

If the Committee will turn back to I.—7, Exhibit G, they will find that the estimate of cost for the Tunnel-Kokiri section, and the Kokiri-Brunnerton section (together 8 miles 52 chains) is £55,900. These sections are nearly identical with the first two in Exhibit L (together 8 miles 57.25 chains). Yet the total sum agreed to be paid to the English contractors was £106,957 5s. 7d., or very nearly double the estimated cost. There is no wonder, therefore, at the extraordinary payment of £12,500 by Mr. Wilson to the contractors to go away and to leave him to complete the contracts at the company's expense. I do not want to stir up such matters again, but am forced to adduce these facts to show how impossible it is to proceed on the basis of the cost to the company of constructing the railway. And that is only one item. I must take another example. There is the payment to Mr. Wilson, the Chief Engineer. That also came out before the Committee in 1896, and Mr. Dalston shows it in a separate account to have been £43,748 for commission and £14,048 for salary, or a total of £57,796 for six years. I assure the Committee that I am anxious to avoid matters which certainly are not pleasant to comment upon. Of course, the Government does not pay its officers commission, nor does it pay them such salaries as was paid to Mr. Wilson in addition to the commission. Nobody has been able to explain why such sums were paid. It is possible that the company may have thought that they must have a man of high eminence in the position, and paid him accordingly; but such considerations will not apply to the Government. The result is, I think, that you will find that throughout the position is clear that the cost to the Government would not have exceeded the estimated cost as fixed by Mr. Blair and Mr. Napier Bell. If the Committee wish for further evidence on this point, I shall be happy to go into it and take it item by item; but it is almost incontrovertible. You will see in paragraph 6 of their petition that they say that they have constructed various sections of the line at a cost of £1,338,000. Dr. Findlay and Mr. Dalston have been very candid about this, and they can only show that £750,000 has been expended on construction, including the salary and commission to Mr. Wilson. The Committee are not troubled to ascertain what has become of the balance, because the company and the debenture-holders do not now contend that they have a claim for more than the actual cost of construction, and the interest on that cost. Therefore, I am relieved, and the Committee is relieved of what would have been otherwise the very unpleasant duty of inquiring what constitutes the extraordinary difference between the statement in the petition and the statement we have here put in by Mr. Dalston—a difference between £1,338,000 and £750,000. Assuming that £605,000 is the amount which it would have cost us to construct the line—taking that amount, and it is slightly in their favour: it is a little more, as Mr. Blow points out, than it would have cost us, because there has been too much expended on the two portions at Springfield and Belgrove, which we have taken in at the actual cost to them—has nothing to be deducted from it? First of all, is it not manifest that the value of the land which they sold must be deducted from the moneys they have to receive. Dr. Findlay and Mr. Dalston argued that the land-grants were a grant-in-aid, and were not to be taken into account in considering the cost of the railway. That is true, but they were only entitled to the land-grants on condition of constructing the line from point to point, and, if they fail to do that, then we are entitled to deduct what they have received in consideration of the promise which they have not performed. I take from their own figures the amount of land they have sold. There have been 383,313 acres already sold. The B1 value of that land was £260,243. That is to say, it represented an expenditure by them of £520,000, and they realised from that land £302,551, and they have further the unsold land which, at B1 value, is £20,301. That makes a total of £322,852. Add to the £20,301 25 per cent.—it was 41 per cent. at one time, but it has come down from that—and you have a total of £328,000. I have not examined the question sufficiently to know whether they are entitled to further selection: if that claim is founded on the amounts which they have paid since the Governor took possession, then, inasmuch as they did not complete a section, I do not think they are entitled to a land-grant for it. So that you have, first of all, to make a deduction of £328,000 for moneys received by the company from sale of land-grants. Then, the Committee may say, That still leaves £275,000: how do you account for that? We account for it in this way: we say that, so far from owing the company anything, they owe us hundreds of thousands of pounds for the injury we have sustained. I have referred the Committee to a passage from the report of the judgment of the Privy Council in the Newfoundland case, and I will ask them now to listen to a few more passages from the report which deal with this point exactly, and it must be remembered that that judgment was delivered before the debentures were issued:—

*Extract from "Government of Newfoundland v. Newfoundland Railway Company" (XIII., A.C. p. 206.)*

On the 15th July, 1892, the company assigned to the other plaintiffs the southern division of the railway and its entire plant and undertaking, constructed or to be constructed, being a distance of 100 miles, and all rights relating to that division or branches, including the grant of 5,000 acres of land for each mile of railway forming part of that division or branches; and also all interest of the company in respect of the said division or branches in the subsidy of £180,000 payable by the Government, in accordance with the provisions of the said Act. The assignees were to hold the property assigned for the security of persons holding bonds which, under the powers of the Act, the company were about to issue to an extent not exceeding £400,000. It appears the bonds have been issued to the full extent.

On the 20th of April, 1886, the railway should, according to the contract, have been completed. At that time the company had only completed eighty five miles, or seventeen of the five-mile sections; and it must be taken, for the purposes of the present questions, that no more has been done, or ever will be done, by the company. It does not appear when any five-mile section was completed, but as each has been completed the parties have considered that a proportionate part of the subsidy attached, and the Government has begun paying that proportion on the next half-yearly day of payment. On this footing the amount due on the 1st of July, 1886, was seventeen sixty-eighth parts of the whole. But by that time the company had failed to perform the contract, and the Government refused to pay any more.