

1885.

NEW ZEALAND.

# WAIMEA PLAINS DISTRICT RAILWAY

(PAPERS RELATIVE TO THE NEGOTIATIONS FOR PURCHASE OF).

*Presented to both Houses of the General Assembly by Command of His Excellency.*

## No. 1.

RESOLUTION of the HOUSE of REPRESENTATIVES, dated 30th October, 1884.

THAT the Government be requested to come to the best arrangements they can with a view to the acquisition of the lines by the colony, such arrangements to be subject to the ratification of Parliament.

## No. 2.

WAIMEA PLAINS RAILWAY.

MEMORANDUM of particulars of the promotion, construction, and cost of railway:—

1. The "Waimea Plains Railway Company (Limited)" was formed in June, 1878, to construct a railway from the Township of Gore to the Elbow, in the Province of Southland; length, thirty-seven miles.
2. The consent of the ratepayers and owners of property to the construction of the proposed line was obtained in November, 1878.
3. The estimated cost of the railway was £101,000.
4. The Governor's approval of, and assent to, its construction was gazetted on the 27th December, 1878.
5. The railway was completed and opened for traffic in August, 1880.
6. The certified cost of the railway was £108,713.

## No. 3.

CORRESPONDENCE RESPECTING THE PURCHASE OF THE WAIMEA PLAINS RAILWAY.

1.—The Hon. the MINISTER for PUBLIC WORKS to the CHAIRMAN, Waimea Plains Railway Company.  
SIR,— Wellington, 14th November, 1884.

I have the honour to forward to you herewith the copy of a resolution passed by the House of Representatives.

In conformity therewith the Government will be prepared to enter into an agreement with you for the lease and purchase of the Waimea Plains Railway, subject to the following conditions:—

1. That the agreement shall be subject to the ratification of Parliament next session.
2. That you postpone all proceedings for the recovery of rates against such of the ratepayers as pay you two-fifths of the amount you are authorized to collect on account of the period ending the 31st March last, such proceedings to be resumed only in the event of Parliament refusing to ratify the agreement.
3. That the agreement shall bind you to waive all proceedings against ratepayers for more than the two-fifths mentioned in the last paragraph, and to return any excesses you may have received.
4. That from the 31st March last to the date of the agreement coming into operation, the ratepayers shall only be held liable to make good any deficiency up to 2 per cent., instead of 5 per cent.
5. That you will forthwith run your trains in connection with the Government lines.

On the basis of these conditions the Government, if you are willing to lease and sell, and will at once signify a desire to that effect, will consider the offer they will make to you. You must be good enough to furnish also the information described in the memorandum at foot.

In making arrangements with the ratepayers as indicated above, you are at liberty to inform them that, should Parliament ratify the arrangement proposed, the Government will include in the ratification a proposal to reduce the present responsibilities of the ratepayers from 5 to 2 per cent., to run over a course of twenty years, commencing with the date on account of which the first payment is made.

I have, &c.,

EDWARD RICHARDSON,  
Minister for Public Works.

The Chairman, Waimea Plains Railway Company, Dunedin.

## Enclosure 1 in 1 of No. 3.

RESOLUTION of the HOUSE of REPRESENTATIVES, dated 30th October, 1884.

[Vide No. 1.]

## Enclosure 2 in 1 of No. 3.

MEMORANDUM of INFORMATION required.

1. General plan showing the position of the railway in relation to lands and reserves, &c., adjacent to it.
  2. Ground-plan showing the line of railway throughout, and the positions of the stations; and also detail plans (if any) of stations. On this plan there should also be shown the land required for, and intended to be handed over to Government in connection with, the railway; and it should be accompanied by a schedule showing how and from whom the said land has been acquired, and the amount paid for it, and also the nature of the title which it is proposed to give to the Government to hold it by. Where any land required is not as yet settled for, its estimated value and the price demanded for it should be stated, also the name of the owner and occupier.
  3. Longitudinal section of line throughout, also cross-sections (if any).
  4. Quantities in cuttings, embankments, bridges, and culverts, &c.; also state character of excavation, whether rock or otherwise, where known. Also length and number and character of fencing-gates and cattle-stops. Also length and character of approach-roads and roads in station-yards, and the cost of same where not included in contracts.
  5. Length of main line and sidings.
  6. Number of points and crossings.
  7. Number and size of buildings, turntables, and weighbridges, and at each station separately.
  8. Originals of all contracts for construction-works, including contracts for buildings and for platelaying and ballasting. To be accompanied by all plans and specifications, and tables of quantities, and schedules, &c., illustrative of the said contracts.
  9. Weight and character of rail and fastenings used, and prices paid for same in England. If more than one character of rail and fastenings used, state each, and describe where laid and to what extent.
  10. Size and character of sleepers used.
  11. Original contracts for supply of sleepers, and prices paid for supplies (if any) not obtained by contract.
  12. List of rolling-stock, giving character and class of each description of vehicle, and prices paid for same in England.
  13. List showing any other items not above enumerated.
  14. Original estimate for railway, as prepared by the company's engineer, and all the detail quantities leading up to same if procurable.
  15. A statement showing the actual cost of construction of railway, exclusive of interest on capital during the period of construction; and also giving particulars of the various classes of work upon which the expenditure took place.
  16. A statement of the interest paid or due on the capital subscribed or expended from time to time up to date of opening of railway for traffic.
  17. Amount of capital subscribed.
  18. Amount of capital paid up.
  19. Number of shareholders.
  20. Number of ratepayers held to be liable.
  21. Statement of liabilities (if any) secured by mortgages on the property or any part of it.
- In the event of any of the above information having been already sent to the Government, it will be sufficient to quote the date of its having been so sent, instead of sending it again.

2.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

The Waimea Plains Railway Company (Limited),  
Dunedin, 19th November, 1884.

SIR,—

I have the honour to acknowledge receipt of your favour dated the 14th instant, addressed to the Chairman, with reference to the proposals of the Government regarding the purchase of this company's line.

In reply I have to inform you that as soon as practicable a meeting of the directors will be called, to whom your proposals will be submitted, and a definite answer forwarded as soon as possible thereafter.

I have, &amp;c.,

R. H. LEARY (per T. Barr),  
Secretary.

The Hon. the Minister for Public Works, Wellington.

3.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

The Waimea Plains Railway Company (Limited),  
Dunedin, 4th December, 1884.

SIR,—

I have the honour to inform you that the directors of this company held a special meeting on the 2nd instant, and carefully considered your communication of the 14th ultimo (No. 57-491), setting forth the conditions upon which the Government will be prepared to enter into an agreement with the company for the lease and purchase of the Waimea Plains Railway in conformity with a resolution passed by the House of Representatives.

Before referring in detail to the proposals contained in your letter under reply, my directors desire me to bring under your notice a short statement of the company's position and the difficulties it has had to contend with, principally owing to defective legislation.

The company consists of seventy-five shareholders, and the capital subscribed amounts to £59,350, of which the sum of £35,610 has been called up.

The proprietors were induced to subscribe to the undertaking in the belief that a minimum dividend of 7 per cent. per annum was secured to them by law, and that under the provisions of "The District Railways Act, 1877," the company would be in a position to raise money by the issue of debentures.

Relying upon the provisions of the statute quoted, and in anticipation of floating debentures, the company entered into contracts for the construction of the line and the importation of rolling-stock involving the payment of a large sum of money. To the company's serious inconvenience and loss, however, it was found that, owing to the defective provisions of the statute, the debentures

were unsaleable; and, pending remedial legislation, the company were forced to obtain advances under a personal guarantee, and to submit to exorbitant charges for the accommodation, in addition to which the directors were forced to make calls upon the shareholders far in excess of the sum expected to be called up at the time they subscribed for shares.

The provisions of the statute relating to guaranteed interest were also found to be practically inoperative; and, although the railway had been continually open for traffic since the 1st August, 1880, the company found itself powerless to enforce payment of the guaranteed interest until the enactment of "The District Railways Acts Amendment Act, 1883," and then only for the period commencing the 1st April, 1882. Thus the company was deprived of its right to nearly two years' interest on the certified cost (£108,713) of the railway and its equipment.

After serious loss and inconvenience, extending over several years, in consequence of defective legislation, the company is at last in a position to enforce payment of the guaranteed interest, which will for the future admit of the payment of a steady dividend at the rate of  $8\frac{1}{2}$  per cent. per annum, thus—

Amount of guaranteed interest, 7 per cent. on £108,713	...		7,609	18	2
Deduct interest on loans—					
£40,000 at 6 per cent.	...	...	£2,400		
£35,000 at $6\frac{1}{2}$ per cent.	...	...	2,175		
			4,575	0	0
			£3,034	18	2
Dividend on £35,610 (paid-up capital), $8\frac{1}{2}$ per cent.	...	...	3,026	17	0

The traffic on the line is steadily increasing, and there is a reasonable prospect of the company's net profits in the course of a few years being considerably in excess of the amount guaranteed.

In view of the foregoing facts and the company's prospects, my directors think you will see that the shareholders will be disinclined to part with their property except at a price that will, at any rate, yield them a fair and reasonable return for their outlay.

Recognizing the fact that the rating powers possessed by the company is a matter seriously affecting the settlers within the railway district, and that the line should form part of the Government system, my directors will be prepared to recommend the shareholders to enter into an agreement for the sale of the railway upon equitable terms and conditions.

With reference to the conditions proposed by the Government I am directed to reply as follows:—

1. The board is willing to enter into an agreement which shall be subject to the ratification of Parliament.

2, 3, and 4. As the company's obligations will absorb the amount of the overdue rates and the guaranteed interest for the year ending 31st March next, my directors do not see their way to postpone proceedings for recovery of rates unless the Government will agree to pay the amount as contemplated by the Bill which passed the House of Representatives last session, and take what course it may think proper regarding the collection of the rates.

5. The company has not materially altered its time-table since the line was opened, and continues to meet the up and down express trains between Dunedin and Invercargill. Until some definite arrangement is made with the Government *re* leasing and purchasing the railway my directors will deem it their duty to regulate the traffic in the interests of the shareholders and to suit the convenience of the ratepayers.

With reference to the "Memorandum of Information required," I am directed to inform you that most of it has already been supplied to the Government, and to state that as regards further details, the preparation of which will involve some trouble and expense, they can be furnished if required should the Government and the company agree as to terms and conditions of sale.

Should you be of opinion that the terms and conditions can be more advantageously discussed at a personal interview than by correspondence, my directors will be glad to appoint one or more of their number to meet the Government with a view to an equitable agreement being arrived at.

I have, &c.,

R. H. LEARY,  
Secretary.

The Hon. the Minister for Public Works, Wellington.

4.—Telegram from the UNDER-SECRETARY, Public Works Department, to the SECRETARY, Waimea Plains Railway Company, Dunedin.

Wellington, 6th December, 1884.

IN REFERENCE to your letter acknowledging receipt of Government's proposals relative to purchasing your railway, the Minister is anxious to get the information asked for, and would be glad if it could be sent at once if possible. In the meantime he also wishes to know at once whether the company will alter their time-table so as to suit Government trains, as required in letter.

C. Y. O'CONNOR,  
Under-Secretary for Public Works.

5.—Telegram from the SECRETARY, Waimea Plains Railway Company, to the UNDER-SECRETARY, Public Works Department.

Dunedin, 8th December, 1884.

REPLYING to your telegram 6th, as pointed out in my letter 4th instant, the information asked will entail delay and expense; and, whilst the company is willing to supply it, my board think it will involve useless trouble and expense unless understanding arrived at as to lines upon which agreement is to be made. While railway under control of company as at present, directors feel bound to

arrange time-table to meet requirements of district, to which they feel responsible. Directors are of opinion that an understanding can only be arrived at by personal interview with Minister, which can be arranged to suit his convenience.

R. H. LEARY,  
Secretary, Waimea Plains Railway Company.

The Hon. the MINISTER for PUBLIC WORKS to the SECRETARY, Waimea Plains Railway Company.

*Re Proposed Purchase of Waimea Plains District Railway by the Government.*

SIR,—

Public Works Department, Wellington, 11th December, 1884.

I have the honour to acknowledge the receipt of your letter of the 4th instant, and also your telegram of the 8th, in reference to the proposals of the Government regarding the purchase of your railway by the colony, and very much regret to have to state in reply thereto that the attitude assumed by the directors of your company seems to the Government to do away with any chance of successfully negotiating for the purchase of the line on the basis of my letter to the chairman of the company of the 14th ultimo, or, indeed, upon any basis that Parliament would be at all likely to approve. Under these circumstances I feel compelled—and I arrive at this conclusion most reluctantly—to regard your letter now under reply as a rejection of the proposals of the Government by your directors.

With reference to the statement contained in your letter as to the losses sustained by your company owing to the provisions of the District Railways Act not being found to answer all the anticipations which the promoters of the company had formed concerning them, I can only state that the Government is unable to perceive that you have any just and reasonable grounds of complaint in this respect. On the contrary, indeed, if any just ground of complaint is open to any one at all with respect to this and other matters relating to your railway, the Government is clearly of opinion that it is the colony at large and the ratepayers of your railway district that are the aggrieved parties.

With reference to your statement that the company has not materially altered its time-table since the line was opened, I feel bound to point out that what you say is not at all in accordance with what the Government understand to be the true position of affairs. I am advised that you have altered the times of the running of your trains in such a manner that the line has ceased to be of use as a through line, over which passengers can travel from Dunedin to Kingston, and *vice versa*, without delay and loss of time, and that the company, by cancelling the previously-existing agreement in December, 1883, and by refusing to guarantee any permanence in their time-table, has precluded the Government from making any arrangements for through trains from Dunedin to Kingston, or for the through booking of passengers and goods between those places, and has thus, in the opinion of the Government, tended to curtail the returns, not alone of the Waimea Plains Railway, but also of the Government railways.

The loss and inconvenience to the Government, to the Waimea Plains Railway revenue, and to the travelling public, which has resulted from your action in this matter does not seem to meet with any consideration at the hands of your directors, probably on account of the power which the company possesses under the provisions of the District Railway Acts of levying on the ratepayers and on the Government for any deficiency which may arise. Your directors do not appear to consider that in return for the guarantee of interest thus given, and with a view to reducing the payments under it to the smallest possible sum, they are equitably and honourably bound to work the line to the greatest possible advantage of the guarantors. Such, however, is the opinion of the Government; and had not the amount of the guaranteed interest up to the 31st March last been paid, its payment would now be resisted on the ground that the line is not being worked to the best advantage.

Under all the circumstances of the case I deem it my duty to intimate to you that the Government will apply to Parliament during its next session for relief in this matter.

I have, &c.,

EDWARD RICHARDSON,  
Minister for Public Works.

R. H. Leary, Esq., Secretary, Waimea Plains Railway Company, Dunedin.

7.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

*Re Proposed Purchase of the Waimea Plains Railway by Government.*

SIR,—

Waimea Plains Railway Company (Limited), Dunedin, 24th December, 1884.

My directors have had your letter of the 11th instant (No. 57-950) under consideration, and I am directed to express their regret that you should have so completely misunderstood the tenor of my letter of the 4th instant, and formed an incorrect opinion of their attitude in relation to this matter, and, after a perusal of that letter, they fail to see how exception can be taken to its tenor or the facts therein stated.

It must be remembered that this company has never taken any action in the direction of selling its property to the Government. My directors, however, for the reason stated in my previous letter, desire to express to you their willingness to negotiate for a sale, upon terms and conditions to be mutually arranged, and submit that such a disposition on their part was expressed in my letter of the 4th instant, and the position of the company explained in moderate language.

It appears to my directors that the resolution passed by the House of Representatives does not preclude the Government from dealing with each line of railway upon its merits, nor do they think it was expected that the several district railways would be acquired by the colony on uniform terms and conditions.

My directors are, of course, alive to the fact that any unreasonable agreement for the purchase of the railway would not be likely to receive the approval of Parliament, and unless they were prepared to sell on terms and conditions favourable to the colony, and such as would probably be regarded by Parliament as fair and reasonable, they would not have expressed their willingness to negotiate. Whilst, therefore, you may assume that my letter of the 4th instant may be regarded as a rejection of a proposal of purchase on certain hard and fast conditions upon which my directors have never been consulted, they decline to admit that they are unwilling to sell at a price and upon conditions favourable to the colony. On this basis they are still willing to negotiate and again beg to suggest a personal interview with a view to bringing the negotiations to a satisfactory conclusion.

My directors consider that they would be doing an injustice to themselves and the shareholders if they passed over that portion of your letter under reply which specially refers to the defective legislation in relation to the district railways, and charges the board with mismanagement. Regarding the first, you express the inability of the Government to perceive how the company can justly complain, and state it as the opinion of the Government that the colony at large and the ratepayers within the railway district are the aggrieved parties. It is to be regretted that you should have made so serious a charge against the board, and committed the Government to the opinion stated, without offering some facts in support.

The loss to this company and the gain to the colony at large and the ratepayers by reason of the defective legislation complained of is so manifest that it seems scarcely necessary to again point out to you how seriously the company has suffered thereby—namely, the impossibility of selling its debentures, necessitating financial arrangements involving the payment of high rate of interest and large sums of money for commission and legal expense, to meet which heavy calls had to be made upon the shareholders, to their very serious inconvenience; also the loss of nearly two years' guaranteed interest, in consequence of the provisions of the statute relating thereto being found practically inoperative. Inasmuch as the two years' interest should have been paid partly out of the consolidated revenue and partly by the ratepayers, it seems perfectly clear that the ratepayers and the colony at large, so far from being the aggrieved parties, have been the gainers, and the shareholders of this company the losers, by the defective legislation alluded to.

With regard to your farther and more serious charge of mismanagement, my directors would be disposed to resent your insinuations in strong terms did they not feel convinced that such a charge would not have been made had you been correctly informed of the facts; and they desire me to express their regret that you should have made such serious statements without being first assured that there were at least some reasonable grounds for your accusation.

You seem to doubt my statement that "the company has not materially altered its time-table since the line was opened;" nevertheless it is true, and can easily be corroborated by reference to the Government time-tables in force during the subsistence of the agreement between the Government and the company's time-table, which I have the honour to enclose.

At the time the line was opened the departure and arrival of our trains was arranged so as to connect with the Dunedin and Invercargill express, the Government intending to arrange an alternate service to Kingston *via* Invercargill thrice weekly, and three days a week *via* the Waimea Plains; but, the Invercargill people objecting to any alteration in the service then existing, the Government arranged with this company to run its train between Elbow and Kingston three times a week each way at the absurdly low charges of £9 per week, the agreement to be terminable at one month's notice.

My board considered this only a temporary arrangement, and repeatedly complained that the service was being performed at a very serious loss to the company, and finally the consideration was altered to £12 per week. The company performed the service for three years, but found that it entailed very serious loss. The board accordingly gave the General Manager notice of its intention to terminate the agreement, and discontinued running trains over the Government line between Elbow and Kingston at the beginning of the year.

As the contract with the Government expired by effluxion of time on the 31st December last, the company cannot be fairly charged with cancelling the agreement. No offer was made on behalf of the Government to allow an increase in the charge for the service, nor has any proposal ever been made to connect with our trains at Elbow; so that if the line has ceased to be of use as a through line, over which passengers can travel from Dunedin and Kingston and *vice versa*, the blame should be charged to the Government, and not to my board.

The board, having never been asked to do so, cannot fairly be charged with refusing to guarantee any permanence in the time-table.

I am directed to state that, with the exception of keeping the train an hour longer at Gore on Saturdays at the request and for the convenience of the ratepayers (and which was not done for a considerable time after the through service was discontinued), the time-table is now and has always been practically the same as when the company's train first ran to Kingston under the agreement previously mentioned. Passengers can now and have always been able to leave Elbow every morning and go through to Dunedin or Invercargill the same day, and *vice versa*.

As an answer to your charge that the line has not been worked to the best advantage with a view to profit, I am directed to state for your information that the result of the current year's working will disprove that charge. So far from the Government having any just ground of complaint against the company, on the contrary the company may fairly complain of the illiberal treatment it has received and continues to receive in its dealings with the Railway Department in the matter of the exorbitant charge for the supply of rolling-stock, the whole of which, with the exception of locomotives, is hired from the department. The Government has from the first been exacting and exorbitant in its dealings with the company, and has thus materially diminished the profits of the line, and consequently increased the amount required from the guarantors.

My directors submit that the Government is wholly responsible for the inconvenience to the public and loss to revenue of the Government line that has resulted from the discontinuance of the through service to Kingston, and respectfully invite you to offer any evidence opposed to the facts stated by them.

They think it unnecessary to add anything further in answer to your charges, expressed and implied, except to express their willingness that their management of the company's affairs should be most strictly investigated, in order that your most unjust and unfounded insinuation that the line has simply been managed to gain the Government and ratepayers' contribution to the guaranteed interest, regardless of economy, may be disproved.

With regard to the extraordinary threat contained in the last paragraph of your letter—namely, of applying to Parliament for authority to compel the company to surrender its control over its own business in order that the line may be worked in the interests of the guarantors—I am directed to state that my directors will be prepared to recommend the shareholders to hand over the management to the Government with the least possible delay, provided the Government will undertake that the company shall receive the amount of guaranteed interest secured to it by law, being convinced that such an arrangement will considerably lessen the amount required to make good the deficiency between the net profits and the amount guaranteed; and thus the ratepayer and the consolidated revenue will be considerably relieved, for it must be manifest that great saving of expense will result from the line being worked as part of the Government system.

I enclose copy of the company's time-table and tariff, by which you will observe that the passenger fares agree with those on the Government lines, and that, although the rate of carriage for the first ten miles is slightly under that charged on the Government lines, being a uniform rate per mile, the average per mile does not increase in proportion to the distance, as under the Government tariff.

I have, &c.,

R. H. LEARY,  
Secretary.

The Hon. the Minister for Public Works, Wellington.

[NOTE.—Immediately after the despatch of the preceding letter, Mr. Bell and Mr. Wales, directors, and Mr. Leary, secretary of the company, came to Wellington to discuss the question of the purchase of the railway personally with the Government, which led to the following further correspondence on the subject.]

8.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

*Re Proposed Purchase of the Waimea Plains Railway.*

SIR,—

Wellington, 29th December, 1884.

I have the honour to inform you that Mr. Bell, Mr. Wales, and myself have arranged to return to Dunedin by the "Waihora," leaving to-day, and to express our regret that the terms proposed by the Government are such as my directors could not entertain.

I understand your proposal to be as follows, namely:—

1. The Government to purchase the railway and its equipment at the price of £106,000 in debentures, bearing interest at the rate of 4 per cent., payable within the colony during the first two years, and thereafter in London, and to pay the company the Government quota of guarantee interest up to 31st March next.

2. The company to forego its claim on the ratepayers to the extent of half the amount of rates already levied and to be levied for the current year.

3. The company to pay the Insurance Department the sum of £9,000 by way of premium on the debentures of the company, in consideration of the department exchanging them for Government 4-per-cent. debentures.

4. As an alternative proposal, the Government will pay for the line in 4½-per-cent. debentures, interest thereon being payable in the colony only, and will arrange that the Insurance Commissioner shall give up the company's debentures in exchange for those mentioned at par.

As regards the alternative proposal, it does not appear to us to be any more favourable to the company than the first one, for 4½-per-cent. debentures, with interest payable within the colony only, would probably not be exchangeable for 4½-per-cent. debentures with interest payable in London, and the probable loss on the sale of the 4½-per-cent. debentures would about equal the amount of premium payable to the Insurance Department under the first proposal.

As already pointed out to you, the overdue rates and the guaranteed interest for the current year will enable the company to discharge all its liabilities with the exception of the debenture loan, and for the future the guaranteed interest will admit of the payment of a steady dividend of 8½ per cent. on the paid-up capital. Such being the case, it cannot be expected that the company will entertain a proposal to part with its property on any such terms as those mentioned.

The following will serve to show (approximately) the loss the company would sustain by a sale on the terms proposed:—

Amount of purchase-money	...	...	...	...	106,000	0	0
Moiety of rates, say	...	...	...	...	7,000	0	0
Government quota of guaranteed interest for current year, say	...	...	...	...	2,000	0	0
<b>Liabilities:—</b>					<b>115,000</b>	<b>0</b>	<b>0</b>
Debentures	...	...	...	£75,000	0	0	
Premium on ditto	...	...	...	9,000	0	0	
Sundry creditors	...	...	...	15,000	0	0	
					<b>99,000</b>	<b>0</b>	<b>0</b>
					<b>£16,000</b>	<b>0</b>	<b>0</b>

Thus it will be seen that, the amount of paid-up capital being £35,610, the shareholders would lose £19,610; in other words, they would be selling at a discount of 55 per cent. shares in an undertaking yielding a return of 8½ per cent. per annum.

In conclusion I may say that, while the company is prepared to sell on fair terms, and such as will probably be regarded as reasonable by the Legislature, the directors cannot recommend the shareholders to consider the above proposal.

I have, &c.,

R. H. LEARY,  
Secretary, Waimea Plains Railway  
Company (Limited).

The Hon. the Minister for Public Works, Wellington.

9.—Telegram from the Hon. the MINISTER for PUBLIC WORKS to the SECRETARY, Waimea Plains Railway Company.

Wellington, 30th December, 1884.

In your letter of yesterday the alternative proposal suggested by the Colonial Treasurer is not correctly set forth. I shall write you in a day or two.

EDWARD RICHARDSON,  
Minister for Public Works.

10.—The Hon. the MINISTER for PUBLIC WORKS to the SECRETARY Waimea Plains Railway Company.

*Re Proposed Purchase of Waimea Plains Railway by the Government.*

SIR,—

Wellington, 2nd January, 1885.

I have the honour to acknowledge the receipt of your two letters of the 24th and 29th December last respectively.

The former of these was abundantly commented upon during the lengthy interview which you had with the Hon. the Colonial Treasurer and myself at the beginning of this week, and it is only necessary for me to say now concerning it that I am assured by ample evidence that your company desired to stop all through running of trains between Dunedin and Kingston by the Waimea Plains Railway route, and that this was explained to be your reason for the changes made in December, 1883. I am further assured that those changes were not in the least degree necessitated by any of the features of the arrangement then subsisting, seeing that the Railway Department would have been willing to make any reasonable modification in that arrangement to preserve the through character of the line. But the wish of the company was otherwise, and the Government was warned to discontinue the issue of tickets for through traffic.\*

With regard to the losses sustained by the company, to meet which you state in your letter under reply that "heavy calls had to be made upon the shareholders," I beg to point out to you that the debenture and paid-up share capital of the company apparently only exceeds by something under £2,000 the cost of the railway as formally certified to by the Minister for Public Works; and it is evident, therefore, that the cost has been certified to at too high a figure.

Indeed, the admissions which you made during our interview already alluded to show that items were included in the cost as certified to which should not have been admitted, and it is further evident that in justice to the guarantors there should be another valuation.

This in part, disposes of your theory that the shareholders hold a guarantee of 8½ per cent.; and, as you refer to faulty legislation, I feel compelled to point out to you that it is quite as much opposed to the intention of the Legislature that the guarantors should pay the shareholders 8½ per cent. as that there should be any difficulty in recovering the amount guaranteed.

With regard to your letter of the 29th ultimo, it would seem that you somewhat misunderstood the alternative proposal suggested at our second interview, as in your calculations concerning it you have included the charge of £9,000 for redeeming your company's debentures from the Government Life Insurance Department. What was intended as an alternative proposal was that the Government should arrange with the Life Insurance Department to redeem the debentures on 31st March, 1885, the company to pay interest thereon from the date of purchase up to 31st March, 1885, aforesaid, and that only the balance of £31,000 should be paid to the company, and that that payment should be made in 4-per-cent. debentures (redeemable in fifteen years), with interest and principal payable in the colony.

You complain in your letter that there would be a heavy discount on these debentures, and it is quite possible that there might be if they had to be sold for cash; but the inference was that they would be divided amongst the shareholders, and the debts of the company paid off by means of the collection of the half-rates and by a small call. The Government consider that in offering £106,000 they are offering a sum that will cover the cost of the railway, as well as the half-rates uncollected.

With a view to meeting your objections as to the discount on the debentures, the Government is now willing to make the interest upon them payable within the colony for two years only, and after that time the interest and principal to be payable in London if so desired by the holders. The rate of interest to be four (4) per cent.

I have, &c.,

EDWARD RICHARDSON,  
Minister for Public Works.

R. H. Leary, Esq., Secretary, Waimea Plains Railway Company, Dunedin.

\* For the correspondence relative to the traffic arrangements referred to, see Appendix.

11.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

*Re Proposed Purchase of the Waimea Plains Railway by Government.*

The Waimea Plains Railway Company (Limited),  
Dunedin, 9th January, 1885.

SIR,—

I have the honour to acknowledge the receipt of your letter of the 2nd instant, No. 59-92, which has been considered by my board.

With reference to your statement that you are assured by ample evidence that this company desired to stop all through running of trains between Dunedin and Kingston by the Waimea Plains route, and that this was explained to be our reason for the change made in December, 1883, my directors again deny that they are responsible for the cessation of the through service, for, as already explained to you, the company's time-table has always admitted of the continuance of a through service had the Government thought fit to arrange for trains to meet ours at Elbow; and they regret that you should persist in reiterating charges without supporting them with any evidence, which they now challenge you to produce. The correspondence that passed between the Railway Department and the company in December, 1883, relating to the termination of the agreement then subsisting, will certainly not justify the charges.

Regarding your statement that the changes made in December, 1883, were not in the least degree necessitated by any of the features of the agreement then subsisting, my directors are at a loss to discover how you arrived at that conclusion. In the first place, the consideration the company received for performing the service between Kingston and Elbow was ridiculously inadequate. The running speed which had to be maintained in order to overtake the local traffic and comply with the Government time-table, besides involving considerable outlay for maintenance and repairs, taxed the powers of the company to the utmost. Having carefully considered the question, the board came to the conclusion that by confining themselves to the local traffic—thus reducing the mileage run by about one-third—they would be able to work the line more easily, and to the greater convenience of the settlers, without adversely affecting the revenue account. An inquiry into the working of the line during the past twelve months will fully justify the course the board has pursued, and disprove the unfounded and unsupported charge of mismanagement.

In your letter under reply you state that "the Railway Department would have been willing to make any reasonable modification in that arrangement to preserve the through character of the line; but the wish of the company was otherwise, and the Government was warned to discontinue the issue of tickets for through traffic." In reply to this I am directed to say that the Railway Department never indicated such willingness by making any proposals in the direction mentioned, and emphatically to deny that "the Government was warned to discontinue the issue of tickets for through traffic."

Replying to the third paragraph of your letter, my directors fail to see by what method of reasoning you arrive at the conclusion that, because a portion of the company's liabilities (namely, the debentures), together with the paid-up capital, "apparently only exceeds by something under £2,000 the cost of the railway as formally certified to by the Minister for Public Works, therefore the cost has been certified to at too high a price." You appear to have overlooked the fact that the company's liabilities amount to over £15,000 in addition to the debenture loan. With reference to the "admissions" made by me during our recent interview, if my replies to the questions put to me may be so termed, I think I showed no disinclination to furnish the items included in the cost of the railway and the equipment, which has been certified to by a competent auditor, and approved also by the auditor appointed by the Government. I may also state for your information that during the trial of a test case for recovery of rates, the propriety of the items challenged by you being included in the cost of the railway was unsuccessfully contested in Court, so that the correctness of the construction account may be said to be established. In any case my directors respectfully submit that, as section 22 of "The District Railways Act 1877 Amendment Act, 1878," expressly declares that as regards the guaranteed interest the certificate of the Minister as to the cost of the railway shall be conclusive, the question may be regarded as settled.

My directors deem it scarcely necessary to controvert your opinion that it is opposed to the intention of the Legislature that the guarantors should pay the shareholders  $8\frac{1}{2}$  per cent., as the intention of the Legislature appears to them to be clearly expressed in the statute. The guaranteed interest is upon the cost of the railway and its equipment, as certified to by the Minister.

Had the whole of the company's nominal capital been paid up, the guaranteed interest would have yielded considerably less than 7 per cent. to the shareholders. In that event, I presume the guarantors would have argued that it was not the intention of the Legislature to pay the shareholders 7 per cent. If the company be fortunate enough to make a profit out of a financial operation not affecting the working expenses of the line, it does not appear to my directors that the matter concerns the guarantors, who have not been asked to contribute anything to the very heavy burden in the shape of exorbitant interest that the shareholders have had to bear by reason of the faulty legislation previously complained of. I may further point out that, although for the future there is a good prospect of the shareholders receiving  $8\frac{1}{2}$  per cent. upon their investment, seeing they have had no return whatever for a period exceeding six years, many years must elapse before the average dividend will equal 7 per cent.

I regret that I did not correctly understand the terms of the alternative offer referred to in my letter of the 29th ultimo. Both Mr. Bell and Mr. Wales understood the offer to be as quoted in my letter.

In my calculation including the sum of £9,000 for redemption of the debentures, I endeavoured to show the value of your first offer only, not considering the alternative offer, as I understood it to be more favourable to the company. Upon the same method of working, and assuming the debentures for the purchase-money to be saleable at par, which you will probably admit is extremely



doubtful, the following figures exhibit approximately the loss the company would sustain by agreeing to the terms now proposed by the Government :—

Amount of purchase-money	...	...	...	106,000	
Less debentures	...	...	...	75,000	
					31,000
Moiety of three years' rates, say	...	...	...	...	7,000
Government quota of guaranteed interest for current year, say	...	...	...	...	2,000
					40,000
Due to sundry creditors, say	...	...	...	...	15,000
					£25,000

The paid-up capital being £35,610, the shareholders would lose £10,610, or equal to about 28 per cent. of their capital.

Considering the company's improved position and prospects, my directors would not be justified in recommending the shareholders to part with what is now undoubtedly a good property on anything like the terms proposed by you. At the same time they would be prepared to agree to any arrangement that would have the effect of lessening the guarantors' contribution without diminishing the amount of guaranteed interest secured to the company by law. It is estimated that a saving in the working expenses of at least £2,000 per annum can be effected, and the income increased, by the line being worked as part of the Government system; so that it will be seen that, were Government to lease the line at a rental equivalent to the guaranteed interest, the guarantors would be considerably relieved. At the same time the directors recognize the fact that the guarantors would be relieved to a much greater extent by the Government purchasing the railway. Without committing the company to the price assumed, the following will serve to illustrate my meaning :—

Assuming the Government purchased the line at, say, £125,000 in 4-per-cent. debentures, the annual charge would be £5,000. The profits under the existing system of working may be set down at £1,000, which, added to the estimated saving of £2,000 in working expenses, and allowing nothing for increased traffic which would undoubtedly result from the line being worked as part of the Government system, would leave £2,000 to be contributed by the guarantors instead of about £6,600 as at present : thus—

7 per cent. on £108,713 (certified cost)	...	...	...	£	s.	d.
Deduct profit, say	...	...	...	7,609	18	2
				1,000	0	0
					6,609	18 2

It will be seen that the difference between the interest on £125,000 at 4 per cent. and the profits would about equal the Government quota of guaranteed interest; so that by purchasing the line at the price assumed the ratepayers would be entirely relieved without increasing the present annual charge upon the Consolidated Fund.

I have, &c.,  
R. H. LEARY,  
Secretary.

The Hon. the Minister for Public Works, Wellington.

\*12.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

*Re Proposed Purchase of the Waimea Plains Railway by Government.*

The Waimea Plains Railway Company (Limited),  
Dunedin, 20th February, 1885.

SIR,—

I am instructed by my directors to inquire whether there is any prospect of the Government entering into an agreement with the company for leasing or purchasing the railway.

From the correspondence that has passed between yourself and the company, my directors understand that relief of the ratepayers is one of the objects of the Government in seeking to acquire the company's line, and they have therefore deferred taking further action towards recovery of the two years' rates in arrear in the expectation of a provisional arrangement being made between the Government and the company, one of the conditions of which would probably affect the question of collecting the rates. As already pointed out in the correspondence, the company has to depend mainly upon the rates for funds to meet interest on loans and current liabilities. The early collection of the rates is a matter of pressing necessity, and cannot be delayed much longer. My directors would therefore be obliged if the Government would intimate whether they desire to continue negotiations for the purchase of the line.

The directors regret that the offers that have been made by the Government have been so far below what will return to shareholders the capital invested as to preclude their being entertained, and direct me to repeat that they are willing to dispose of the line on fair terms, and such as will undoubtedly be considered reasonable by the Legislature.

Having previously shown that the guaranteed interest will admit of the payment of a dividend of 8½ per cent. on the paid-up capital of the company, it cannot be expected that the shareholders will consent to part with their property at a price that will yield less than the paid-up capital. With a view to bringing the negotiations to an issue, my directors have resolved to make the following offer to the Government, subject to confirmation by the shareholders, namely :—

The company will sell the railway and its equipment (including two locomotives) to the Government for the sum of £108,713, that being the cost of the railway as certified to by the Hon. the Minister for Public Works; the Government to take over the debenture loan (£75,000), and pay the company the balance—say £33,713—in 4-per-cent. debentures having a currency of twenty years, interest and principal being made payable in London.

The Government will thus acquire the line at its certified cost, without any loading for goodwill or interest on shareholders' capital.

A sale on the above terms will barely admit of the return of the paid-up capital, and my directors will not feel justified in entertaining any proposal resulting in further loss to the shareholders. The sale not to take effect till after the 31st March next, in order that the company's right to the guaranteed interest for the current year may be preserved.

The foregoing definite offer is made in order to remove the misapprehension that exists as to the position taken by the company in the negotiations. For the reasons previously stated, I am directed to request that you will be so good as to give my directors an early intimation of the probability or otherwise of the offer now made being accepted.

I have, &c.,

R. H. LEARY,

Secretary.

The Hon. the Minister for Public Works, Wellington.

13.—The Hon. Sir JULIUS VOGEL, K.C.M.G., Colonial Treasurer, to the SECRETARY, Waimea Plains Railway Company.

SIR,—

Dunedin, 31st March, 1885.

In reference to the interview which I had with you and your directors on the subject of the purchase of the Waimea Railway, I have to express regret that it has not led to an agreement between your company and the Government. The Minister for Public Works requested me, in the event of your directors wishing to do so, to verbally communicate with them respecting your letter of the 20th February.

It would be as well, now, in order to complete the correspondence, that a written reply should be made to it, and I have to say that the Government are unable to accept the proposal it contains.

There are several points referred to by you in the letter, upon some of which it is perhaps desirable that I should comment.

You raise the question as to what amount would be calculated to return to the shareholders the capital they invested. It does not seem to the Government that they are concerned in considering what effect the purchase would have upon the shareholders.

That is a matter which rests between them and their directors. But, if it were the business of the Government to see what effect the proposed purchase would have upon the shareholders, obviously that effect would have to be traced, not from the time, some years ago, when the shareholders originally invested their money, but from the time when the negotiations with the Government commenced. I am informed on excellent authority that before the negotiations commenced shares in the Railway Company could be purchased at a very considerable discount—in fact, that no purchasers could be found for them; whilst since negotiations have commenced with the Government the price has largely advanced. It is evident, therefore, that, as far as the shareholders are concerned, the proposals of the Government had a highly favourable effect upon their interests. The shareholders also have to bear in mind that the losses they may make will arise from the undertaking having been commenced without sufficient capital. For example, to the price the Government may give you they will have to add several thousands of pounds for redeeming the long-currency debentures of the company held by the Insurance Association. I am informed also that enormous rates of interest were paid by the company on some of the advances it obtained. Obviously the Government are not concerned in indemnifying shareholders for losses of this kind.

With respect to your statement as to the cost of the railway as certified to by the Hon. the Minister for Public Works, I have to say that it has been discovered that a serious mistake has been made in certifying to the cost of the railway. The certificate of cost appears to have been based upon the cost estimated by the engineer, whilst it is in evidence that a large amount of work included in the engineer's estimate has not been carried out. To the best of our belief some sixteen or eighteen thousand pounds' worth of work has not been completed; so that the ratepayers are paying a guarantee upon an amount of capital which has not been expended on the works, or, rather, which has not been expended in such a manner as would entitle it to be included in the guarantee.

I am aware that the cost stands in the books of the company at about the amount of the guarantee; but in that cost is comprised interest and financing which clearly should not be included. The intention of the Acts under which the railway was constituted was that the shareholders should find the money required, and not receive interest until the work was completed. I am bound to say that it appears to me you will have to finish the works not completed, and that meanwhile the Government and the ratepayers have a right to a material reduction on the amount on which they are asked to pay a guarantee. As far as the Government are concerned they are entitled to the return of a considerable part of the sum paid you during the last two years, and I shall be glad to learn you are willing to restore it.

In order to come to a clear conclusion as to the value of the railway, it would be desirable that a valuation should be made; and I have to ask you to allow the Minister for Public Works to send engineers upon the ground to make such valuation.

I have, &c.,

R. H. Leary, Esq., Secretary,

JULIUS VOGEL.

Waimea Plains Railway Company, Dunedin.

14.—The SECRETARY, Waimea Plains Railway Company, to the Hon. the COLONIAL TREASURER.

The Waimea Plains Railway Company (Limited),

SIR,—

Dunedin, 11th June, 1885.

I am instructed by my directors to acknowledge the receipt of your letter of 31st March referring to the interview you had with them on the subject of the purchase of the Waimea Plains Railway, and to reciprocate your expressions of regret that it has not led to an agreement between the Government and the company.

My directors have been made fully aware during this correspondence that the Government are not concerned as to what effect the sale and purchase would have upon the shareholders; and they do not ask sympathy from the Government, but simply claim the rights and privileges the Legislature intended this company, in common with others, should enjoy. Please consider, therefore, any reference to the resulting effects upon the shareholders of a sale of their property as simply a statement of facts which my board feels bound to consider, notwithstanding that, according to your view, they do not concern the Government.

My directors are of opinion that neither the Parliament nor the colony desires that, in a purely commercial transaction like that forming the subject of the negotiations, any of the parties concerned—namely, the colony, the ratepayers, and the company—should suffer any injustice.

The rejection by the Government, however, of the very reasonable offer made by my directors on the 20th February last leads the board to the conclusion that the Government are not prepared to enter into an agreement to the manifest advantage of the colony unless it could be shown that they have at the same time driven a hard bargain with the company, involving a serious loss to its shareholders; for, as has already been pointed out in the correspondence, the acceptance of that offer would result in the railway being worked at considerably less expense than is possible under existing conditions, and in the net returns being so largely augmented as to entirely relieve the ratepayers of their contribution to the guaranteed interest, and at the same time diminish the charge on the Consolidated Fund: thus,—

Interest on £108,713 4-per-cent. debentures	...	...	...	£4,348
Deduct profit of line if worked by Government	...	...	...	3,000
Deficit	...	...	...	£1,348

The Government quota of guaranteed interest for the twelve months ended 31st March, 1884, was £1,943, so that, as stated, the ratepayers would be entirely relieved, and the contribution from the Treasury considerably lessened.

In fulfilment of a promise made to the ratepayers, in response to a memorial presented by them, and recognizing the hardship of exacting a crushing rate from the settlers, my directors have met the Government in a fair spirit, as must be manifest to any one perusing the correspondence. The company has offered to dispose of what is now undoubtedly a good property, when in sight of steady dividends secured by law, at a price that, so far from returning any interest on their investment, will not admit of the refund of the shareholders' capital, whilst the colony would acquire the railway on terms that would secure the ostensible object of the Legislature—namely, the relief of the guarantors—as shown in my letter of the 9th January last.

With reference to your remark that previous to the negotiations opened by the Government for the purchase of the line the company's shares were unsaleable except at a discount, and that as a consequence of the negotiations the shares have materially advanced in price, my directors think you must have placed too much reliance upon the source of your information, as practically no transactions in shares have taken place. Up to the present time the company has been unable to declare a dividend, owing to the faulty legislation previously complained of, but now happily remedied; and it is to the previous doubtful character of the statutory guarantee of interest must be attributed the fact that the company's shares were practically unsaleable.

In reply to your contention that the cost of the railway has been certified to at too high a figure, I have to repeat what has been previously stated in the correspondence—namely, that by section 22 of "The District Railways Act 1877 Amendment Act, 1878," the certificate of the Minister of the cost of the railway is made conclusive for the purpose of the guaranteed interest. Since the granting of that certificate the accounts of the company have been audited three times by the Government auditor, and the Government has for two years paid its quota of the guaranteed interest on the basis of the cost as certified to by the Minister; and, although my directors submit that it is not competent to the Government to raise the question, they are prepared to submit the details of the cost of construction, as appearing in the company's books, and amounting to the sum of £109,048 1s. 7d., to any competent disinterested person, and to abide by his decision as to the amount fairly chargeable under the head "Cost of railway and its equipment."

My board admits that, as regards the details of the engineer's estimate, some of the works specified have not amounted to the sum estimated; but, on the other hand, other items have exceeded the estimate, thus swelling the cost to an amount in excess of that certified.

Seeing that the present Minister for Public Works has, after consulting (I understood) the Crown Law Officers, signed a direction to the company to levy a rate based upon the certified cost of the railway (£108,713), it may fairly be presumed that the Government has been advised that your contention that the company is not entitled to the guaranteed interest on that amount is erroneous. I am directed to remind you that, according to the District Railways Acts, the Government quota of the guaranteed interest (£2,162 16s.) is now due and payable, and I shall be glad to receive the amount at once, seeing that all claims upon the company by the Government and the Insurance Association have been promptly paid.

With regard to your contention that the shareholders should have subscribed the whole cost of constructing the railway, my directors fail to see how you can reconcile such a contention with the provisions in the statute expressly authorizing the District Railway Companies to borrow money by the issue of debentures, as such authority would obviously not be required if it had been contemplated that the total amount required for the construction of the railway should be subscribed by shareholders. Moreover, it could hardly be expected that such an undertaking could be carried out with locally-subscribed capital only.

These negotiations were not opened at the instance of the company; and, whilst I am instructed to repeat that for the reasons previously stated in the correspondence my board are willing to sell on terms fair and equitable to all concerned, they are equally content to retain the property, and

have only to ask from the Government and the Legislature such powers, privileges, and facilities as are expressed and implied in the statute under the provisions of which the company was formed.

My directors also admit that at one time, owing to the defective provisions of the District Railways Act, for which the company was obviously not responsible, they were forced to obtain advances at a high rate of interest, by reason of their debentures not being negotiable; but on inquiry it will be found that the amount of the difference between the rates paid and fair rates of interest, if deducted, will not sensibly reduce the amount payable by the guarantors.

In reply to the last paragraph of your letter I am instructed to say that, as my directors are not prepared to renew the offer made in my letter of the 20th February, they see no necessity for a valuation of the line by the Government Engineer. If, however, negotiations are renewed, they see no objection to acceding to your request, on the understanding that such a valuation shall in no way be binding upon the company.

It may interest the Government to know that the expectations of the board regarding increase of traffic have been more than fulfilled. The increase for the six weeks ending the 6th instant, as compared with the corresponding period last year, has been £1,041 10s. 4d., thus:—

	Local Traffic.	Through Traffic.	Total.	Corresponding Period, 1884.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 1 to April 25 ... ..	661 15 5	118 9 11	780 5 4	384 15 3
April 26 to May 23 ... ..	899 17 6	141 0 0	1,040 17 6	555 5 6
May 24 to June 6 ... ..	516 12 11	Not returned.	516 12 11	356 4 8
Total ... ..	2,078 5 10	259 9 11	2,337 15 9	1,296 5 5

As it has come to the knowledge of the board that misapprehension exists in the public mind as to the company's attitude in the negotiations, my directors propose to publish the correspondence on the subject.

I have, &c.,

R. H. LEARY,

Secretary.

The Hon. Sir Julius Vogel, K.C.M.G., Colonial Treasurer, Wellington.

15.—The Hon. the COLONIAL TREASURER to the SECRETARY, Waimea Plains Railway Company.

SIR,—

16th June, 1885.

I have the honour to acknowledge the receipt of your letter of the 11th June, in reply to mine of the 31st March.

You must not suppose, because the Government looked upon the transaction as a commercial one, that therefore they would not sympathize with the shareholders in any loss they might sustain. The conditions of the purchase, not the effect of it on the shareholders, were what the Government had to consider. In making the purchase the Government had to determine what terms would be likely to be acceptable to Parliament.

You will, I hope, permit me to say that the calculation you have been kind enough to furnish of the position the Government would be in if they accepted your offer is totally incorrect. Passing over the fact that it is based on the principle that the Government can borrow money cheaper than a private corporation—a fact which might equally be urged in favour of the Government buying up every business in the colony—your figures are quite erroneous. They are founded on the assumption that the Government can pay off the whole purchase-money by money borrowed at 4 per cent., whereas a great deal more than half the amount you ask is represented by debentures with a long currency, on which the interest is over 6 per cent., which the Government would either have to continue to pay or give a very large premium to redeem the debentures before their due date.

This disposes of the calculations you furnish.

With regard to the question of the cost of the railways, I am unable to see that a mistake which presses injuriously on the Government and on the ratepayers should not be as much open to remedy as the mistakes of legislation, of which you have so bitterly complained, which affected the company. The company, which has asked for retrospective measures to enforce its liability against the ratepayers, can hardly deny the right to remedy a false valuation. That the valuation was a mistake, is beyond question, because it was based on an estimate of work by the engineers, some part of which was never constructed. You say that some other works were done instead, and that the cost of the railway stands in your books at a little over the amount of the guarantee. This is a mere coincidence. It is certain that the Government guarantee has been based on an erroneous conclusion. The fact of the Government having paid for three years an excessive amount surely does not bar its claims to ask for reconsideration.

But you state that the amount is not excessive, and that you are willing the cost, as it stands in your books, should be examined by an impartial person. This is a fair offer, which it will be for the Minister for Public Works to consider.

It is theoretically impossible that the mistaken estimate on which the present guarantee is founded may by coincidence not be wide of what a proper estimate would show. But the question of examination is really prefaced by one of principle. The cost, as it stands in your books, includes interest and financing. The Government contend that these charges have no business to be taken into account. They read the Acts to mean that the company, when it has completed the railway, is thenceforth to enjoy a guarantee; but the cost to date is the cost without interest.

If the shareholders, instead of supplying share capital, elect to obtain money by financing, they must pay for it, and not include it in the cost of the railway. That is the view of the Government, and until it is settled the inspector of the books of the company, unless the point were left to his discretion, would be unable to come to a conclusion. The Minister for Public Works has not considered that he has the power to insist on a re-estimate, so that he has issued his precept for the deficiency on the working for the year ending 31st March, 1885.

You ask me to forward to you the amount due to you under it. If the Auditor-General, under the circumstances, is contented to pass the payment, I shall be content to abide by it, subject to the right of the Treasury to claim in the future a return of any part that may be found to be excessive on account of the erroneous guarantee, should that guarantee be amended.

I agree with you that, if the company prefer keeping their property, the Government should bring no pressure on them to sell.

I have replied to your letter, because it was addressed to me, as was naturally the case, because, being in Dunedin, I wrote to you on the subject during negotiations which were pending.

The matter is, however, now in the hands of the Minister for Public Works, who informs me the correspondence will be laid before Parliament.

I have, &c.,

JULIUS VOGEL.

R. H. Leary, Esq., Secretary to the Waimea Plains Railway Company, Dunedin.

## APPENDIX

### CONTAINING CORRESPONDENCE RELATIVE TO THE DIFFERENT TRAFFIC ARRANGEMENTS BETWEEN THE COMPANY AND THE GOVERNMENT.

Telegram from the CHAIRMAN, Waimea Railway Company, to the GENERAL MANAGER, New Zealand Railways.  
Dunedin, 19th March, 1883.

RECEIVED accounts. The excess of earnings in 1883 is doubtless accounted for by increased traffic and higher rates, while it is possible less wagons used to earn it. Admit casual engine service worth more than regular work; still £12 too low for us. Am willing to sign agreement, if you make this £15 since end of year, and allow one-half rent for carriage and van-hire for Kingston service, and 1d. per mile for loaded wagons, with other alterations as agreed.

J. P. Maxwell, Esq., General Manager, New Zealand Railways, Wellington.

H. DRIVER.

Telegram from the GENERAL MANAGER, New Zealand Railways, to the CHAIRMAN, Waimea Plains Railway Company.  
Wellington, 22nd March, 1883.

WAIMEA RAILWAY.—You will remember, no doubt, that the plan of rates and agreement was proposed by me to give you more favourable results, and they appear to do so; hence, I think it is reasonable to amend the charges for working where they appeared too low, and that is what the agreement embodies. As regards the payment for engine, £12 a week is full. Should you object, I should be prepared to dispense with it if you wish, and run a new service of our own, which could work in connection with your services, as I conclude you would wish. I do not think I could recommend further concessions, but I will lay your telegram before the Minister.

H. Driver, Esq., M.H.R., Dunedin.

J. P. MAXWELL.

Telegram from the CHAIRMAN, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.  
Dunedin, 27th March, 1883.

TELEGRAM of 22nd down to reference to charge Kingston service unintelligible; kindly make more clear. We certainly prefer give up Kingston service, unless we get fifteen pounds per week. Oblige by having whole matter settled soon as possible, as it delays accounts for annual meeting.

J. P. Maxwell, Esq., Wellington.

H. DRIVER.

[NOTE.—The agreement following was subsequently settled by personal discussion at Dunedin, the company accepting £12 a week for engine hire in preference to the department running a new service to Kingston in connection with the company's time-table.]

*Agreement with the company embodying Terms for Running Trains through the Company's Line between Elbow and Kingston with the Company's Engine.*

MEMORANDUM OF ARRANGEMENTS for Interchange of Traffic between the Waimea Plains Railway and the New Zealand Railways, and the running of the Company's Trains between Elbow and Kingston.

The company will work the traffic on its own line, and will be entirely responsible for the safety of the Government rolling-stock, passengers, and goods passing over the same, the gazetted rates for the New Zealand Railways being charged for passengers, parcels, returned empties, drays, carts, and waggons.

2. The Government to supply rolling-stock of every kind (engines excepted)—namely, carriages, brake-vans, trucks, and horse-boxes, &c., charging the company for the use of the same at the following rates at per day or part thereof where not in joint use—namely, first-class carriage, 10s. per day; composite or second-class carriage, 7s. 6d. per day; brake, 5s. per day. On passenger-carriages and brakes running between Gore and Kingston on the through Government passenger services, no charge will be made. Should the Government at any time supply an engine, the charge for the use of the same will be at the rate of £3 10s. per day or part thereof. All wagon-stock and horse-boxes will be charged 1d. per mile run, loaded or unloaded. The Government will charge 6d. per ton on goods, Classes A, B, C, D; 8d. per ton on Class E; 1d. per 100 superficial feet for timber; 6d. per truck on Classes F, L, M; 2d. per ton Classes N, P; 1d. per bale on wool; 1d. on each parcel; and 1d. on each local passenger and on all local bookings from or to either junction station to stations on the company's line for use of the Government stations.

3. Passengers will be booked *viâ* the company's line between Kingston and Elbow and the following stations, viz.: Dunedin, Mosgiel, Milton, Balclutha, Clinton, Gore, and Mataura. In all other cases passengers must re-book at the junctions.

4. Parcels will be booked from all stations on the Government lines to all stations on the company's line, and *vice versa*.

5. Goods will be booked from all stations on the Government lines to all stations on the company's line, and *vice versa*.

6. The company's line will be counted as thirty-seven miles for purpose of through traffic.

7. Division of charges will be made between the New Zealand Railways and the company—

For passengers and parcels, proportionately to mileage.

For goods, such charges will be levied and handed to the company as the company may from time to time direct.

The charges named in the schedule hereto will be made until further arrangement.

8. Payments to the company of the charges and allowances due to it, after deducting all the expenses chargeable against the company as defined hereinbefore, will be made four-weekly, due time being allowed for compiling and auditing the accounts; and, provided that the expenses so chargeable against the company exceed the receipts, the excess of such expenses above the receipts shall be refunded to the Government by the company for each four-weekly period, within fourteen days from date of notice in writing given by the Minister for Public Works to the chairman of the company.

9. The company's officers will render all accounts, both for the company's local traffic and traffic interchanged in the form and manner prescribed for the New Zealand Railways. All moneys collected by them will be paid into the Public Account.

10. The accounts shall be open to the inspection of the company, and such statistical information as is wanted may be obtained by the company upon payment of the clerical expense involved in compiling it.

11. The company will run a train three times a week each way over the New Zealand Railways between Elbow and Kingston. The Minister will pay the company for this service the sum of £12 per week.

12. The company's officers, while running on the New Zealand Railways, will be subject in every respect to the rules, regulations, and by-laws in force at any time on the same, and shall render such returns as may be required by them.

13. Upon application in writing to the General Manager of the New Zealand Railways, Dunedin, by the company's manager, the former may, at his option, permit the company to run a special train, consisting of the company's engine, one carriage, and a van, on the New Zealand Railways south of Dunedin, the use of such special train to be confined exclusively to the company's directors and manager. A charge of 1s. per mile will be made by the Government for the use of their line for each mile run. The General Manager of the New Zealand Railways may, if he thinks fit, put on a driver and a guard to work the "special," and charge the company with the cost of their wages. The General Manager of the New Zealand Railways reserves to himself the right to cancel this condition at any time.

14. This agreement shall commence on the 10th day of December, 1882, and shall remain in force for twelve months, but it may be terminated at any time by one month's notice in writing by either party.

15. The company to pay all claims arising from damage to or loss of goods and parcels, and all claims for personal damages, which occur on the company's line.

16. Should the company neglect or refuse to fulfil any of the conditions hereinbefore stipulated, the Minister may, without further process or notice, cease to work the line, and the company shall have no claim for compensation or damages on account of such stoppage, or on account of any action arising therefrom.

17th April, 1883.

J. P. MAXWELL,  
General Manager, New Zealand Railways.

17th April, 1883.

R. H. LEARY,  
Secretary, Waimea Plains Railway Company.

*Schedule.*—The following rates will be charged per mile upon the Waimea Railway Company's line on through goods: Classes A, B, C, D, per ton, 9d.; Class E, per ton, 4d.; Classes N, P, per ton, 3d.; wool (undumped) per bale 1½d.; timber, per 100 superficial feet, 1d.; Classes F, M, per truck, 9d.; double-floor trucks, rate and a half Class L, per truck, 1s. For local traffic on the company's line, and between the terminal Government station and the company's stations, the minimum rate will not be less than the classified rates.

*Addenda.*—Memorandum of arrangements for interchange of traffic between the Waimea Plains Railway and the New Zealand Railways, and the running of the company's trains between Elbow and Kingston. Addenda to agreement: To come into operation from the 28th April, 1883. Division of charges will be made between the New Zealand Railways and the company for returned empties, carts, drays, and small lots of cattle, sheep, goats, and pigs, proportionately to mileage. Small lots of goods will be booked to the junction stations, and rebooked on the company's line.

17th April, 1883.

J. P. MAXWELL,  
General Manager, New Zealand Railways.

17th April, 1883.

R. H. LEARY,  
Secretary, Waimea Plains Railway Company.

The SECRETARY, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.

SIR,— The Waimea Plains Railway Company (Limited), 13th December, 1883.

Referring to the agreement, dated 17th April, 1883, between this company and the Government for interchange of traffic and for running the company's trains to Kingston, I am instructed to give you notice that this company cannot see its way to renew the agreement which expired on the 10th instant.

It is, however, not the intention of the company to take the slightest advantage of the fact that the agreement has expired, but it will continue to run as heretofore for a reasonable time, so as to allow the department to make other arrangements.

I am further instructed to assure you that the discontinuance of the arrangement has been decided upon after careful consideration by my directors entirely in the interests of this company, and not from any fault or misunderstanding with the department under your control; on the contrary they beg to acknowledge that during the continuance of the agreement nothing but the most cordial co-operation and courtesy has been extended both by yourself and the officers of your department.

The General Manager, New Zealand Railways.

I have, &c.,  
R. H. LEARY,  
Secretary.

The GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Plains Railway Company.

SIR,— Dunedin, 17th December, 1883.

I have the honour, by direction of the Minister for Public Works, to inform you that in compliance with the request made by you in your letter to me of the 13th instant, arrangements have been made to terminate the temporary operation of the agreement between your company and the Government which expired on the 10th instant.

The suspension will take place on the 31st instant. I enclose for your information a copy of the circular issued to stationmasters, and further a copy of the special instructions issued to the stationmasters at Gore and Elbow, which embodies all the conditions necessary for enabling you to work your trains from the Government stations. This will only come into operation upon receipt of a formal intimation from you acquiescing in the terms on behalf of the company as a temporary measure, to be terminated upon a month's notice in writing on either side. Should you not see your way to accepting the terms offered, the circular only will operate, and all further connection with your company will then cease.

The very brief notice given to me of your desire to terminate the agreement, and the verbal intimation that you wished a cessation of the present system of working before the commencement of the year, has necessitated my issuing the instructions immediately without further discussing them with you personally.

The public will be notified by advertisement of the expiration of the arrangement between the company and the Government.

I have to thank you for the intimation conveyed by you that the company recognizes that the Government officers have co-operated to your satisfaction, and I have also to thank your directors for the ready co-operation they have shown in dealing with the business which has from time to time been transacted with the company.

I have, &c.,  
J. P. MAXWELL,  
General Manager, New Zealand Railways.

The Secretary, Waimea Plains Railway Company, Dunedin.

## Enclosure.

To Stationmasters, Guards, &amp;c.

CIRCULAR *re* Waimea Plains Railway.—(Previous circulars are hereby cancelled.)

Wellington, 17th December, 1883.

THE agreement subsisting between the Waimea Plains Railway Company and the Government will terminate on the 31st inst. at the request of the company.

No goods, parcels, or passengers will, on and after that date, be despatched from any Government station on, to, or through the Company's line.

Passengers holding excursion tickets for stations on the Waimea Plains Railway must be permitted to travel *via* Invercargill.

All stations having tickets for stations on the Waimea Plains Railway must send them in to audit on the 1st January. Tickets *via* Waimea Plains Railway must be similarly treated.

J. P. MAXWELL.

## Enclosure.

TERMINATION OF AGREEMENT with the WAIMEA PLAINS RAILWAY.—Special instructions for Gore and Elbow Stations on and after the 31st December, 1883.

THE company be permitted to run its trains from and to these stations; but the trains and all the company's officer must, while within the limits of the Government railway, be entirely subject to the stationmaster's orders and to the rules and regulations of the New Zealand Railways, and to the orders which may be issued from time to time by the General Manager of New Zealand Railways or other authorized Government officers. Upon failure or neglect to obey this condition the stationmaster will take immediate steps to preclude the company's trains from entry until further orders.

When goods are brought by the company in full truck-loads for despatch by the Government line without unloading, they will be received by the stationmasters on similar conditions to goods from private sidings. They must be accompanied by a consignment note, but no receipt will be given for them. The consignee will in this case be the authorized agent of the company, whose name will be advised.

When goods are brought by the company in lots of two tons or under, the company's agent must deliver into the shed for reloading and consign in the ordinary way.

When goods come in full truck-loads consigned to the company at Gore or Elbow they will be delivered over in the truck to the company's agent upon a proper receipt being given and the freight being paid.

Goods received at Gore and Elbow addressed to consignees there may be delivered to the company's agent upon an order from the consignee and upon the freight and charges being paid, the usual receipt being taken by the station.

The company will be charged for Government rolling-stock running on to its line, at per day or part of a day, as follows: First-class carriage, 10s.; second-class or compo., 7s. 6d.; brake-van, 5s.; all goods stock, 2s.; sheets, 1s. But the Government will not guarantee to supply any stock. The company must return all stock in good order, reasonable wear and tear excepted, upon demand by the department.

All Government rolling-stock on the company's line of every description must be returned to Gore Station on the 1st January, 1884, for inspection and stocktaking.

The company will make its own arrangements about receiving, holding, despatching, and booking local goods and parcels, and for booking passengers at Gore and Elbow.

For the use of the Government stations and land a charge will be made on all goods passing on, to, or from the company's line of 6d. per ton on goods of classes A, B, C, D, E; of 1d. per 100ft. superficial of timber; of 1s. per truck on classes F, L, M; of 2d. per ton on classes N and P; of 1d. per bale of wool: minimum charge 3d., in all cases.

J. P. MAXWELL.

MEMORANDUM from the GENERAL MANAGER, New Zealand Railways, to the ASSISTANT GENERAL MANAGER, *re* Waimea Plains Railway.

MR. HANNAY,—

Wellington, 17th December, 1883.

Issue poster altering excursion tickets on Waimea Plains Railway, omitting reference to route, and requisition for tickets, at once, at fares formerly used for Waimea route, which will be available *via* Invercargill.

Issue advertisement that, after 31st inst., Waimea Plains service will cease to run in connection with the New Zealand Railways. Advertise one week.

Passengers who have booked Waimea Plains Railway will be allowed to return *via* Invercargill. Advertise for one week.

Cancel time-tables. Issue notice to "Bradshaw."

Arrange daily service, Invercargill to Kingston.

J. P. MAXWELL.

The SECRETARY, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.

SIR,— The Waimea Plains Railway Company (Limited), Dunedin, 21st December, 1883.

I have the honour to acknowledge the receipt of your favour of the 17th instant, with copies of instructions given by you to the various stationmasters.

The whole subject has had consideration; and I am instructed to remind you that, by referring to my letter of the 11th instant, you will see that, although the agreement expired on the 10th instant, I expressly stated that in terminating existing arrangements this company did not wish to press the department with inconvenient haste. However, the company beg to thank you for acting so promptly.

With regard to the terms proposed for the fresh agreement, there are several points which I respectfully submit will require discussion and alteration to enable the company to work their line in the most convenient and equitable manner for the people of the railway district, whose interest they wish to conserve. I will not, therefore, at the present time refer specially to any particular portion of the arrangement proposed, but am instructed to acquiesce in its terms on behalf of this company "as a temporary measure," as suggested by you. One of our directors will visit Wellington within the next fortnight, and discuss the whole subject with you, when no doubt a mutually satisfactory arrangement will be arrived at.

In the meantime instructions have been given to the officer in charge of the line to carry out on his part the temporary arrangement, and to work in harmony with your officers at Gore and Elbow.

I have, &amp;c.,

R. H. LEARY, Secretary.

The General Manager, New Zealand Railways, Wellington.

The ASSISTANT GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Plains Railway Company.

SIR,— 31st December, 1883.

I have the honour, by direction of the Minister for Public Works, to submit for the consideration of your directors a proposed working arrangement for the interchange of goods and passenger traffic between the Waimea Plains Railway and the Government lines, being very similar to the agreement which was in operation until the 31st December, 1883.

I understand, from what passed when you were here with your directors, Messrs. Bell and Wales, that the company is prepared to consider favourably an arrangement whereby passengers from Dunedin may be enabled to get through to Queenstown in one day.

Should the company agree to some such arrangement as is now submitted, the Government agrees to run a train between Elbow and Kingston tri-weekly, on the days stated in the proposed memorandum of arrangement, or such other days as may be considered most suitable, the Government being of opinion that a tri-weekly service between

Elbow and Kingston in connection with your train will be found ample for public convenience, and will be received with satisfaction by the settlers in the Lake District; indeed, during the three years this service was run it seemed to meet all the wants of travellers.

You will observe that in clause 11 of the proposed arrangement reference is made to your time-table, which must not be altered without the consent of the Government; but, as I think that you may possibly be able to modify slightly your present time-table, I have not finally considered your existing time-table as that with which it will be necessary for the Government trains to connect at Lumsden.

I would remark for your consideration whether you might not be able to leave Gore at 2.45 or 2.50 p.m., and at same hour on Saturdays; also, whether you could shorten the time slightly between Elbow and Gore on the days that there is connection with the Government train at Elbow. Any alteration in these directions would, no doubt, stimulate traffic, and be appreciated by through passengers.

As the question of a through service which will enable passengers to get from Dunedin to Queenstown in a day is one of great importance, I shall be glad if you can submit the proposals to your directors at as early a date as possible, and I would also ask that you communicate their reply without delay.

I have, &c.,

W. M. HANNAY,  
Assistant General Manager, New Zealand Railways.

The Secretary, Waimea Plains Railway Company, Dunedin.

The SECRETARY, Waimea Plains Railway Company, to the ASSISTANT GENERAL MANAGER, New Zealand Railways.  
SIR,—

The Waimea Plains Railway Company (Limited), Dunedin, 12th January, 1885.

I have the honour to acknowledge the receipt of your letter of 31st ultimo, submitting a proposed working arrangement for the interchange of goods and passenger traffic between the Government and the Waimea Plains Railway lines, also of your telegram of 8th instant more particularly referring to an arrangement for a through service between Dunedin and Kingston *via* the Waimea Plains; and in reply I am directed to state that during our recent interview with Ministers, Messrs. Bell, Wales, and myself distinctly arranged with the Hon. the Minister for Public Works for a daily through service between Dunedin and Kingston, and we regarded the matter as virtually settled, and not left open for consideration, as indicated in your letter. You will probably remember that shortly after our interview with Ministers we informed you of the arrangement come to, and you endeavored to persuade us that a tri-weekly service was sufficient, and unsuccessfully urged us to give way. There can be no question that it was distinctly stipulated and agreed to that, conditionally upon the company adhering to its existing time-table, subject to three months' notice, the Government trains should connect with ours at Elbow daily. My directors are therefore surprised that the arrangement made has been ignored, and the rejected proposal for a tri-weekly service is now submitted for consideration. As already intimated to you by wire, the board is prepared to adhere to the arrangement made with the Minister, and declines to entertain the proposal for a tri-weekly service only. As to your contention that your proposal will be found ample for public convenience, and will be received with satisfaction by the settlers in the Lake District, I am directed to say, without admitting the correctness of your contention, that such are not the only considerations which should influence the board in regulating the traffic. The question of satisfying the general public, including the settlers in the Lake District, should doubtless be considered by the Government in any arrangements made; but, as the Waimea line is not a public one, but the property of a company formed for the purposes of profit to its shareholders, their interests should be the first consideration of my directors in any arrangement that may be made with the Government. It does not appear to my board to admit of any doubt that a daily through service must stimulate traffic over the company's line, and add to its earnings to a greater extent than a tri-weekly service would do, while the working expenses would be the same as now. It appears to my directors the Government wish them to regulate the traffic entirely to suit the convenience of the Railway Department, regardless of the interests of the ratepayers and shareholders.

Regarding the details of the proposed agreement for "interchange of traffic," I am directed to say that they are very one-sided, and in framing them your department has certainly acted consistently in preserving the illiberal character of its treatment of the company in the past. I am instructed to remark upon the conditions of the proposed agreement as follows:—

1. The company is prepared to work the traffic on its own line, and to be responsible for the safety of Government rolling-stock, passengers, and goods passing over the same, and to assimilate passenger rates to those charged on Government lines; but as regards the freight on goods, parcels, and live stock, the charge will be according to the company's printed tariff.

2. Charge for hire of carriages, brake-vans, trucks, and horse-boxes, &c.—namely, first-class carriage, 10s. per day, or part of day, equals £156 10s. per annum; composite or second-class carriage, 7s. 6d. per day, or part of day, equals £117 7s. 6d. per annum; brakes, 5s. per day, or part of day, equals £78 5s. per annum; wagon-stock and horse-boxes, 1d. per mile, run loaded or unloaded (thus the charge for a wagon from Gore to Elbow loaded, and returned empty, would be 6s. 2d.), equals £96 10s. The foregoing charges appear to my directors to be so extortionate, having regard to the cost of the rolling-stock, that it is a matter of surprise to them that the Minister should have approved of a proposal the details of which are so monstrously unjust.

The proposed charges for use of Government stations—namely, on goods, 6d. per ton on classes A, B, C, D; 3d. per ton on class E; 1d. per 100 superficial feet of timber; 6d. per truck on classes F, L, M; 2d. per ton on classes N, P; 1d. per bale on wool and per parcel, and on passengers 1d. each—is incomprehensible; for the Board is unaware that the Government stations are used by the company except to the extent necessary for the receipt and delivery of loaded trucks, mainly for the convenience and to the advantage of the Railway Department. Thus a loaded truck from Dunedin to Stony Creek, a distance of 107 miles, would travel ninety-nine miles on the Government line and only eight on ours. It must be borne in mind that the Waimea Plains line acts as a feeder to the Government railways. Instead, therefore, of handicapping us with restrictions and exorbitant charges, it is only reasonable to expect the department to be more liberal in its relations with our line. My board submits that a reduction of at least 50 per cent. in the above charges should be made, which would leave a handsome rental to the department.

In the correspondence that has recently passed between the Minister and the company, the Government would make it appear that they were desirous that the railway should be worked to the best advantage, with a view to reducing as much as possible the ratepayers' contributions to the guaranteed interest.

My directors cannot reconcile that desire with the treatment the company has received from your department in the matter of the rolling-stock, &c., the exorbitant charge for the use of which has helped to swell the company's claim on the guarantors. The sincerity of the Government seems irreconcilable with their disinclination to help the company to increase its income by agreeing to the daily connection as proposed, and with their apparent determination to insist upon a continuance of the unreasonable charge for the use of Government stations, rolling-stock, &c. My directors venture to hope that, upon a reconsideration of the circumstances, the Minister will see his way to relieve the ratepayers by aiding the company to increase its income and reduce its working expenses by agreeing to a daily connection with the company's trains, and a reasonable reduction in the charges now made by your department, which are similar to those indicated in the proposed arrangement for the interchange of traffic.

With reference to the remaining clauses of the proposed agreement, the directors are willing that through passengers be booked at Government stations other than Gore and Elbow, the Government paying the company its proportion of the fares according to mileage monthly without any deduction. The subsisting arrangement regarding the collection and settlement of freight on goods, parcels, live stock, &c., to remain in force, and the junction charges to be abolished.

An arrangement embodying the terms and conditions above indicated would be fair and reasonable, and would work smoothly, stimulate traffic, and result in substantial increase of profit and a corresponding diminution in the amount required from the ratepayers towards the guaranteed interest.

I have, &c.,

R. H. LEARY,  
Secretary.

The Assistant General Manager, New Zealand Railways, Wellington.



The Hon. the MINISTER for PUBLIC WORKS to the SECRETARY, Waimea Plains Railway Company.

SIR,—

Christchurch, 3rd February, 1885.

In reference to the correspondence which has recently taken place between your company and the Government, and the recent interview I had with your directors and yourself, I have now the honour to state that, after consultation with the General Manager, New Zealand Railways, on the subject of a through communication over your line to the Lakes, I am prepared to arrange a service which I trust will meet the wishes of your company.

The General Manager is now here, and proceeds to Dunedin to-morrow, and I purpose instructing him to call upon you and endeavour to arrange all details of the service; and on that being done, it will be immediately advertised.

I understand that (1) the company desires a daily service from Elbow to Kingston, (2) that the payment formerly made for the engine-service run is considered insufficient, (3) that the company prefers to fix its own charges for traffic, (4) that the Government charges for stock and for the use of stations are objected to.

With reference to these points the Government is willing (1) that there shall be a daily service between Elbow and Kingston; (2) that the Government will run this service with its own engine, provided that convenient times can be fixed for fitting in the services from Invercargill with the company's trains on the Waimea Plains Railway; (3) that the Government has never had any objection to the company fixing its own charges of every description, provided only that the classification of charges is so made as to introduce no difficulties in the interchange of goods traffic; (4) by resuming the arrangement for interchange of goods traffic and through booking of goods the main objection to the charges for the use of stations will disappear; but for locally-booked goods the Government will be unable to waive the very light charges which are made to cover the use of Government stations, staff, and stationery; nor will it be able to take a different view to that of the previous Government in holding that the company should pay a proper remuneration for the use of capital invested in stock, and for depreciation and maintenance, in the form of rental. The carriages and brake-vans which, under this arrangement, will run from Kingston in the morning will pass over the company's line to Gore, returning to Kingston in the evening, and will serve the company's local business. For this stock no charge will be made by the Government; but the usual charges will be made for locally-employed carriages and vans used only on the company's line. So far as the wagon-stock is concerned, the Government is unable to see its way at present to waive the charges arranged by its predecessors in office.

I now wish to state that, in consenting to endeavour to arrange with you for a daily service as mentioned above, I have had to keep in view other interests beyond those of the population to the northward of Gore, and to see that the District of Invercargill is fairly served by the railways. The time-table that the General Manager has submitted to me is drawn up with this object, and I have only now to add that the Government consider a return to the service which existed up to 31st December, 1883—namely, three times a week from Gore to Kingston, and three times a week from Invercargill to Kingston is amply sufficient for all present requirements of the travelling public; but, sooner than continue the inconvenience to the large section of the population to the north of Gore, the Government, while protecting the interests of those in the District of Invercargill, will give way to what the Government consider your unreasonable demands, provided you agree generally to the above conditions.

I have, &c.,

EDWARD RICHARDSON,  
Minister for Public Works.

The Secretary, Waimea Plains Railway Company, Dunedin.

The GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Plains Railway Company.

SIR,—

Dunedin, 6th February, 1885.

In pursuance of the letter of the Minister for Public Works of the 3rd inst., and as arranged at our personal interview yesterday, I now forward to you a rough draft of an amended arrangement for the interchange of traffic between the Waimea Railway Company's line and the New Zealand Railways for consideration and discussion.

The terms of arrangement will, after consideration, be subject to the final approval of the Minister for Public Works before final acceptance by the Government.

In order to meet your wishes to have the main features of the arrangement ready for your board's perusal, I have been obliged to get the draft out somewhat hurriedly, and it will need careful perusal and consideration on several points.

The provision regarding refunds of your charges being made, irrespective of your other debts to the Government, is one which must at present be especially regarded as open to rejection by the Government, as I have not had time to obtain a reply from Wellington as to the views of the Treasury and Audit on this point.

I shall be glad to discuss this arrangement with you at an early date.

I have, &c.,

J. P. MAXWELL,  
General Manager, New Zealand Railways.

The Secretary, Waimea Plains Railway Company, Dunedin.

### Enclosure.

MEMORANDUM of ARRANGEMENTS for Interchange of Traffic between the WAIMEA PLAINS RAILWAY and the NEW ZEALAND RAILWAYS.

1. THE company will work the traffic on its own line, and will be entirely responsible for the safety of Government rolling-stock, passengers, and goods passing over the same; the gazetted rates for the New Zealand Railways being charged for passengers, returned empties, drays, carts, wagons, and for small lots of cattle, sheep, goats, and pigs.

2. The Government to supply rolling-stock of every kind, engines excepted—namely, carriages, brake-vans, trucks, and horse-boxes, &c.—charging the company for the use of the same at the following rates, at per day or part thereof, viz.: First-class carriage, 10s. per day; composite or second-class carriage, 7s. 6d. per day; brake, 5s. per day; but the Government will supply two carriages and a brake-van free of charge for the purpose of conveying through passengers and luggage from the Government lines over the company's lines. No charges will be made for carriages used for through excursion trips. Should the Government at any time supply an engine, the charge for the use of the same will be at the rate of £3 10s. per day or part thereof. All wagon-stock and horse-boxes will be charged 1d. per mile run, loaded or unloaded. The Government will charge 6d. per ton on goods, Classes A, B, C, D; 3d. per ton on Class E; 1d. per 100 superficial feet, timber; 6d. per truck on Classes F, L, M; 2d. per ton, Classes N, P; 1d. per bale on wool; 1d. on each parcel; and 1d. on each local passenger and on all local bookings from or to either junction-station to stations on the company's line, for use of the Government stations.

3. Passengers will be booked, *via* the company's line, between Kingston and Lumsden and the following stations, namely: Dunedin, Mosgiel, Milton, Balclutha, Clinton, Gore, and Mataura. In all other cases passengers must rebook at the junctions.

4. Parcels will be booked from all stations on the Government lines to all stations on the company's line, and *vice versa*.

5. Goods will be booked from all stations on the Government lines to all stations on the company's line, and *vice versa*.

6. The company's line will be counted as thirty-seven miles for purpose of through traffic.

7. Division of charges will be made between the New Zealand Railways and the company. For passengers and returned empties, carts, drays, and small lots of cattle, sheep, goats, and pigs, proportionately to mileage. For goods and parcels such charges will be levied and handed to the company as the company may from time to time direct. The charges made in the schedule hereto will be made until further arrangement.

8. When goods are booked through over the company's line between Government stations, the mileage on the Government lines will be counted as continuous for purposes of charging rates.

9. Small lots of goods will be booked to the junction and re-booked on the company's line.

10. Refunds to the company of the charges and allowances due to it, after deducting all the expenses chargeable against the company as defined hereinbefore, will be made four-weekly, due time being allowed for compiling and auditing the accounts; and, provided that the expenses so chargeable against the company exceed the receipts, the excess of such expenses above the receipts shall be refunded to the Government by the company for each four-weekly period within fourteen days from the date of notice, in writing, given by the Minister for Public Works to the chairman of the company; and such refunds shall be made irrespective of any debts due by the company to the Government which may be independent of this arrangement.

11. The company's officers will render all accounts, both for the company's local traffic and traffic interchanged, in the form and manner prescribed for the New Zealand Railways. All moneys collected by them will be paid into the Public Account.

12. The accounts shall be open to the inspection of the company, and such statistical information as is wanted may be obtained by the company upon payment of the clerical expense involved in compiling it.

13. The company's time-table shall be arranged to the satisfaction of the General Manager of the New Zealand Railways, and so as to give a daily service from Dunedin to Kingston by way of the company's line.

14. The company's officers, while on the New Zealand Railways premises, will be subject in every respect to the rules, regulations, and by-laws in force at any time on the same, and shall render such returns as may be required by them.

15. Upon application in writing to the General Manager of the New Zealand Railways, Dunedin, by the company's manager, the former may at his option permit the company to run a special train, consisting of the company's engine, one carriage, and a van, on the New Zealand Railways, south of Dunedin; the use of such special train to be confined exclusively to the company's directors and manager. A charge of 1s. per mile will be made by the Government for the use of their line for each mile run.

The General Manager of the New Zealand Railways may, if he thinks fit, put on a driver and guard to work the "special," and charge the company with the cost of their wages. The General Manager of the New Zealand Railways reserves to himself the right to cancel this condition at any time.

16. This agreement shall commence on the 2nd day of March, 1881, and shall remain in force not exceeding twelve months; but it may be terminated at any time by one month's notice in writing by either party.

17. The company to pay all claims arising from damage to or loss of goods and parcels, and all claims for personal damages, which occur on the company's line.

18. Should the company neglect or refuse to fulfil any of the conditions hereinbefore stipulated, the Minister may, without further process or notice, cease to work in connection with the company, and the company shall have no claim for compensation or damages on account of such stoppage, or on account of any action arising therefrom.

The following charges will be made upon all goods booked through over the company's line between Government stations other than Lumsden and Gore, in addition to the Government rates: Class A, 16s. 6d. per ton; Classes B, C, D, and E, 12s. per ton; classes N and P, 9s. per ton; wool, 3s. 10d. per ton; timber, 3s. 1d. per 100 superficial feet; Class F, 27s. per truck; Class M, 27s. per single-floor truck; Class M, 40s. per double-floor truck; Class L, 37s. per truck.

For each parcel carried over the company's line the following charges will be made:—

Miles under	Parcel Rates, not exceeding				
	7lb. s. d.	14lb. s. d.	28lb. s. d.	56lb. s. d.	112lb. s. d.
15 .. .. .	0 6	0 6	0 9	0 9	1 3
20 .. .. .	0 6	0 9	1 0	1 3	2 0
30 .. .. .	0 6	0 9	1 3	1 6	2 6
40 .. .. .	0 9	1 0	1 6	1 9	2 9

*Dogs.*—The charge for conveyance of dogs for every twenty-five miles, or fractional part of twenty-five miles, will be per head.

Telegram from the CHAIRMAN, Waimea Plains Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

The Hon. the Minister for Public Works, Invercargill. Dunedin, 9th February, 1885.  
REFERRING to conversation with you yesterday, Waimea Railway Company is prepared at once (to-morrow, if necessary) to connect with Government trains at Gore and Lumsden as per time-table proposed by Mr. Maxwell—say, leave Gore, two-fifty; arrive Lumsden, five-twenty-five; leave Lumsden, nine-fifty-five; arrive Gore, twelve-thirty-five. The company will continue to do its own booking, as at present, mutually satisfactory arrangements to be made as to departmental charges, which we have already objected to as excessive.

H. DRIVER,  
Chairman of Directors.

Telegram from the Hon. the MINISTER for PUBLIC WORKS to the CHAIRMAN, Waimea Plains Railway Company.

H. Driver, Chairman, Waimea Plains Railway, Dunedin. Invercargill, 9th February, 1885.  
YOUR telegram of to-day received. Am I to understand by your saying that the company will continue to do its own booking as at present, mutually satisfactory arrangements to be made as to departmental charges, which we have already objected to as excessive, that you mean that you decline the proposals made by the General Manager by my direction for the interchange of traffic and the through booking of goods and passengers? Please reply here to the General Manager to-morrow, who has instructions.

The General Manager will leave here Wednesday, and be in Dunedin Thursday.

EDWARD RICHARDSON,  
Minister for Public Works.

Telegram from the CHAIRMAN, Waimea Plains Railway, to the GENERAL MANAGER, New Zealand Railways.

The General Manager, New Zealand Railways, Invercargill. Dunedin, 10th February, 1885.  
REPLYING to Minister's telegram of yesterday, directors willing at once to connect daily with Government trains per time-table arranged by you, and arrange fair terms *re* departmental charges. They prefer to do their own booking in meantime.

H. DRIVER,  
Chairman, Waimea Plains Railway.

Telegram from the GENERAL MANAGER, New Zealand Railways, to the CHAIRMAN, Waimea Plains Railway Company.

H. Driver, Esq., Chairman, Waimea Plains Railway, Dunedin. Invercargill, 10th February, 1885.  
YOUR telegram this day received. It will be necessary for me to get a definite reply to the Minister's telegram to you of the 9th. The question is—Do you decline the proposal made by the Minister's direction for the interchange of traffic and the through-booking of passengers and goods. In the absence of a definite reply to this question by your company, I am without any proper basis for discussion or settlement of terms or working arrangements. I should be glad, therefore, if you will inform me on this point.

J. P. MAXWELL.

Telegram from the GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Plains Railway Company.

The Secretary, Waimea Plains Railway, Dunedin. Invercargill, 10th February, 1885.  
 My letter to you of 6th inst., as regards refund of charges collected for your company, I now beg to inform you, in reference to my remarks thereon, that the agreement may provide for such refunds being made independently of any debts due to the Government by the company which may be independent of the proposed arrangement.  
 J. P. MAXWELL.

Telegram from the CHAIRMAN, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways. General Manager, New Zealand Railways, Invercargill. Dunedin Railway, 10th February, 1885.

THOUGHT my reply this morning definite—that company wishes to arrange daily through-service on basis of doing its own booking as at present, and considered this more satisfactory.  
 Judging from experience of former arrangement, paid-ons will be collected and settled for as now. Passengers re-book over company's line.  
 H. DRIVER,  
 Chairman, Waimea Plains Railway.

TELEGRAM from the GENERAL MANAGER, New Zealand Railways, to the CHAIRMAN, Waimea Plains Railway Company. H. Driver, Esq., Chairman, Waimea Plains Railway Company, Dunedin. Invercargill, 10th February, 1885.

IN reply to your second telegram this day, the Minister has made a definite proposal to you to secure to the public and district the advantage now wanting of through-booking. You appear to desire a different arrangement, which would debar the public from taking advantage of the service which the Government has offered to provide, and would prevent the through-booking of goods, which the service was especially intended to expedite. I would suggest that you should reply to the proposals made to your company, pointing out how far you are prepared to facilitate the through booking and exchange of traffic. I expect to be in Dunedin to-morrow evening, and should be prepared to discuss your counter-proposals on Thursday, if you will adopt this course.  
 J. P. MAXWELL.

TELEGRAM from the CHAIRMAN, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways. General Manager, Railways, Wellington. Gore, 11th February, 1885.

DIRECTORS cannot see how the fact of company doing its own booking will debar the public from taking advantage of the service. However, we shall be glad to discuss the subject on your return to Dunedin.  
 H. DRIVER, Dunedin.

The SECRETARY, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.

SIR,— Waimea Plains Railway Company, Limited, Dunedin, 10th February, 1885.  
 I have the honour to acknowledge the receipt of your letter of the 6th instant, enclosing a rough draft of an amended arrangement for the interchange of traffic between the Waimea Railway Company's line and the New Zealand Railways for consideration and discussion, which has been laid before my directors, who have appointed a committee to consider the question, with authority to arrange with you the details of an agreement, with a view to the establishment of daily communication between Dunedin and Kingston over the company's line.  
 The arrangement proposed by you is, with slight modification, similar to that made between us in April, 1883, and contains some objectionable conditions, which need not now be discussed.

The committee are prepared to enter into an arrangement embodying the following conditions, namely,—

1. The company will continue to work the traffic upon its own line as at present, and to be responsible for the safety of Government rolling-stock, passengers, and goods passing over the same, and to assimilate passenger rates to those charged on the Government lines; but, as regards the freight on goods, parcels, live stock, &c., the charge will be according to the company's tariff.
2. The company will receive from the New Zealand Railways at Gore and Lumsden goods, parcels, and live stock consigned to stations on the company's and the Government lines.
3. The New Zealand Railways will receive goods, parcels, and live stock from the company at Gore and Lumsden consigned to stations on the Government lines, and will be responsible for the safety of the same.
4. The freight on goods, parcels, and live stock received by the company from the Government and consigned to stations on the company's line to be paid by the company and collected from the consignee.
5. The freight on goods, parcels, and live stock from stations on the company's line to stations on the Government lines to be paid by the Government and collected from consignees.
6. Accounts between the New Zealand Railways and the company for freight mentioned in paragraphs 4 and 5 to be settled in cash monthly, as at present.
7. The Government to supply rolling-stock of every description (engines excepted), namely, carriages, brake-van, trucks, horse-boxes, &c., and, with the exception of carriages and brake-van used in connection with the through service between Dunedin and Kingston, will charge the company for the use of the same at the following rates per day, namely: First-class carriage, 10s. each; second-class or composite carriage, 7s. 6d. each; wagon, stock-, and horse-boxes, 2s. each; brake-van, 5s. each. No charge to be made for the use of carriages and brake-van used in connection with the through-service, and the same may be used free of charge for conveyance of passengers between stations on the company's line. Any additional carriages and brake-vans to be charged for at the rates mentioned.
8. For the purpose of charging for hire of rolling-stock, a day shall be deemed to be the period between the departure of the company's train from either terminus and its return. The time not to exceed twenty-four hours.
9. The Government to furnish detailed accounts of charges for hire of rolling-stock, coal and stores supplied, and work performed at the railway workshops.
10. The company will agree to connect with the Government trains at Gore and Lumsden as follows: Leave Gore, 2.50 p.m.; arrive Lumsden, 5.25 p.m.; leave Lumsden, 9.50 a.m.; arrive Gore, 12.35 p.m.
11. No charge to be made for the use of Government stations.

The foregoing arrangement to remain in force subject to three months' notice on either side, and is conditional upon the Government maintaining a daily through-service between Dunedin and Kingston.

I am directed to say that the committee will be glad to meet you and discuss the foregoing proposals, and will be prepared to consider any reasonable modification thereof that you may desire to make.

I have, &c.,

The General Manager, New Zealand Railways, Dunedin.

R. H. LEARY, Secretary.

The SECRETARY, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.

SIR,— The Waimea Plains Railway Company, Limited, Dunedin, 12th February, 1885.  
 Referring to the correspondence that has passed between us re a through-service to Kingston, I shall be glad to discuss the details of the arrangement proposed.  
 I have, &c.,

The General Manager, New Zealand Railways, Dunedin.

R. H. LEARY, Secretary.

Memorandum.—Discussed draft of arrangement with Mr. Leary this afternoon, Mr. Grant being present.—(J.P.M.)  
 12th February, 1884.

The GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Railway Company.  
Dunedin, 12th February, 1885.

SIR,— With reference to the discussion which has, by your request, taken place this afternoon on the subject of a through service and interchange of traffic with the company, I now have the honour to enclose a copy of the draft of the terms discussed between us for your directors' consideration.

The Secretary Waimea Plains Railway Company.

I have, &c.,  
J. P. MAXWELL,  
General Manager, New Zealand Railways.

### Enclosure.

Railways Department, Dunedin, 12th February, 1885.

MEMORANDUM of ARRANGEMENT for the Interchange of Traffic between the WAIMEA PLAINS RAILWAY COMPANY and the NEW ZEALAND RAILWAYS, and for the Transit of Goods and Passengers *viâ* the Company's Line between the Government Railway-Stations.

THE company will work the traffic upon its own line, and will be responsible for the safety of the Government rolling-stock, passengers, and goods passing over the same.

All rates, fares, and charges for the company's line will be fixed by the company. The company will furnish the Minister with full particulars of all such rates, fares, and charges in proper time before they come into operation.

All passengers travelling on the company's line shall re-book at the Government junction stations.

Goods and parcels may be booked between the Government stations *viâ* the company's line, and from Government stations to the company's stations.

The rates and charges on goods and parcels received from the New Zealand Railway stations consigned to stations on the company's line shall be paid to the Railway Department by the company, and be collected by the company from the consignee.

The rates and charges on goods and parcels received from the company's stations, consigned to stations on the New Zealand Railways, shall be paid by the Railway Department to the company, and be collected by the Railway Department from the consignees, except in case of consignments to Government flag-stations, the rates and charges on which must be prepaid.

The rates and charges on goods and parcels passing over the Company's line between the New Zealand Railway stations will be collected by the Railway Department and paid to the company.

For goods and parcels booked between Lumsden or Gore and the company's stations the company shall pay the department as follows: 6d. per ton on goods classed A, B, C, D; 3d. per ton on Class E; 1d. per hundred superficial feet of timber; 6d. per truck on Classes F, M, L; 2d. per ton on Classes M, P; 1d. per bale on wool; 1d. on each parcel. Such payments to be made on local bookings only which have not been consigned from or to stations on the New Zealand Railways, other than Lumsden or Gore.

The Railway Department will run a daily service between Lumsden and Kingston to connect with the company's services which shall run daily as follows: Leave Gore 2.50, p.m.; arrive, Lumsden, 5.25 p.m. Leave Lumsden, 9.50 a.m.; arrive, Gore, 12.35 p.m.

The Railway Department will supply two carriages and a brake-van free of charge for the purpose of conveying through passengers and luggage from the New Zealand Railways over the company's line.

The company's officers while on the New Zealand Railway premises will be subject in every respect to the rules, regulations, and by-laws in force from time to time on the same.

The company shall transmit waybills for goods and parcels passing through between New Zealand Railway stations over the company's line as required by the department.

The Minister shall furnish the directors and the secretary of the company with free passes between Dunedin and Kingston by way of the company's line.

Members of Parliament and railway officers may pass free over the company's line.

The Minister will supply additional rolling-stock at the following rates: Engines, £3 10s.; first-class carriages, 10s. per day; and second-class or composite carriages, 7s. 6d. per day; break-vans, 5s. per day, used solely for local traffic on the company's line. Wagon stock at 1d. per mile run, for loaded or partly loaded stock used for traffic purposes. No wagon stock shall be used for ballasting or repairs except by special arrangement with the Railway Department. Sheets, 1s. each per day.

The company shall pay all claims arising from loss of goods and parcels, and claims for personal damages, which arise on the company's line, and the Minister shall similarly pay all claims arising on the New Zealand Railways.

This arrangement shall commence on the 2nd of March, 1885, and may remain in force for twelve months, but it may be terminated before the expiration of twelve months by three months' notice on either side.

The GENERAL MANAGER, New Zealand Railways, to the SECRETARY, Waimea Plains Railway Company.

SIR,— I have the honour to enclose herewith a copy of the draft agreement for interchange of traffic between your company and the New Zealand Railways, as finally arranged by discussion with your chairman, Mr. Wales, and yourself, for signature. I shall be glad of a copy of your rates, to print for issue to our stations immediately on the agreement being signed.

It is, of course, understood that the company's time-table will be inserted in our posters, under proper headings.

Upon assent to the agreement, if settled at once, we can put the time-table into operation on Monday, 23rd instant.

The Secretary, Waimea Plains Railway Company, Dunedin.

I have, &c.,  
J. P. MAXWELL.

The SECRETARY, Waimea Plains Railway Company, to the GENERAL MANAGER, New Zealand Railways.

SIR,— The Waimea Plains Railway Company, Limited, Dunedin, 14th February, 1885.  
Referring to the arrangement made between your department and the company for the interchange of traffic, I have the honour to enclose a printed copy of the company's tariff of charges in respect of traffic to all stations on the company's line.

The following will be the charges on goods, &c., between all stations on the New Zealand Railways passing over the company's line, namely: Government classification: merchandise, Class A, 16s. per ton; merchandise, Classes B and C, 12s. per ton; grain, Class E, 7s. 6d. per ton; wool, Class H, 2s. per bale; sheep and cattle, Class M, 22s. per truck; other descriptions of goods, &c., according to the printed tariff of rates enclosed.

The General Manager, New Zealand Railways, Dunedin.

I have, &c.,  
R. H. LEARY, Secretary.