

“ I gather from the correspondence that the shed, as re-erected, was reconstructed by the Harbour Board, at the direction of the Government, upon the Officers' Point Breakwater, or 'Officers' Breakwater,' and was practically but an enlargement of the original shed. As to the latter, it is clear that it was vested in the Crown by the 11th section of 'The Lyttelton Harbour Board Land Act, 1877,' with the right of keeping and maintaining such store on the said breakwater; and that, to enable the Crown to dispose of it in a valid manner, legislative provision was necessary, and that this has not been obtained. The extended building seems to have been erected solely for the purposes of the more convenient working of the railway and the loading and discharging of vessels (*vide* section 10 of the above Act); and it is a fact that the new building, since its erection in 1879, has remained in the continuous occupation of the Railway Department.

“ It may be that the Board has an equitable claim to a refund to some extent in respect of moneys expended by it towards cost of the building, but this does not appear to be the present claim. The proprietorship of the building remains, in my opinion, with the Crown, chiefly by virtue of the special enactment.

“ 11th June, 1886.”

“ LEOD. G. REID.

Then, I wish to take up this question as to the other shed—the No. 5 shed. The Board alleges that in 1877 Mr. Carruthers approved a plan of harbour-works, and that plan has been referred to in the correspondence and by Mr. Richardson. Now, that plan is the basis on which arrangements in Lyttelton Harbour as to railway-lines—the means of working—are laid out; and Mr. Carruthers designed a plan which, among other things, was to work one shed on the Gladstone Pier. The Harbour Board, by its hurrying the Railway Department, and the department, in agreeing that the Board should alter the Gladstone Sheds, put out of gear Mr. Carruthers's plan, in the first place. In the second place, the Board has never carried out Mr. Carruthers's plan of reclamation completely; they have only carried out a part of it, and Mr. Carruthers's plan has never shown whether there was to be one shed or more than one shed. The question as to whether there shall be one shed or more than one shed rests, and must rest, with the Railway Department, because the Railway Department has to work these sheds. The Railway Department has to work the stores—it has to work its trains and shunt its wagons on the wharves. The department has all the responsibility of that work; the Harbour Board has nothing to do with it. When the Board determined to build so many sheds without consulting the department it was not taking into consideration the duties of the department as to the working of trains, or as to how the traffic could best be done. The Board might have put up half a dozen sheds which could not be got at by lines. The value of the shed property depended entirely on the railway arrangements. I happened to be called in for consultation on the matter, and I went carefully into it, and considered whether it would be better to build one, two, or three sheds, and I arrived at the conclusion that one shed was best and most convenient; and accordingly the Board was informed that one shed could only be agreed to. The inference which has been drawn, that the Railway Department were departing from Mr. Carruthers's plans, is, I think, erroneous. It is not right to put it in that way. The first departure from Mr. Carruthers's plans, was by breaking up the Gladstone Sheds, and that prevented other parts of the plans being carried out as he designed them. Then came the letter, which appears as No. 4 of the *procès* of correspondence—“ Mr. J. P. Maxwell's, General Manager of Railways, reply, objecting to the leasing of the sites, and indicating his views, &c.” That is somewhat incorrect. I was indicating the views of the Minister, and the letter was written by the personal instructions of the Minister, as stated. Subsequently, there was a meeting between Mr. Richardson and Mr. Oliver, a report of which is given by Mr. Richardson, and particulars of which have been read out by him, which are no doubt quite correct. When Mr. Richardson and Mr. Oliver agreed that Government were not in a position to carry out the provisions of clauses 143 and 144 of “The Harbours Act, 1878,” however, they appear to me to have both been in error, because, as it was pointed out subsequently by Mr. Richardson himself, the Harbours Act of 1878 had nothing to do with the matter. The Minister was in error, and subsequently he found he was in error, and that the Lyttelton Harbour Board Land Act was the one on which he should have gone on. Well, it was then agreed to carry out this large shed on the understanding that Government pay £2,000 a year as rental. At the time that shed was built there was a great idea that the export of grain and produce would increase; and the Government and all parties thought at that time that the shed would really go on increasing in value, when they gave £2,000 a year. But, instead of the property increasing in value, three things have occurred which have tended to decrease it in value—firstly, the fall in the price of produce; secondly, the large number of stores built up country to store grain in; and, thirdly, the Board's own action. The Board rented a shed, and entered into competition with the Government as storers of grain, and cut down the storage-rates immensely; and when Mr. Richardson was Minister, in 1885, he was advised that there was no alternative but to cut down the Government rates also. The Government rates had been 8d. for the first week, 6d. for the second week, and 2d. for the third week, and the Railway had to cut them down to 2d. per week for the first eight weeks, and 1d. after that. That was the effect of the Harbour Board's competition; and therefore the Board absolutely depreciated the value of its own property, as far as Government was concerned, by making low storage-charges in its own buildings. If the Government could have levied the higher charges, and the Board had not compelled it to put down its charges, the Government might have paid a higher rental. As regards payment of this £2,000 a year rental, it has been explained that this rental was computed on the whole of the £28,000—the cost of the works. Well, I was not aware of that at the time; I never heard of that before. I understood the rental arrived at was what we believed the store was really worth to merchants in 1881, when these transactions took place. We really believed it was worth that at the time, and that was the basis on which the rent was fixed. I never heard Government agree to pay interest on the cost of the Board's wharf. The wharf alongside the shed is just like every other wharf. There is no reason why Government should pay the cost of that wharf, or any interest upon it. And, again, to make this shed available Government had to spend £8,000 to