, nearly £40,000 out of our pockets towards construction, and now they say they suffered a loss of £300,000 a year by the delay! I say, then, that that entirely alters the position, and that they must accept the responsibility for the delay. Dealing next with the second rule, that a man is not entitled to damages which his own prompt action should have avoided, I say the Government have either deliberately sanctioned this delay, being a party to it, or they are themselves solely responsible for it and for any loss they have suffered. "Oh, but," Mr. Bell implies, "this delay, this refraining from cancelling your contract, was out of consideration for you." Consideration for us! We told the Committee in 1892 that we could not carry on the contract: that performance by us was impossible, and that an extension of time alone was of no use to us. We said we could not carry it out as it stood. The Crown thereupon sat down and did nothing while we were hopelessly spending more money on the line. Then, after three years' delay the Crown seizes the railway, and says, "Clear out. We take your line and will give you nothing." Can it be pretended that it would not have been better for the company,