

Enclosure in No. 1.
NEW ZEALAND RAILWAYS.

THE Messrs. Brogden are prepared to form a Company in London with sufficient capital to carry out the construction of Railways in New Zealand upon the following terms:—

1. Upon the complete establishment of the Company, all existing contracts between the Messrs. Brogden and the Government of New Zealand for the construction of Railways to determine, and the works in progress under such contracts to be handed over to the Company, to be thenceforward carried on by them under the conditions of this proposal, the Company repaying to the Government all moneys paid to the Messrs. Brogden under such contracts.

2. The Company to pay to Messrs. Brogden such compensation for loss of time, outlay of money, and interest thereon, up to date of transfer of works, as may be agreed upon between them, the amount so paid to be treated as capital expended within the terms of clause 19 of this proposal.

3. The Company to take over all obligations of the Government as regards works, plant, and materials.

4. For the purposes of this proposal, Railways are to be divided into three classes:—

- A.—Continuous Main Lines;
- B.—Detached Main Lines;
- C.—Branch Lines.

5. Two continuous main lines to be constructed, one in the North Island, leading from Wellington *via* the Wairarapa and Manawatu Gorge and Wanganui to Taranaki, with ultimate extension to join the line from Auckland to Cambridge (the latter forming at once part of this continuous main line) and the junction to be effected so soon as political circumstances will permit; the other in the Middle Island, leading from Invercargill *via* Dunedin, Oamaru, Timaru, and Christchurch, to the Waiau-ua up to the Hope branch of that river, and down the Ahaura to Greymouth, thence south to Ross and north to Reefton, with ultimate extension to Nelson and Picton when circumstances of traffic or otherwise, render it necessary to construct such extensions, or when Government require them to be made.

6. The Company to construct, when required by Government to do so, such detached main lines (in which are comprehended such lines as the Picton and Blenheim, Napier and Paki-Paki, Nelson and Foxhill &c.), as the Government may require to be constructed.

7. With regard to branch lines, the Company to have power to construct same wherever and whenever they may consider necessary for traffic purposes, but the guarantee hereinafter mentioned is to operate only in respect of branch lines the construction of which may be previously assented to by the Government with a view to the guarantee attaching.

8. Except as regards the termini of each line, whether continuous or detached main, and such towns or other population centres as may be selected by the Government along the general direction of each line, the selection of the actual course of the line to rest with the Company; subject, however, to any arrangements on that head existing and binding on the Government at the time of the acceptance of this proposal.

9. The Government to take from the General Assembly all necessary powers for acquiring land for the purposes of the various lines, whether continuous main, detached main, or branch, and otherwise for authorizing the construction of the lines, and to exercise those powers from time to time at the request of the Company, through an officer appointed by them, all expenses being discharged by them and they being bound, if required by the Government, to deposit in advance sufficient moneys to meet the estimated requirements on each case.

10. With all convenient speed after transfer of the existing works to the Company, the Company to carry out, at their own cost, complete surveys of the proposed continuous main lines, and to report the same when completed to the Government, together with details as to the immediate mode of construction they propose to adopt, the probable cost of such construction, and the estimated traffic, and generally on all other matters tending to guide the Government in regard to the extent of immediate liability and the guarantee hereinafter mentioned.

11. The following to be the ultimate character of the main lines to be constructed, namely:— Gauge, 3 feet 6 inches; weight of rails, average, 40lbs. to the yard; sleepers, not less than 6 feet 6 inches long by 8×4½ inches in breadth and depth, and properly fastened; ballast not less than 8 feet 6 inches in width, nor less than 18 inches deep from top of rail; no curve to have less radius than 4 chains; no gradient to be steeper than 1 in 40; bridges are to be so designed and built as to have a strength sufficient to bear a strain, without breaking, four times greater than can be put upon them with the heaviest rolling stock on the line, or otherwise so as to comply with the regulations as to strength of the English Board of Trade. The railways, together with all stations, rolling stock, and all other works connected therewith, are to be constructed of the best material, and in a thoroughly substantial manner, and the extreme cost, including rolling stock, is not to exceed £8,000 a mile; but the Company is to have power, in case the cost of rolling stock necessary for working any line would, during the term of the guarantee, extend the total cost to the Company beyond £8,000 a mile, of hiring such additional rolling stock, and charging the hire of the same against revenue.

12. Subject as above, the immediate mode of construction of the lines is to rest with the Company, to be carried out, however, consistently with efficiency and the requirements of traffic, and to be subject to inspection and reasonable control on the part of the Government; and pending the bringing up of the several lines to the condition of the ultimate character of construction, actual outlay only is to be taken into account for the purposes of the guaranteed interest.

13. The Company are to take over all existing lines in both Islands, including, of course, the Lyttelton and Christchurch Railway.

14. For existing lines and plant they will pay as follows:—

- A. For the lines at valuation, not exceeding original cost of construction.
- B. For plant at valuation, and the payment for same to be made in three instalments, at twelve, eighteen, and twenty-four months, without interest.