

Much remained to be done in order to adapt the line to heavy traffic, and, recognising that in its then condition the railway was to all intents and purposes a valueless property, the Mexican Government began to devise means for rendering the line of some practical utility as a route for transcontinental traffic. With this object in view they entered into negotiations with the firm of S. Pearson and Son (Limited), whose head, Sir Weetman Pearson, had already gained a great name in Mexico through the successful construction of the drainage canal of the Valley of Mexico and of the port works at Vera Cruz.

The outcome of these negotiations was a series of contracts between the Mexican Government and the firm of S. Pearson and Son. The first contracts were concluded in 1898 and 1899, and dealt with the improvement and administration of the railway and the construction of the two terminal ports. These contracts were modified and extended in 1902, when the Mexican Government entered into a partnership agreement with the British firm for the joint exploitation of the railway. This final contract was concluded in May, 1902, and approved by Presidential decree of June 4 of the same year, with modifications arranged on May 20, 1904, and approved by decree of May 31, 1904.

Under these various contracts the firm of S. Pearson and Son enjoyed, so to speak, a dual character, *vis-à-vis* the Mexican Government—viz., of contractors for the construction of the two harbours, and of partners in the exploitation of the railway and the ports when completed. This is, I believe, the first instance on record where a national Government have taken a private firm into partnership, and speaks volumes for the high reputation for efficiency and integrity which Sir Weetman Pearson had acquired in his earlier dealings with the Mexican Government.

The first contract for the construction of the ports and the administration of the railway had been entered into in April, 1898, but work had not actually been begun until December 16, 1899. The cost of the improvement of the railway, which finally involved its practical reconstruction, has been borne entirely by the Mexican Government, the actual work being carried out by the Pearson firm, not as contractors, but as agents—i.e., at cost price. The Government made a first appropriation of £800,000, and in 1901 a further appropriation of £500,000, and up to date have certainly spent not less than £1,500,000 in bringing the railroad to its present efficient state.

The original agreement with Messrs. S. Pearson and Son also gave them the contract for the construction of the ports of Salina Cruz and Coatzacoalcos, and the specifications contained therein have been in general adhered to with such slight alterations as have proved necessary with the progress of the works—e.g., the construction of a second breakwater at Salina Cruz. No general contract price was fixed for the whole works, only a schedule of prices of units of work was adopted. The Mexican Government continued to advance sums from the reserve fund of the Treasury as the work of construction progressed. In fact, it was not till June of last year that the Government fixed a limit to the expenditure that they were prepared to incur on the two ports—i.e., £6,500,000. This last, however, can hardly be called a contract price, as Sir Weetman Pearson refused on his side to enter any agreement to finish the works according to the accepted plans for that amount.

On December 10, 1906, Señor Limantour requested Congress to authorise a further appropriation of \$20,000,000 for the works at the two ports, and on that occasion he made the following remarks in regard to the capital outlay on their construction:—

“The contracts, which are being executed in the ports of Salina Cruz and Coatzacoalcos, were signed five years ago and involve the expenditure of more than \$65,000,000. Of the \$65,000,000 of works which are included in existing contracts there have already been finished works to the value of nearly \$40,000,000; so that of the authorisations which have been solicited from this Chamber at different times all the available money has been employed in prosecuting the work at these ports in order that the large lines of steamers might have absolutely perfect service.

“There remains to be expended \$25,000,000, more or less, and of this sum we ask of you \$20,000,000 out of the Treasury Reserve.”

As the works have progressed certain additional constructions have proved necessary—at present, for instance, the jetties of Coatzacoalcos are being lengthened, so that before the work of construction at both ports is entirely concluded the estimate of £6,500,000 is sure to be exceeded.

Under the terms of the contracts of May 16, 1902, and May 20, 1904, Messrs. S. Pearson and Son (Limited) entered into a contract of partnership with the Mexican Government for the purpose of exploiting the Tehuantepec Railway and the ports of Coatzacoalcos and Salina Cruz, such partnership to be called the Tehuantepec National Railway Company. The agreement holds good for a period of fifty-one years, commencing July 1, 1902. The corporate working capital was \$7,000,000, to be furnished in equal shares by the two partners, whereof each of the partners has paid in \$1,000,000; the balance, until the sum of \$7,000,000 shall have been completed, is to be paid up as and when required. This capital cannot be used for the improvement of the railway, but merely for running and operating expenses.

Messrs. S. Pearson and Son were, under the terms of the contract, to be the administrators or managers of the corporate property: “To administrate all the business connected with the partnership; to make use of the corporate signature and to represent the railway company in all matters and business of whatsoever nature they may be; together with all the rights conferred by this contract and the obligations which it imposes.”

The Mexican Government merely retained the right of inspecting the material and technical part of the railway and ports, as well as all matters relating to the administration and book-keeping. Plans of new works and periodical statements of accounts were to be submitted for the