

these statements of the petitioners to the Stock Exchange were most reckless, particularly when they were made in a distant part of the world where they could not be readily answered. But Mr. Reeves answered them, and very effectually, by his letter of 27th April, 1900. On the 20th May Messrs. Ashurst and Co., the solicitors to the debenture-holders, again wrote to the *Times*. They began thus :—

Your issue of the 3rd instant contained a reply by Mr. W. P. Reeves, the Agent-General for New Zealand, to our letter of 19th April. May we crave the hospitality of your columns to point out that the reply entirely evades the true issue before the public? That issue, as already clearly stated, is contained in the following question: "Can the New Zealand Government equitably, without either compensation to the debenture-holders or recognition of their mortgage, appropriate some eighty or ninety miles of railway in the colony, which has been constructed mainly out of the money provided by the debenture-holders, and has been mortgaged by the company to the debenture-holders?"

Again stating the matter in such a manner as to confuse the issues, and not relying on that foundation, but proceeding to make allegations of want of good faith on the part of the colony. They go on to say,—

Nothing more significantly demonstrates the unjustifiable attitude of the present New Zealand Government than the way in which, in both of his letters to you on this subject, Mr. Reeves dwells almost exclusively on the alleged powers of seizure as settling the whole question in dispute. It is not thus that the investing public of this country regard it.

I have endeavoured to show that the investing public of England must have considered their rights as identical with those they would have in the case of English railways. They go on,—

He makes no attempt to answer our inquiry. Why, if the Government believed that they had this right of confiscation, did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884?

Mr. Reeves showed, and I think I have distinctly shown, that while the Act of 1884 repealed certain sections of the Act of 1881 it expressly stated that the remaining sections were still in force. They then say,—

It is obvious that Mr. Reeves found it very inconvenient to answer this question. The special Act of 1884 (which was passed by the New Zealand Parliament three years after the general Act) contains the new and unconditional borrowing powers and first charge upon the undertaking which we have previously described; and the New Zealand Government are bound to give effect thereto or to allow the public to assume that they intended the special Act of 1884 to be a trap for obtaining money for the construction of this railway from bondholders who at that time relied upon the good faith of New Zealand.

Again, you see, they state the issue to be the question of whether we should retain the railway or buy them out, and they bring up this old story of the passing of the Act of 1884, and using it as a trap for the debentures issued three years after the formation of the company, with which we had as much to do as we had with the issue of the share capital—that is, nothing whatever. Then, they go on,—

He endeavours to make much of the circumstance that the Government have given an undertaking not to confiscate the line before giving the debenture-holders a limited time in which to appeal to the Privy Council. He omits to mention that the Government have repeatedly demanded and received from the debenture-holders large sums of money under threats of confiscation; that the Government have prevented by their objections an earlier appeal to the Privy Council.

I have already explained that all we did was to insist that they should go to the Privy Council that year, but should take the regular course in doing so. They next say,—

And that the undertaking was only received in a form considered legally binding by counsel for the debenture-holders here after the petition to the Stock Exchange had been presented.

So you see they first changed their ground, and now they suggest that we were coerced into giving such an undertaking as their solicitors considered binding. The undertaking which we gave was in open Court, at the request of Dr. Findlay; and had I understood that counsel for the debenture-holders did not consider anything binding until it was in writing, I should have told him that we did things very differently in New Zealand, and would have declined to give the confirmatory letter Dr. Findlay asked for; and I am sure I should have had the support of the Premier in that. But I do not want to rely on this at all, and I only mention it as an illustration of the reckless charges which have been made against the good faith of the colony, and of the way in which they constantly shift their ground of complaint, so that it is next to impossible to meet them. When one charge is disposed of they abandon it for a time, and bring up a new one; and when that is disposed of, then the old one crops up again.

(d.) *The Allegation that the Seizure by the Government left the Company and the Debenture-holders without Remedy.*

The debenture-holders allege that the result of the taking possession by the Crown of the railway in 1895 was to leave them without remedy, except to appeal *ad misericordiam* to the Parliament of New Zealand. Sir, that is absolutely incorrect. There is no foundation whatever for that statement. They had a remedy, and a very complete remedy, as I shall show. May I ask the Committee to bear with me while I refer again to sections 123 to 126 of the Act of 1881, which are called the confiscation sections by the petitioners. They are nothing of the kind. The Governor may by section 123 seize the railway in case of default by the company. Sections 125 and 126 provide that if the company for a year fails to meet the half-yearly demands, then the Governor may, after the expiration of the year, give three months' notice of his intention to take the railway as Government property, and if after the expiration of that three months nothing has been done by the company he may declare the railway to be the property of the Crown. Under section 123 the Governor assumed management of the railway in May, 1895, and from that time he not only managed it but he also proceeded further to do the contract work, and spent money on it, but not large sums of money as has been suggested, for after all only some £200,000 have been expended in five years. That shows that the Governor did not expend such an extravagant