

That is what I have called the second class of claim, founded upon the mere possession by us of the railway, quite apart from any question of good faith. In putting the issue thus they departed from all they had previously said. This issue has nothing to do with the debentures or misrepresentation. They go on to say,—

The legal and moral aspects of the question are quite distinct. Into the former it is impossible to enter, as the case is *sub judice*, but, to elucidate the latter, it is permissible to state the facts of the case. We venture to think the New Zealand Government itself would hardly contend that they are accurately presented in Mr. Reeves's letter.

They say that it would be improper to interfere in the legal contest, and yet they boast afterwards that they did coerce us in the course of that contest. I may say, on behalf of the Government, that the answer of the Agent-General in his letter to the *Times* is a conclusive answer to these charges, although it could not possibly be so full and explicit as it might have been if he had had the material at his disposal which would have been available if such statements had been made in the colony. Then they say,—

Mr. Reeves relies upon the fact of the Act of 1881 having been recited in the concession or contract with the company to justify the seizure. Regarding this point, we content ourselves with a statement of the facts. The Act of 1881 does undoubtedly contain powers enabling the Government to enter into possession of a railway as against a company. But the Act of 1884 expressly repealed in respect of this railway the provisions as to borrowing contained in the Act of 1881, and enacted that the company, for the purpose of constructing the railway, might raise or borrow money, and (section 13) that the debentures of the company issued under the Act of 1884 "be a first charge on the railway and everything appertaining thereto," and the prospectus offering the debentures for subscription was based on the giving of such charge.

I have already pointed out that that is directly contrary to fact. The prospectus offering the debentures did not purport to be based on the Act of 1884. They next say,—

It is true, as Mr. Reeves points out, that the Act of 1881, containing confiscatory powers in favour of the Government, is recited in the contract or concession entered into between the company and the Government; but it is equally true—although Mr. Reeves singularly omits to state it—that the contract or concession expressly reserved to the company the borrowing powers and the accompanying rights contained in the Act of 1884, and such reservation was in no way qualified or limited.

I do not quite understand the bearing of that. It may have some meaning, but, if so, it is a very abstruse one. Then,—

Even if some qualification had been introduced into the contract between the Government and the company, it is difficult to see how it could have deprived the debenture-holders of the security so plainly and unconditionally reserved to them by the special Act of 1884, which in no way restricted or qualified the borrowing powers and rights which formed the most important of the facilities conferred by the Act of 1884, declaring, as it did, that lenders of the money would have the security of the railway.

If, whenever any question arose between the Government and the company, the Government believed it had the right to take away the security set apart for the borrowed money, why did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884? In the entire absence thereof the Government need not be surprised at the result of their present attempt to deprive the debenture-holders of their security, which grew as the line grew; and in the face of such an attempt it may well be asked what becomes of the commercial morality so complacently referred to by Mr. Reeves in his letter already mentioned.

Mr. Reeves refers to that incidentally, and I wish to make the point plain to the Committee. I have already shown that the borrowing powers conferred by the Act of 1881 were replaced by the borrowing powers conferred by the Act of 1884, but that the powers are to all intents and purposes the same. The members of the Committee will know, being members of Parliament, that if you repeal certain provisions of an Act and replace them by others you leave in existence all the unrepealed provisions of the original Act, which is still the principal Act. The Interpretation Act and common-sense tell you that the other provisions of the original Act still remain in force. Therefore it was not necessary to do what was actually done in the Act of 1884. The mere repeal of certain sections of the original Act and the replacement of the same by other provisions would have been sufficient; but in this case the Parliament of New Zealand went a step further, and expressly called attention to the continued application of all other provisions of the Act of 1881. Let me again refer to section 18:—

For the purposes of the foregoing provisions of this Act, sections fifty-two to one hundred and six, both inclusive, and sections one hundred and twelve and one hundred and thirteen of the principal Act, relating respectively to the borrowing of money, the rating of lands, and the concession of land to a company, shall be deemed to be repealed, but otherwise the principal Act shall have full force and effect in respect of the railway to be constructed under the authority of this Act, and the company constructing the same, except as herein is specially provided in modification thereof.

Messrs. Ashurst, Morris, Crisp, and Co., the solicitors of the debenture-holders, ask why did not Parliament put it plainly. My answer to that is that it is put plainly, and that any person who looked at the Act of 1884 would see that he was referred to the Act of 1881 as specially conferring powers on the company and correlative powers on the Government. They then refer to the arbitration proceedings and to the exercise by the Governor of his powers, and continue with a reference to a conversation between Mr. Seddon and Mr. Young in London. I think I had better read it, as Mr. Seddon may wish to answer it. The solicitors say,—

At a recent meeting of the debenture-holders, the Receiver, Mr. Alexander Young, appointed here by the Courts, spoke to the following effect: "When Mr. Seddon, the Premier, visited this city in Jubilee year I had several interviews with him. His chief cure for the situation was that I should present, on behalf of the debenture-holders, a petition *ad misericordiam* to the colonial Parliament. This, I had to state at once, was a course I could not adopt, seeing that it would in law give away the legal rights of the debenture-holders. Mr. Seddon then suggested that some day they might, perhaps, be giving us back the line, which, as I then remarked, would only have been giving us what we were entitled to; and, further, that some day, I believed, the railway would become of some considerable value, seeing that the colony would themselves complete it. Mr. Seddon did not agree with that suggestion, but, on the contrary, declared that neither in his time nor mine would that railway be completed by the colony." The debenture-holders allege that, notwithstanding the declaration of Mr. Seddon that the railway would never be completed, the policy of the Government has been to endeavour to exhaust the resources of the debenture-holders by continuously spending money for the extension of the line, and pressing for its repayment under threats that, if not repaid at due dates, the Government would issue the Order in Council already mentioned.