

constructed, for a period of seven years, to the extent and on the terms indicated in my letter of the 9th June last, but without any covenant on behalf of the Crown to extend the line as mentioned in yours of the 15th June. The Minister is advised that he has no legal authority to agree to the extension asked for. Will you kindly place the matter before your directors again, and if they are willing to enter into such an agreement, kindly have draft of same prepared by your solicitors and submit it to this office for the approval of the Crown Law Officers.—I have, &c., H. J. H. BLOW, Under-Secretary.—The Secretary, Paparoa Coal-mining Company (Limited), Customhouse Quay, Wellington.”

That correspondence continued, and on the 21st November, 1906 (we demurred in the meantime to entering into this guarantee unless we obtained some advantage from it), our reply was,—

“The Paparoa Coal-mining Company (Limited), 12 Customhouse Quay, Wellington, 21st November, 1906.—Ngahere-Blackball Railway and Extension.—Sir,—I have the honour to acknowledge the receipt of your letter of the 17th instant, in which you state that the Minister of Public Works will have no objection to the proposed form of connection between the Ngahere-Blackball Railway extension and the company's projected railway to Paparoa, and that he will approve it, provided that the company will first sign a formal agreement undertaking to provide coal freight for the Government railway when constructed. I beg leave to point out in this respect that the company is already bound by the terms of its lease to connect its proposed railway with the Blackball Railway extension, and that it has already expended a considerable sum in furtherance of the fulfilment of this obligation, and is merely waiting the Minister's assent to the form of junction to enable it to complete it. My directors do not suppose that the Government wishes to place any delay in the way of the company's fulfilling the obligation it has undertaken, and which it is actively engaged in carrying out, by refusing to sanction the form of connection which it is agreed is the most convenient and economical having regard to the local conditions; they think that you may not possibly have considered this view of the case, and they therefore would ask you to reconsider this point and to obtain the Minister's approval to the plan of junction submitted. As regards the guarantee of traffic and my suggestion of the 15th June, 1906, I note that the Government is unable to accede to the company's request to complete the extension to the fourth mile. Under these circumstances we would suggest that the proposed guarantee should be that ‘For the term of seven years from the date when the mine commences to put out coal the company shall guarantee to send an average quantity of coal of not less than 100,000 tons per annum over the Blackball Railway, paying freight thereon at the rates from time to time imposed by the New Zealand Government Railway Regulations. We suggest that the Government should be satisfied with the guarantee of traffic at the rates generally imposed on the other coal companies on the West Coast, and that the Paparoa Company should not be singled out to be compelled to specially contract to pay a rate different to others. The coal rates in force have proved amply remunerative at Westport and Greymouth, where they have been in force for many years, and where they have been operative without any guaranteed output. My directors hope the Government will see the reasonableness of this request, and that they will accept a guarantee on the terms suggested as a sufficient justification for the speedy completion of the Government line. The Paparoa Company is making the most strenuous efforts to push on its works and mine-development under very difficult circumstances in the absence of the completion of the Government railway.—I have, &c.,—G. TOWNSEND, Secretary.”

We did not wish to have some special rates inflicted upon us by a private agreement, and thought that any rates made should be made by regulations. We suggested the local rates for the Greymouth and Belfast Sections, “where they have been in force for many years and where they have been operative without any guaranteed output.” In reply to that, the Under-Secretary said, “(1.) The first two miles of the railway is nearing completion, and could be made available for traffic at an early date, but as present advised it seems that very little benefit to your company could accrue from completing this section, as the temporary terminus at the two-mile peg would be isolated from road communication. If however, your company would undertake the construction of the necessary approach-road and provide loading and discharging facilities at the proposed temporary terminus, the matter will receive further consideration. (2.) The construction of the whole railway will be proceeded with vigorously if your company will sign the guarantee referred to in my letter of the 9th June, 1906. The Government cannot, however, agree to extend the railway as suggested in yours of the 15th idem, nor can the rate for carriage of coal be fixed as suggested in paragraph 4 of your letter now under reply. (3.) The Government will offer no objection to your company's railway being connected with the line on the usual terms and conditions, and subject, of course, to the details of the proposed method of connection being approved by the Government Engineers. The Hon. Mr. Hall-Jones further directs me to thank your company for its offer of financial assistance, but to state that it is unlikely that such will be necessary.” That letter is dated the 12th April, 1907. Of course we were compelled to execute the agreement. We could not otherwise continue our enterprise—we struggled to keep clear of it but could not get the concession. I will now proceed with my written evidence. The Under-Secretary for Public Works' letter of the 9th June, 1906, was the first intimation that the company had of any agreement or any new conditions to be imposed on it. There were no difficulties to prevent the Government branch being completed promptly, as funds were voted for the purpose. No extension was carried out for the Paparoa Coal-mining Company. The Blackball Company had declined to execute this agreement. There are two subjects involved in the petition—namely, (1.) The completion of the Government branch and the agreement, which subjects were dealt with verbally and in writing between the Public Works Department and the company. No communications about them ever passed between the company and the Working Railways Department; the General Manager for Railways' account of this is confusing and inaccurate. (2.) The imposition of heavy railway rates by the Working Railways Department on the company's line, Roa to Blackball, which are not imposed on other companies on the West Coast, and the excessive cost of complying with the Working