

1889.

NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF, ON THE PETITION OF THE LYTTELTON HARBOUR BOARD, TOGETHER WITH MINUTES OF EVIDENCE, AND APPENDIX).

Report brought up 4th September, 1889, and ordered to be printed.

REPORT.

PETITIONERS state,—

(1.) That, by an arrangement with the Government, they built a large grain-shed (No. 5), at a cost for land and building of £28,600, the Government undertaking to rent it for £2,000 per annum for railway-purposes, and that the Railway Commissioners now decline to continue the agreement unless the rent is reduced to £500 per annum.

(2.) That the Railway Commissioners decline to pay the cost of removal and re-erection of the Gladstone sheds, incurred by the petitioners and used by the Government, unless the rent of the No. 5 Shed is reduced to £500 per annum.

(3.) That permission to assign a certain lease to the petitioners is arbitrarily withheld by the Railway Commissioners.

The petitioners pray for relief.

I am directed to report,—

1. *No. 5 Shed.*—That the Harbour Board should receive from the Railway Department six months' notice to relinquish the tenancy of this shed, from the 5th October, 1889, which should then revert to the occupation of the Board. That the Railway Department should give access to the shed in the same way and on the same conditions as are provided in the case of other sheds now occupied by the Board.

2. *Gladstone Sheds.*—That the Railway Department should pay to the Harbour Board the £3,300 expended by the Board in the removal and enlargement of these sheds, on proof of such expenditure.

3. *No. 2, or Grain Agency, Shed.*—That the consent of the Crown should be given to the assignment of the lease of this shed to the Harbour Board; or that a new lease should be given to the Board, which will enable it when necessary to collect, for account of the Railway Department, freights and charges due on goods delivered into the shed.

4th September, 1889.

D. H. MACARTHUR,
Chairman.

MINUTES OF EVIDENCE.

TUESDAY, 20TH AUGUST, 1889.

FRANK GRAHAM, Chairman of the Lyttelton Harbour Board, examined.

1. *The Chairman.*] The Committee wish to have a short statement from you, Mr. Graham, relative to this rather lengthy matter. Mr. Maxwell is here, on behalf of the Railway Commissioners, and he will also give evidence, which is being taken down in shorthand. The Committee have got a general drift of the matter from the correspondence before them, but there are some points on which they want further information?—Mr. Chairman and gentlemen,—The position of the Harbour Board is this: In accordance with plans prepared by Mr. Carruthers, at the instance, first, by the Harbour Board, and concurred in by Government afterwards, the Harbour Board wrote on the 20th December to the Minister for Public Works, forwarding plans of sites, and asking for Government's approval, in order that tenders might be called.

2. *Hon. Sir J. Hall.*] In what year was that?—That was in December, 1880. The Harbour Board wrote, as I said, asking for Government's approval, in order that tenders might be called, as there were several people ready and willing to lease these sites for the purposes of storage in Lyttelton. On the 19th January, 1881, the Board received a letter from Mr. Maxwell, General Manager of Railways, objecting to the leasing of the sites to private individuals, on the ground that it was inadvisable to let the storage-accommodation go out of the hands of the Government or the Harbour Board, and also mentioning that it would be very much better to build one large shed than three small ones, and referring to the powers of the Governor in regard to entering upon and using the property of the Board for railway purposes. On the 3rd February the Chairman of the Board replied, saying that these plans had been prepared in accordance with the original recommendations of the Government, through Mr. Carruthers, and that they wanted to carry them out; and also pointing out that Mr. Maxwell was in error in saying that Government could take the sites without compensation, as there was an enactment subsequent to that quoted by Mr. Maxwell which provided that the Board should receive compensation for land taken or used by the Government.

3. *The Chairman.*] This is simply a repetition of what appears in the correspondence before us?—Yes. Well, I cannot tell you any more, as we rest our case principally on the correspondence.

The Chairman: Perhaps it would be more convenient for members of the Committee to question Mr. Graham.

4. *Mr. Valentine.*] I would like to know whether or not it was the impression of the Harbour Board that there was a clear understanding between them and the department as to the Government taking over the sheds that were built by the Board?—The understanding was, at the time the Government were not in a position to provide the money to build these sheds, but that if the Harbour Board would build them they would take them over when in a position to do so, at the cost of construction.

5. And in the meantime?—In the meantime they would pay a rental of £2,000 per year, which was equivalent to 7 per cent. on the estimated cost of construction of the sheds, and the reclamation and the breastworks in connection with them.

6. And if it had not been understood that Government would take them over you would not have built them at all?—No; except to let to private individuals in accordance with the original plans of the Board.

7. *Hon. Mr. Larnach.*] Was there any indication on the part of the Government or on the part of the Board as to the term of lease of these sheds?—It was always regarded as a temporary measure, therefore the question of term of lease was not provided for.

8. What do you mean by temporary?—That the Government, not then being in a position to do so, would be prepared to pay the cost of construction when they could.

9. You fail to understand the drift of my question. As to the tenancy, was there any indication or was there any understanding as to the length of tenancy—whether it was to be a yearly tenancy or longer? Was it understood or implied that within a year Government would come to some conclusion as to whether they would take over the sheds?—Time was never specified, but it was always understood that the Government would take them over as soon as they could.

10. *Hon. Sir J. Hall.*] Government occupied these sheds for how long?—Since they were built, in April, 1882.

11. Paying rent annually?—Quarterly.

12. And then the Government gave notice of discontinuance?—The first intimation we had of that was a request that the rent should be altered—that it should be lowered, on the ground that the storage-accommodation provided up-country was so much increased that so much storage in Lyttelton was not required.

13. And the Board agreed to reduce the rent?—No; the first intimation the Board received was a letter in July, 1885—No. 12 in the correspondence.

14. *Hon. Mr. Larnach.*] Was there ever any inclination on the part of the Board to use its own sheds to cross the railway-line?—I do not follow you.

15. Was there ever any inclination on the part of the Board to use its own sheds by necessitating the crossing of the railway-line?—I do not understand that question.

16. Did you ever have any intimation from the Government in reference to the Harbour Board crossing the railway-line?—None.

17. *Mr. Barron.*] What Mr. Larnach means is this: You are debarred from access to these sheds because of the railway-line cutting you off, are you not?—That question has never arisen. It has never come before the Board at all. All the railway-lines are in connection with the wharf, and, as a matter of fact, there is no connection to most of the sheds except by the railway-line.

18. *Hon. Mr. Larnach.*] Supposing the Railway Department were to act in a hostile manner to the Harbour Board, could they prevent communication with the sheds belonging to the Board if they liked?—I suppose they could.

19. And the Railway Commissioners can?—I suppose so.

20. Has the Railway Department ever shown any disposition to offer opposition to crossing the line—if the Board and the Government were at variance?—We have never had it officially.

21. Have you had it verbally, officially, or by suggestion?—Not to the Board.

22. Have you had it in any shape whatever?—Not officially in any shape.

23. In any shape whatever?—Yes.

24. Would you kindly state to the Committee what was the purport of it?—The first I heard of it was in Wellington within the last day or two. Mr. Richardson, a member of the Harbour Board, told me that in the course of an interview with the Commissioners he had been told that if we did get our shed we would have to go to them for access. We could not work unless this permission had been obtained.

25. *Mr. Valentine.*] Did they say, it in such a way as to imply, not exactly a threat, but so as to compel you to act in any particular way?—No.

26. *Mr. Perceval.*] Did the Board get favourable offers for the leasing of these sites?—Before they were offered for lease, yes. They never got to that length, as tenders were not invited.

27. Was there a demand for storage-sites at that time?—Yes.

28. Do you believe, if the Harbour Board had been allowed to lease those sites, that you could have got considerable revenue?—Yes.

29. Seeing that was the case, why did you consent so readily to the suggestions made by the Government?—The position of Lyttelton is so peculiar that it is very desirable that the Railway Department and the Harbour Board should work in concert.

30. It was simply, then, in the interests of traffic and to assist the Government that you fell in with this idea?—That is so. I may say there is some considerable correspondence before that point is reached. It was in deference to the views of Government that we gave up the original idea of building three sheds instead of one.

31. How is it the Board have allowed Government to occupy the other sheds free of cost—I refer to the Gladstone Sheds?—Do you wish me to go into that question?

32. *The Chairman.*] Yes; the two seem to go together?—There was a shed on the Gladstone Wharf, and Mr. Conyers, the then Commissioner of Railways, wrote stating that this shed, for the purposes of a transit-shed, might as well be in Christchurch, or in any other place; and, after some corresponding, it was arranged that the original shed, which was 500ft. long, should be transferred to the Board and re-erected in three sheds, each 210ft. long, in positions nearer the water-frontage.

The Chairman: Perhaps the Secretary to the Board will be able to give us the requisite information on these points.

33. *Hon. Sir J. Hall.*] You were not Chairman of the Board at that time?—No.

Mr. Perceval: Perhaps Mr. Williams can explain how it was these sheds—the Gladstone Sheds—were erected at the cost of the Board.

C. HOOD WILLIAMS, Secretary to the Lyttelton Harbour Board, examined.

Witness: The original Gladstone Shed was built by the Government in 1877, standing on a site which was omitted from the land vested in the Board. Mr. Conyers, in 1878, wrote to the Government pointing out that this shed stood in a position where it was unworkable, and he at first asked the Board to purchase it. After considerable correspondence it resolved itself into the Board agreeing, as the Government had no funds at the time, to move it to a site nearer the wharf, where the ships could discharge into it; and the original shed of 500ft. in length was cut into three sheds, each 210ft. long, the Board providing the additional length in material and paying cost of re-erecting the sheds on the new site. As to the new site, about half of two of the new sheds near the spring of the Gladstone Wharf was upon the old site, and the remaining half was on the Board's land, and the third shed was altogether on the Board's land. The reason for putting these sheds in this position was to facilitate the discharge of English ships and the Customs arrangements, Mr. Rose, the Customs Collector, having pointed out that it would facilitate the Customs arrangements very much if the Board moved the sheds on to that site. We moved the sheds and erected them at a cost of £3,300.

34. *Hon. Mr. Larnach.*] Have you ever received any interest?—None.

35. Did Government give you any portion of that £3,300?—None. The arrangement was that Government should work the sheds in the meantime.

36. Who has kept the sheds in repair?—We have paid for all the repairs and the insurance since the sheds were erected.

37. Government have paid none of that?—None.

38. *Hon. Sir J. Hall.*] Have you applied for money?—No. The point that raised this question was this: The Railway Department some little time ago objected to repairs being done to these sheds, and that raised the question as to whom these sheds belonged.

39. *Mr. Perceval.*] What I want to get at is this: How was it the Harbour Board spent £3,000 of their own funds to assist the Government, and never asked for rent or payment of interest? I believe you have demanded payment?—The Government have agreed to pay the £3,300. There is a letter from the Premier's office, dated 15th June, 1887, stating the Government would ask Parliament for a vote for that purpose.

40. Independent of the question of the other sheds?—No; I think it was conditional. It was made a condition in the Premier's letter of the 8th December, 1886, that if the Board got £3,300 for these sheds they should reduce the rent of No. 5 shed to £500 a year. The Board would not accept any such offer.

41. *Hon. Sir J. Hall.*] Who is in occupation of these Gladstone Sheds?—These transit-sheds are used by the Railway Department for facilitating the Customs operations and the rapid discharge of ships.

42. *Mr. Perceval.*] With reference to the tenancy, can you explain how it came to be a yearly tenancy?

Mr. Graham: No. 5 shed, do you mean?

Mr. Perceval: Yes.

Mr. Graham: Well, it was simply an arrangement that the Government should rent the shed at the rate of £2,000 per year until, as the Board understood it, the Government were in a position to pay for the shed.

43. *Hon. Sir J. Hall.*] Who built the original shed on the Gladstone Wharf?—The General Government.

44. *Hon. Sir H. A. Atkinson.*] Not on the Gladstone Wharf?—In 1877 the General Government built the Gladstone Shed on the Officers' Point breakwater, not on the wharf. It was moved subsequently on to the wharf.

45. *Hon. Sir J. Hall.*] It was useless, because it was too far from the water's edge?—It was too far from the ships. The reason which led to this idea of the shed being shifted will be found set forth in the following extract from the report of Mr. Conyers, the then Commissioner of Railways for the Middle Island: "In its present position the shed can only be used as a railway store. All material must be put into it and removed from it by railway-wagons, and consequently it is of no more service on the wharf than if it stood in Christchurch or any other place remote from the ships. What appears to be required is a shed into which railway-wagons could discharge and thence be delivered direct to the ships, or ships discharged and thence to wagons. This would immensely relieve the demand for wagons, and facilitate loading and discharging of ships."

46. *Hon. Sir H. A. Atkinson.*] By "no more use" he means as to the discharging of ships?—As to the discharging of ships. It would be as useful for storage purposes as anywhere else.

47. *Hon. Sir J. Hall.*] Why do the Board claim this £3,000?—Because the title is not clear to the Board—the title to the portion of the site on which two of these sheds now stand.

48. Was there any arrangement between the Harbour Board and the Railway Department at the time these sheds were cut up and moved that the cost should be paid by the Government?—It was an understanding, unless they vested the site absolutely in the Board.

49. What would that have to do with it?—If they did not, the Board would expect to be repaid the expenditure on these sheds.

50. Is there any evidence as to this?—There is a letter from Mr. Conyers, the Commissioner of Railways, dated the 22nd October, 1879, in which the Government agree to vest the site in the Board.

51. *Hon. Sir H. A. Atkinson.*] What date was that?—The Board's letter, dated the 27th August, 1879, which embodies the terms under which the Board took over the Gladstone Shed, says: "The control of the shed to remain under the Government, they taking the necessary steps to vest the shed in the Lyttelton Harbour Board."

52. *Hon. Sir J. Hall.*] What advantage would it have been to the Board to have the sheds vested in them if they were only to be used as transit-sheds and not as storage-sheds?—Well, it would be their property; it would be an asset.

53. They would not have derived any revenue?—Indirectly, by facilitating the discharge of ships.

54. That they have got now. You say the Government have agreed to pay the £3,000?—Yes.

55. Is that in evidence?—Yes; on a certain condition they have agreed to pay it.

56. *Hon. Mr. Larnach.*] What date is that?—The 8th December, 1886, and the 15th June, 1887.

57. *Mr. Rhodes.*] Have any Government before that recognised your claims?—Not before 1886.

58. *Hon. Sir J. Hall.*] I understand the Harbour Board derives no revenue from the sheds?—None.

59. What wharfage do they get?—The usual wharfage on goods put into the shed. They get no revenue from the shed itself.

60. I come to another point: As to the No. 5 shed, would you be good enough to state to the Committee how the capital sum upon which £2,000 represents 7 per cent. has been expended? You see, £2,000 is 7 per cent. on the cost of this. How do you make that up?—It is estimated on £28,600. The total original cost was £32,000. Part of that was for ground belonging to the Government, which the Board reclaimed, and the amount was subsequently refunded by the Government—some £4,000 odd. That leaves some £28,000 in round numbers. To speak more correctly, the sum is £28,600.

61. And 7 per cent. on that would be?—£2,002.

62. What is the present position of No. 5 shed? Is it occupied?—No; it has been empty

since the expiration of the notice received from the Railway Commissioners, and that is about two months ago. Since the 1st July, 1889, it has been unoccupied.

63. Is it required? Is there any demand for storage?—Yes.

64. Have Government given you access to the shed? Can you let it?—We can utilise it. At the present season I could not say whether we could let it or not.

65. Can you get a tenant for it?—Yes, I think so.

66. What do you think you could get for it?—I do not know. As much as £1,500 per annum was offered by a gentleman at one time for it.

67. *Mr. Perceval.*] That is, assuming you had ordinary access to it?—Yes, exactly.

68. *Mr. Barron.*] You have said Government have agreed to refund to the Board the cost of re-erecting the three Gladstone Sheds. There is no other agreement than that which we find in the *précis* of correspondence submitted to us?—None other than that—the Premier's letters dated the 8th December, 1886, and the 15th June, 1887.

69. In the former letter the Premier expresses an opinion that it was expedient to settle the question on a certain basis, and the Harbour Board say they cannot accept this?—Precisely.

70. That is to say, the Harbour Board have refused the offer of Government to refund the cost of erecting the sheds?—Upon the condition named in the Premier's letter of the 8th December, 1886, the lowering of the rent for the sheds, which the Harbour Board say is a distinct question.

71. *Dr. Newman.*] The Chairman of the Harbour Board said just now that the Board built these sheds on an understanding: I want to know what he means by "understanding," and with whom the understanding was come to?—As to this No. 5 shed?

72. You said just now there was an understanding, but we have nothing before us to know what that understanding is?—The understanding is, I think, very clearly set out in letter No. 6A in the correspondence. The understanding was—the Government were not in a position at the time to purchase this site from the Board, and therefore agreed to pay £2,000 a year in the meantime, until they were in a position to purchase.

73. With whom was the understanding come to?—With the Hon. Mr. Oliver, the then Minister for Public Works.

74. Have you got the promise in writing?—I have got the promise in a memorandum in writing, taken at the time.

75. That is merely an account of an interview with the Hon. Mr. Oliver. Surely, in a grave arrangement, embracing £30,000, the Harbour Board must have something more than that?—It was subsequently embodied in a letter, dated the 1st April, 1881, to the Hon. the Minister for Public Works. This letter was sent, embodying this promise.

76. Have you got it in writing that the Crown agrees to pay the Harbour Board £30,000?—Inferentially or impliedly only.

77. You have no direct writing to that effect?—No; I think it is very clearly laid down in that minute, No. 6A.

78. That is merely conversation?—The understanding was that some time or other the Harbour Board would be paid £32,000, or, rather, £28,000. In the meantime the Government agreed to pay this £2,000 a year. They were anxious to buy the site at the time, but had not the funds to do so, and the Harbour Board was in the meantime to hold it.

79. *Hon. Mr. Larnach.*] Until it was convenient for the Government to take it over?—Exactly.

80. *Dr. Newman.*] What agreement was made at the time for payment?—That it was to be paid at the rate of £2,000 a year. There was no term fixed.

81. Then it could be given notice of—six months' notice or a year's notice?—In looking at the understanding when the Board took the shed—

82. Your solicitor says that at a certain time it might be ended?—Possibly legally, but not in equity. He advised on the question from a purely legal point of view.

83. The Board, then, has no legal claim at all, only an appeal to Parliament?—As far as our solicitor advises us, they must give us six months' notice before the date that the lease commences. They must give us six months' notice before April in any year. That was the legal advice we got. That was without considering the question of equity.

84. *Mr. Turnbull.*] What is the storage-capacity of No. 5 shed?—From 7,000 to 8,000 tons.

85. What is the usual charge made for storage per ton?—The Government charge is 2s. 6d. per ton for the first week, 2d. for the next week, and 1d. per ton for every subsequent week.

86. Did you ever estimate the revenue Government would derive from that shed, supposing it was fairly filled?—No, I did not.

87. You could not tell whether it would be near £2,000 per year?—No. The railway storage rates were higher than any other rates in Lyttelton, and consequently the railway did not get the same amount of storage business as others.

88. Do you consider the shed fairly managed by the department in making best use of the storage available?—No; I do not think so, on the ground of the storage-charges alone.

89. The charges are one ground: would bad storage be another reason?—Possibly; I could not say from my own knowledge.

90. Are there any other grain-stores on the wharf?—Yes.

91. Are they fully occupied?—We have two stores that are fully occupied: at the present moment they are practically filled.

92. Did you estimate the cost of working these sheds?—Yes.

93. What is the cost?—Sixpence per ton receiving and stacking, and 6d. per ton delivering.

94. *Hon. Mr. Larnach.*] After paying the railway?—Purely receiving, delivery, and storage charges and stacking—equal to 1s. a ton.

95. *Mr. Turnbull.*] That is what you pay on the average per annum?—Yes.

96. What is the capacity of one of the Board's two sheds Nos. 1 and 2, and the quantity of grain passed through them?—The two sheds will carry about 83,000 sacks—that is, 8,000 tons.

97. Would they be filled more than three months?—Yes; we estimate they would be filled for six months.

98. *Mr. Valentine.*] You said that Government did not make the shed pay as well as you think it could be made to pay, owing to the high rates they charged?—Because the rates of other sheds in Lyttelton were lower, and they had therefore the first call on storage.

99. Government?—No; private stores.

100. You think if they lowered the rates they could make the thing pay much better?—Yes. That matter was brought before the House by Mr. Allwright in 1885. On the 9th September, 1885, replying to Mr. Allwright, if the Minister for Public Works' attention had been called to the prohibitory rates charged for storage at the railway-sheds, Lyttelton, and, if so, will he take into consideration the advisability of reducing the same, the Hon. E. Richardson said steps were being taken in the direction referred to.

101. Were they ever altered?—No; I believe not.

102. *Hon. Mr. Larnach.*] What was the total amount of the Board's claim against the Government for these different leases?—£3,300 for the Gladstone Sheds, £2,000 a year rent on No. 5 shed, which represented 7 per cent. on £28,600.

103. And when was the £3,300 supposed to be due?—Well, when Government raised the question of title in connection with the Gladstone Sheds.

104. It was due some time past?—Yes.

105. And the interest on that?—The interest on it would date really from the time the sheds were erected.

106. The total amount in dispute is something over £30,000?—Over £31,000.

107. If that claim had been recognised, when was that due?—When the Government were in a position to pay it.

108. To bear interest meanwhile?—In one case it was; in the other case it was not.

109. From the Board's view of the matter?—Undoubtedly it should bear interest from the date the Gladstone Sheds were erected.

110. *Hon. Mr. Ballance.*] When did you first raise the claim for the Gladstone Sheds?—In 1885, I think. It is shown in the correspondence. On looking at the correspondence I see it was in December, 1886.

111. What caused you to raise the claim at that particular time?—The Hon. Mr. Peacock was Chairman of the Board, and he raised the question in Wellington.

112. Do you know the reason why he raised it then?—The question of the Board's title was not satisfactory to the Board.

113. You knew that before?—Not till then. Government had undertaken to vest these sites in the Board, and, that not being done, the Board made this claim in respect of the sheds.

114. In order to force the Government to grant the title, you requested them to pay for the sheds: the object was to get the title?—Yes.

115. *Mr. Perceval.*] In the event of the sheds falling into your hands, would you be able to work them at a profit?—Yes, undoubtedly.

116. With proper railway facilities, assuming the railway gave you the ordinary facilities?—With ordinary facilities, yes.

117. What rate of interest on £28,000 do you think you could make?—It is impossible really to say.

118. Do you think you could make £2,000 a year?—No, I do not.

119. Do you think you could make £1,500?—Possibly.

120. And if Government gave you a title to the Gladstone Shed would you then be prepared to abandon your claim of £3,000—if they vested that shed in the Harbour Board?—I take it the Harbour Board would have no alternative.

121. *Hon. Sir J. Hall.*] With regard to the third claim in the Harbour Board's petition, which has not been mentioned yet, as to the transfer of the grain-agencies, has the Harbour Board paid for this transfer from the Grain Agency Company?—Yes; they paid them in 1886.

122. Have they made distinct application to the Government to sanction the assignment?—Yes.

123. *Hon. Sir H. A. Atkinson.*] When?—On the 22nd July, 1887.

124. *Hon. Sir J. Hall.*] And Government refused?—Government made no reply.

125. Is there any objection raised?—Prior to the 22nd July, 1887, the Law Officers of the Crown objected, for certain reasons, to advise the Minister to sign the assignment.

126. What were the reasons?—Might I read a letter on the subject from the Chairman of the Harbour Board, Mr. P. Cunningham, to the Minister for Public Works? It is dated the 22nd July, 1887, and is as follows: "I have the honour to acknowledge the receipt of your letter of the 9th instant, in which you state that, in consequence of the advice tendered you by the Crown Solicitor and the Crown Law Officer, you have been moved to withhold your assent to the assignment made by the liquidator of the New Zealand Grain Agency Company to the Lyttelton Harbour Board of the store-site on Norwich Quay, Lyttelton, and you state that the grounds for such advice are that your Law Officers cannot find anything in 'The Harbours Act, 1878,' which authorises the Board to pay either railway- or shipping-charges, or which in any way presupposes or implies their capacity to do so; but, on the contrary, the clauses which deal with the application of the Board's funds negative the presumption that the Board is to apply any of its funds to such purposes: and for these reasons the Law Officers advise you not to sanction the purchase of store-sites by the Harbour Board, as this would, by implication, sanction the carrying-on of a business by the Board which appears to involve the application of its funds to purposes which they think

are unauthorised by law. In the first place, I desire to point out that any misapplication of the funds of Harbour Boards is solely governed or prevented by examination of their accounts by the Auditor appointed for that purpose under the Harbours Act; and until a breach of the Act in this respect is committed the objection raised by the Law Officers of the Crown cannot apply; and, moreover, no action of the Government's can possibly relieve Harbour Boards from their responsibilities under the Harbours Act. As a matter of fact, I may inform you that the Board has never paid any 'shipping-charges' on goods sent into or from their stores, and arrangements have been made with the Railway Department, at your suggestion, by which the Board are relieved from the possibility of having to pay the rail-charges on goods coming into their stores, and, this being the case, the Board are now acting quite within the scope of their powers in storing goods in the store in question, and the grounds on which the Government object to consent to the assignment are removed. It is hardly necessary for me to point out that the Board has full powers, under subsection (7) of section 215 of 'The Harbours Act, 1878,' 'to fix scales for the storage of goods, and charges to be paid for taking into or delivering the same from warehouses or buildings belonging to or in the occupation of the Board,' and this provision clearly indicates that the Act contemplated that Harbour Boards should be empowered to undertake and carry on storage arrangements. If such were not the case, the same argument as is used by your Law Officers would apply to all the Harbour Board stores. This view, however, is negatived by the clause of the Harbours Act above quoted, which empowers the Board to undertake storage business. I may add that the Government have tacitly accepted the Lyttelton Harbour Board as their tenants for the past eighteen months, rent having been demanded from them by the Government, and paid by the Board in terms of the lease. I may also add that your telegram of the 18th March, 1886, to the Chairman led the Harbour Board to believe that the assignment would be approved when submitted to you in due course; and this is further supported by a letter dated 5th July, 1886, from Messrs. Harper and Co., who were acting for the liquidator of the New Zealand Grain Agency Company, to the effect that they were informed 'that as soon as the Board execute the deed, the Minister will be advised to consent to the assignment.' I therefore trust you will see fit to approve the assignment when you have read the statement of the Harbour Board's position in this matter, as set forth in this letter." That letter was handed to the then Minister for Public Works, who was in Christchurch, on the 23rd July, 1887, and his Private Secretary replies to it in these terms: "I am directed by the Hon. Mr. Richardson to acknowledge the receipt of your letter of yesterday's date, with reference to the assignment made by the liquidator of the New Zealand Grain Agency Company to the Lyttelton Harbour Board of the store-site on Norwich Quay, Lyttelton, and in reply to state that your letter has been forwarded to the General Manager of the New Zealand Railways, and that on the Hon. Mr. Richardson's return to Wellington, the matter will receive his full attention." The letter ended there as far as the Board were concerned, they have never received a reply to that letter. They continued to pay rent to the Railway Department, and the question has only recently been raised.

127. *Hon. Mr. Larnach.*] Of course, the assignment has not been signed?—No. On the 25th June, 1889, I received the following letter from Mr. P. Cunningham: "I received notice from the Railway Commissioners yesterday stating that I was still responsible for leases in connection with the brick warehouse in Lyttelton which I sold to the Grain Agency seven or eight years ago, and which was afterwards sold by the Grain Agency to the Lyttelton Harbour Board. I understood that Government had agreed to sanction the transfer from the Grain Agency to the Harbour Board. I shall be glad if the Board will instruct its solicitor to have this matter put in order as early as possible." And that brought the case up. The question was raised by Mr. FitzGerald when he was auditing the Harbour Board's accounts. On the 16th August, 1887, he wrote as follows to the Chairman of the Harbour Board: "I have abstained from certifying to the accounts of the Lyttelton Harbour Board until I could be satisfied that the Board was entitled to obtain the sanction of the Crown to the transfer of the lease of the store from the Agency Company. I have not yet received information from the Government that sanction has been given, but, the Government having tacitly admitted the occupation by the Board for so long, the Board seems to me to have so far an equitable title, which prevents me disallowing the sum paid for the lease, which it would otherwise have been my duty to do. I see no reason why the Board should not hold the store under such conditions as to get rid of the objections raised by the Government."

128. *Mr. Turnbull.*] Has any offer been made by the Government to give the title to this under certain conditions?—None.

129. To agree to the assignment?—None.

130. *Hon. Sir H. A. Atkinson.*] Supposing Government were to make your title good for the piece of land where the original Gladstone Shed was built, would you derive any further rent or profit?—I think not. Under the arrangement made at the time, the sheds were handed over to the Board.

WEDNESDAY, 21ST AUGUST, 1889.

Mr. C. H. WILLIAMS, examination continued.

130A. *The Chairman.*] Your contention on behalf of the Board is that the Government, by preventing the Board from leasing this land to private individuals, entailed upon them the expense of £28,000; that the Board lost the opportunity of letting these sites to private individuals—they lost that opportunity, and therefore the Government should be a tenant of the Board in perpetuity?—Exactly; unless they refunded the amount the Board had spent on the land.

131. Unless they refund £28,600?—Well, £28,600 was the original cost of the shed—the whole of the breastwork and reclamation, which was used in connection with the shed.

132. You fixed the rent they should pay you at 7 per cent. on that expenditure?—Yes.

133. Mr. Peacock, it appears from the correspondence, made an offer to the Government to lease No. 5 shed at £1,500 per annum?—£1,500; yes.

134. On the 29th June, 1887, "the Hon. J. T. Peacock reported that he had interviewed the Premier with respect to the Gladstone Sheds. The Premier had agreed to pay £3,300 at once for the three sheds on the Gladstone Pier. On behalf of the Board, he (Mr. Peacock) had offered to let the Government have the grain-export shed on a lease at a rent of £1,500 a year, and this offer the Premier had promised to bring before the Executive." Was any answer ever sent to that proposal by the Premier?—Yes; in the letter preceding that; as it appears in the correspondence, letter No. 28.

135. But the letter of the 15th June from the Premier does not appear to agree with the report of Mr. Peacock in this respect: that the Premier's answer is a conditional promise to pay the £3,300 for the Gladstone Sheds, and the condition is that the Board shall let No. 5 shed at £500 a year?—I do not think that is very clear. It is clear in the letter from the Government of the 8th December, but that letter of the 15th June is not quite clear. It would appear from the letter that the £3,300 was to be paid independently of the reduction of the rent of No. 5 shed.

136. That is an interpretation of the letter. The letter appears to me to state distinctly that Government adheres to the decision conveyed in the Premier's letter of the 8th December as to the Gladstone Sheds?—Yes; but with regard to the other, they did not recognise any tenancy beyond.

137. Well, the decision of the 8th December was to pay £3,300 on condition that the rental of the No. 5 shed is reduced to £500 per annum. Mr. Peacock's report does not appear to agree with the Premier's offer?—No, it does not.

138. You stated in your evidence that £1,500 per annum could be made out of the shed by the Government if properly managed?—I said it might be, possibly. That is a question that could not be determined until it was tested.

139. Can you form an estimate of what you could make out of the land by letting it to private individuals, supposing the shed were not there at all?—No, I could not.

140. Is it in as good a position?—The land is.

141. Supposing the shed was not there at all, could you deal as profitably with the land as you might have before the shed was there?—I am doubtful. I think there was a greater demand at the time we proposed to let for private sites—namely, in the year 1881.

142. There was a greater demand?—Yes, at that time.

143. You have offered it to the Government for £1,500 per year?—Yes; Mr. Peacock had authority from the Board to offer it for £1,500 a year.

144. The actual cost of the shed was a little over £6,000?—Yes; £6,178.

145. Then, if the shed were not there at all, if you were to leave the shed out and let the land to private individuals, you would lose £6,000; you would lose, of course, what the materials might be worth, and any depreciation there might be in the value of the land since the erection of the shed?—Exactly; exclusive of the extra cost incurred in strengthening the timber-breastwork to carry the shed in question.

146. You cannot form any estimate as to what the depreciation is at all?—None; there is greater storage-accommodation in sheds now than then. Private firms have erected stores in Lyttelton.

147. Would it be possible to deal with that shed in the same way as the Gladstone Sheds were dealt with—cut it up, and let the sheds for private use?—No; except at very large expense.

148. More than the Gladstone Sheds cost?—Yes; it is of different construction. It has a very high stud—a 28ft. stud.

149. As to the Gladstone Sheds: if the Government gave the Board a title to the land occupied by a portion of the sheds, would the Government's position be affected as to using the sheds rent free? Would the Board be prepared to allow them to continue occupation of the sheds?—That would be a matter for the Board to determine.

150. If the Government gave that land to the Board, the Board would be in a position to charge them rent, which it does not now?—Yes.

151. *Hon. Sir J. Hall.*] You said the sheds are half on the Board's property?—One-half of two of the sheds are on the Board's land, and the third shed is altogether on the Board's land; two-thirds of the sheds, in fact, are on the Board's land, and one-third on Government land. That is the position.

152. You fixed the rate of interest at 7 per cent.: that is rather a high rate to charge?—It was fixed in this way: The rate of interest paid by the Board on their debentures is 6 per cent., and there is $\frac{1}{2}$ per cent. for sinking fund; that makes $6\frac{1}{2}$: and the additional $\frac{1}{2}$ per cent. was charged to cover maintenance, insurance, and repairs.

153. *Hon. Mr. Larnach.*] Although 7 per cent. might to be considered high at the present time, when this responsibility was first created 7 per cent. was a low rate?—Yes, it was.

154. *The Chairman.*] You have offered it to Government for £1,500 per annum, which is less, really, than 6 per cent.?—Yes.

155. *Hon. Mr. Larnach.*] What was the maximum amount Government ever paid for these sheds?—£2,000 a year.

156. When these sheds were first leased to the Government, could the Board have got the same rental outside from other quarters as the Government agreed to pay—£2,000 a year?—We never put them up to tender, but at the time the Board were proposing to let them, Mr. Turner, who was in business and also a member of the Board, stated that each of the three sites would be worth from £600 to £700 per year.

157. Could the Board have leased them for a long period had they not leased them to the Government?—They could have leased them for three years. The site they could have let for a longer period. With the shed on the land they could only let it for three years.

158. These are the conditions of the Board?—No; that is the law. The Harbours Act provides for that.

159. Then, the Government could only have got the lease for three years?—Government could only have it for three years.

160. *Mr. Wilson.*] With regard to the interest charge : you said there was 6 per cent and $\frac{1}{2}$ per cent. for sinking fund : how would that pay off the principal?—In fifty years. It is a £200,000 loan, repayable in 1929.

161. Do I gather from your statement that you could not put any value on this reclamation for the shed?—At the present time. It is so altered in consequence of the shed-accommodation at Lyttelton having increased by private firms erecting sheds; and the Board has also built some sheds to meet increased requirements.

162. There must be some means of ascertaining the value?—The only way of ascertaining the value would be to put it up to tender.

163. Are they not valued for property-tax purposes?—No; we do not pay property-tax.

164. Are they not valued at all?—So far as I am aware, they are not.

165. Do you not pay local taxes on them?—No; they are exempt from taxation.

166. Even supposing they were exempt, I supposed they would have been valued for the purpose of ascertaining the values?—Of course, if the Board let the sites they become rateable.

167. In this case you have let them?—In this case Government are exempt from taxation.

168. *Mr. Perceval.*] What do you value them at in your assets?—I put them down at £32,000. The shed is distinct from the reclamation and breastwork. The total is put down at £32,000, less the amount refunded by the Government.

169. *Mr. Wilson.*] The actual cost is laid down by the Chairman of the Harbour Board, as—total cost of sheds, £6,000; cost of reclamation, £10,000; cost of timber-breastwork, £16,000. What is that timber-breastwork?—The breastwork running from the boat-jetties to the Gladstone Pier. Nearly the whole is occupied by railway-lines serving the shed.

170. Do any vessels go alongside?—Yes.

171. Who gets the dues?—The Board gets the wharfage dues.

172. Is there any return showing what you have received in respect of those dues?—No.

173. Is there any means of ascertaining the amount?—Yes; I think the Railway could give it.

Mr. Maxwell : The Railway could not supply the information asked for.

174. *Mr. Rhodes.*] Do big ships lie alongside there?—Ocean-steamers do not, but English ships do—ships up to 1,500 tons.

175. *Mr. Wilson.*] The Board receive the dues on these vessels?—The wharfage dues only; Yes.

176. *Mr. Maxwell.*] I would like to ask Mr. Williams when he was appointed Secretary to the Board?—In January, 1877.

177. When the Board began?—Yes. Shortly after.

178. I want, also, to ask Mr. Graham how long he has been on the Board as a member?

Mr. Graham : About five years, I think.

179. You came on to the Board, then, some years after it was started?

Mr. Graham : Yes.

Hon. E. RICHARDSON, M.H.R., examined.

Hon. Mr. Richardson : There is one point which I think has hardly been made clear to the Committee—that is, as to how this arrangement was arrived at. The Committee may think it sufficiently clear, and may think it superfluous for me to repeat it, but I heard yesterday all that was said here, and it did not appear to me that, from the evidence given by the Secretary and Chairman to the Harbour Board, the Committee could possibly understand precisely the position when this arrangement was made. Of course, I am in the hands of the Committee.

The Chairman : It would be as well, Mr. Richardson, that the Committee should have your statement.

Hon. Mr. Richardson : I was Chairman of the Board, and had been Chairman of the Board from its commencement up to the time this arrangement was made, and for some time afterwards—a long while before the intention of the Board was announced that they were going to make reclamation, and to procure revenue by the lease of these sites. A general plan of the works in the Lyttelton Harbour were agreed upon by the Government and the Board, and this plan I have here. It shows the site which is now in dispute. As the correspondence has shown, as soon as ever the Board announced their intention to reclaim and let these sites, the Railway Department objected to the Board letting the sites, and letting private people come into the station-yard. A lengthy correspondence ensued, which you have before you. Interview after interview took place, and it eventuated in my applying direct to the Minister to see whether this question could not be settled; and the then Minister for Public Works, the Hon. Mr. Oliver, offered to come to Christchurch—he was in Dunedin at the time—and stop there on his way, and see me, and try to get the thing settled. He came to Christchurch, and I had a long interview with him, and the result of that interview was noted in a memorandum, and afterwards set forth in the correspondence. I do not know whether Mr. Maxwell has the original. It was initialled by the Hon. Mr. Oliver and myself. At all events, that minute which appears in the correspondence is a correct account of what took place at the interview.

180. *Dr. Newman.*] A copy of that was initialled by the Hon. Mr. Oliver and yourself? Perhaps you will read it?—“The Minister for Public Works objected altogether to allowing the store-sites to go into private hands. The Government not being in a position to carry out the provisions of clauses 143 and 144 of ‘The Harbours Act, 1878’—these clauses allowed Government to take any part of the property of the Harbour Board, simply repaying the Board the amount they had expended on it in the way of improvement—“Government, then, not being in a position to carry out these provisions, and as they considered the working of the sheds in Lyttelton should be

under one control, there remained only two alternatives, one being that the Board should build the sheds and retain the management of them, and the other being for the Board to build the sheds and lease them to the Government, at a rate to be agreed upon to cover outlay and depreciation."

181. *The Chairman.*] The gist of that is printed in No. 6A of the correspondence?—Practically; the rest of this business followed it. It is quite true that the Government had surrounding land there—that is to say, the Harbour Board were hemmed in; but, at the same time, the correspondence all shows that was thoroughly and clearly understood at the time, and that it was as much to the interests of the Government as to the Board that this work should be undertaken; and had the Government had the funds in hand, as Mr. Oliver stated at the time, there would have been no question raised about it—they would have taken the thing over, and compelled the Board to give it up. That is actually the position as taken up at the time. Well, then, it has been asked, Why was there not a lease made? why was not an agreement made? The reason was simply the Government held this power, and Mr. Oliver and other Ministers since have repeatedly stated that, had they the funds, the Government would take possession of this shed, and refund to the Board a fair proportion of the cost. I say "proportion," because it would not be held, and has not been held, by the Board that if Government took over the shed they would be called upon to pay £28,000. They would take the shed, the ground it stood upon, and a portion of the breast-work. As far as I know, the amount looked upon as being proper for the Government to pay is £20,000, and it was on the strength of that Mr. Peacock made the offer in 1886 to reduce the rent to £1,500. Of course, Government now have it in their power, if they have the funds, to put the Board out and enter upon possession.

182. *Hon. Sir J. Hall.*] That is, under the Act?—Under the Act; and they have had that power from day to day all the way through.

183. By paying compensation?—There is no compensation. They have merely to pay the actual cost of the improvements, as shown by the Harbour Board books. There would be no question as to arbitration in the matter. I may say the Board were bound to take up that position with the Government, because it was borrowed money entirely that they were using, and if they had not used it in that way they would have used it for other purposes of improvement, and thereby got interest on the money expended. And the same remark exactly applies to the Gladstone Sheds. When the Board found the money to build the Gladstone Sheds it was held they would get an equivalent in allowing Government to use the sheds as transit sheds, it being clearly put forth that no charge would be made to the public for using them.

184. Where is that set forth? Is it in black and white?—As far as I know no charge has been made. There is very little cause for any trouble as far as I can see, because the Board has stated just now, through the Secretary and Chairman, that if the Government carry out the conditions laid down in that correspondence, and procure the necessary legislation to vest the site in the Board, the Board have the shed. If, on the other hand, they take this site from the Board they would have to pay back the money spent upon it by the Board by law. There is no question about it, so that I cannot see how there can be any difficulty. With regard to Sir John Hall's request for the written evidence as to no charges being made, I produce a letter written on the 27th August, 1879, by the Secretary to the Harbour Board to Mr. Conyers. It is as follows:—

"Lyttelton Harbour Board Office, Christchurch, 27th August, 1879.

"SIR,—With reference to your letter of the 14th instant, and to the interview which took place this morning between yourself and Mr. P. Cunningham, and the Chairman of the Harbour Board, on the subject of shed on the Officer Point Breakwater, I am directed by the Chairman to state that, if the Government are prepared to hand over the shed in question to the Board, together with the flooring-material which has already been provided for it, the Board are prepared to remove and re-erect the shed upon their property in accordance with the plan enclosed in your letter of the 14th November last.

"The regulations for working the shed should be made by the Railway and Customs Departments, having solely in view the 'facilitating the discharge and loading of ships, and the Customs operations.' The control of the shed to remain under the Government, they taking the necessary steps to vest the shed in the Lyttelton Harbour Board. See section 11 of 'The Lyttelton Harbour Board Lands Act, 1877.'

"As it is of the utmost importance that the shed should be moved on to the wharf (Gladstone Pier) before the ensuing wool and grain season, I am to ask you for an early reply.—I am, &c.,

"W. Conyers, Esq., Commissioner of Railways."

"C. H. WILLIAMS, Secretary."

I was under the impression there was a letter in the correspondence somewhere stating that no storage-charge would be made, but it cannot be found. At any rate, that has been an understanding, and I believe no charges have been made except under exceptional circumstances, when outside people have tried to impose upon the railway, and no rent has been charged to the Government by the Board for these sheds.

185. It is used as an import shed? They are used as transit sheds, and for Customs operations. With regard to the other point, the third clause of the petition, I do not see that there need be any trouble about it now. The department had a reason at the time for objecting to the transfer from the Grain Agency Company to the Board, but, as far as I know, the objection which was then made has ceased to exist, inasmuch as the particular charges which were threatened to be made by the Board have not been made, and that difficulty is out of the way. I do not know that there is anything else to bring before you.

186. *Dr. Newman.*] I would like to ask Mr. Richardson whether, when he was Minister for Public Works, he stated to the Harbour Board that he considered Government ought not to pay more than £1,000 a year for the shed. I take it that when you were in office, Mr. Richardson, you thought £1,000 a year sufficient, and now the Board are asking £2,000 a year. What reasons were there for your thinking at that time £1,000 a year was enough?

Hon. Sir J. Hall: In what letter is that contained?

187. *Dr. Newman*.] In letter No. 16. It says: "I have the honour to intimate to you that the Government consider they ought not to be called upon to pay a higher rental than £1,000 per annum, say, from 1st July last, and I shall be glad to learn that your Board can see its way to adopt this view of the case." You were then Minister for Public Works. I think it would be interesting to know why you thought the rent should be reduced one-half, and considered that was enough?—Well, as far as I remember now, this was done under the advice of the permanent officers of the department, who stated, from one cause and another—the large additional shed which had been put up by the Board, and sheds erected by private individuals, and alterations that had been made in the rates of storage—the matter had been brought down to making it a question whether the railway would make more than £1,000 a year out of this shed.

188. Then, your opinion is still to-day, seeing the storage-charges and other things have altered, that £1,000 a year is ample?—No. I do not think the question comes in at all. You must understand I was in a very peculiar position at the time, and, as will be seen if the printed papers are looked through, I did not myself, personally, deal with this matter at the time I was in office.

189. It was your letter?—I am quite aware it was my letter. No other Minister could communicate, except the Premier.

190. It is signed "Your obedient servant, Edward Richardson"?—That is my name; yes.

191. At that time you thought £1,000 a year sufficient?—I did not think so, personally. I was expressing the views of the Government, as advised by the permanent officers of the department.

192. This is a revelation to me. I thought Ministers put their names to their own opinions?—I think, if I may be allowed to say so, that when *Dr. Newman* has been in office for a while he will not find this always the case.

193. *Hon. Mr. Larnach*.] Then, I take it, this question was submitted to Cabinet?—This question was submitted to Cabinet by me; and, so far as I was concerned, I asked Cabinet to relieve me from dealing with this question in dispute, seeing I had so much connection with it; and one member of the Cabinet, the *Hon. Mr. Reynolds*, undertook and did spend a great deal of time in considering the matter. He undertook to go through the papers and report on the whole thing.

194. Really, then, it was a majority of the Cabinet that was the cause of this letter having been written?—Yes; I imagine so.

195. You did not take any part, so far as this matter was concerned, in the consideration of it by the Cabinet?—No. I would like to add this; that all the way through, from the initiation of this Board, I had—and I was backed up by the Board—treated the Board as practically a department of the Government, and it was to the interest of the Board to work in harmony in every possible way with the Railway Department; and what led to my applying personally to *Mr. Oliver* and trying to get a meeting to settle this thing was, that it appeared the question was getting into such a state that, unless something of that sort was done, the two bodies would get at loggerheads, and great difficulties would arise.

The Chairman: Before *Mr. Maxwell* gives his evidence, I would like to read clause 144 of "The Harbours Act, 1878," which has been referred to. It is as follows: "The Board shall be entitled to receive compensation for any land so taken, but not in any case exceeding the amount which the Board shall have actually laid out upon the said land, either for cost of reclamation or otherwise in permanently improving the same; and the amount of such outlay shall, in case of dispute, be ascertained and settled under the provisions of 'The Public Works Act, 1876.'" It must not exceed the cost, but it may be less.

J. P. MAXWELL, Commissioner of Railways, examined.

Mr. Maxwell: I should like, if you will allow me, to begin with the Gladstone Sheds, because that is the commencement of the subject, although this matter appears in the petition in the middle. The Lyttelton Harbour Board came into existence in January, 1877, and, I think, was endowed with wharfage to about £28,000 a year. The condition on which the Board started was that the Board should get the wharves and maintain the wharves, and the Government should retain the lines of railway and the stores, and do all the work of receiving and delivering the goods to and from the railways and ships. The Board has nothing whatever to do with receiving or delivering the goods; the Railway Department manages the whole of that. The Board applied in 1877, through the Chairman (*Mr. Richardson*), to know what its limits and jurisdiction were among other questions, and this is what they were told generally regarding the railway by the Under-Secretary for Public Works: "The Government are desirous of seeing such limits fixed as will vest the various wharves and jetties in the Board, but the efficient working of the railway absolutely necessitates that these limits shall not interfere with the railway and the railway-sheds, nor with that provision for extended railway-accommodation which may be looked forward to as certainly to be required." That was in February, 1877. Almost the first act of the Harbour Board, after its constitution, appears to have been to claim the Gladstone Shed. The Board was under the impression that the Gladstone Pier and the jetty and sheds were vested in it, but that turned out not to be the case; and the Board, in March, 1877, resolved thus: "That, pending the settlement of any terms for the leasing of the shed and Gladstone Wharf to the Government, this Board would be willing, if the shed is urgently required for storage purposes, that it should be used temporarily by the railway authorities for those purposes, leaving the amount and the rent to be paid to be settled hereafter." That is the resolution of the Board. Well, Government was very much surprised at this, because they had just built this shed themselves, and when they came to inquire into the matter a little further they found that no shed on the Gladstone pier or jetty was vested in the Board; so that Government did not see their way to pay this rental which it was suggested they should pay. The *Hon. Mr. Ormond*, the then Minister for Public Works, wrote to the Board and expressed his surprise at their demands, and assured them that "the Solicitor-General now advises that the Gladstone Breakwater, with all buildings upon it, vests in the Crown." In general terms

the Government repudiated this proposal of the Board that they should pay the Board rent for their own shed. Then the Board came to realise that this Gladstone pier and shed were not vested in them, and they requested the Government to pass an Act to vest these properties in the Board; and it was resolved in April, 1887, "That the Government be requested to recommend His Excellency the Governor to reserve all these breakwater sheds, jetties, and breastworks, as also all land lying below high-water mark with the Harbour of Lyttelton not already vested in the Board; and at the first meeting of the Assembly to obtain authority to convey by Crown grant such lands to the Board, reserving the right to the Government to lay down and maintain railway-lines upon such breakwaters and wharves, with every facility for working the same." The Harbour Board passed a resolution inviting the Government to vest these properties in them, reserving the right to the Government to lay down lines and build sheds, &c. After some written negotiations with the Board the outcome was "The Lyttelton Harbour Board Land Act, 1877." I wish to draw your attention to this fact: that clause 144 of "The Harbours Act, 1878," which the Chairman read to the Committee, has no bearing on this matter at all. The Crown Law Officers advised that this special Act, which was passed with the concurrence of the Board,—

Mr. Larnach asked if the Government were represented, as the matter was a very important one.

The Chairman pointed out that Ministers would be able to see the evidence, which was being taken down.

Mr. Maxwell: Well, sir, I wish to point out that clause 144 of the Harbours Act of 1878 has no bearing whatever on this matter. That contention has been repeatedly brought forward in the last eight or nine years, and this Board has been shown that it is quite in error, and that the Harbours Act of 1878 does not apply to the case, and that "The Lyttelton Harbour Board Land Act, 1877," does apply. [Mr. Maxwell here quoted sections 9, 10, and 11 of "The Lyttelton Harbour Board Land Act, 1877.]"

9. The Governor may from time to time, and at any time hereafter, lay down, construct, and maintain upon any wharf, jetty, pier, quay, or dock vested in or constructed by the Board, a line or lines of railway connecting with any railway vested in Her Majesty; and may at all times thereafter enter upon any such wharf, jetty, pier, quay, or dock, and use the said line or lines of railway, with all necessary permanent-way, rolling-stock, fittings, appliances, and conveniences for the effectual working of the same, in such manner and to such extent as the Governor shall think fit.

Power to the Governor to lay down railways on wharves, &c.

10. The Governor may from time to time hereafter, on behalf of Her Majesty, erect and maintain upon any wharf, jetty, pier, quay, or dock vested in or constructed by the Board, such stores, railway, sheds, offices, and other buildings as may be necessary for the working or management of any such railway as aforesaid.

Also to erect stores and sheds, &c., thereon.

No compensation or other allowance shall be payable by the Governor or the Government of the colony for or in respect of the exercise of any right or power reserved under this or the last-preceding section.

11. The railway store and shed now standing on the erection known as "Officers' Breakwater," in the Harbour of Port Lyttelton, shall remain absolutely vested in Her Majesty the Queen, her heirs and successors, who shall at all times have the right of keeping and maintaining such store and shed on the said breakwater, and the right of access into and out of the same, along, across, and upon the said breakwater at all times.

Railway store on Officers' Breakwater to be vested in Crown.

The meaning of that action was probably this: The Board having been endowed with £28,000 a year in wharves, the Government, at the time, felt justified in reserving the exclusive right to use the whole of the wharves for their rails, and to use all the sheds that were on these properties without paying any more for them. That is really the Act which governs the proceedings of the Government with regard to these sheds and properties in Lyttelton. The Board had, as I said, invited Government to pass this Act, and Government passed it with these reservations. The Act passed in November, 1877. Incidentally, I wish to refer to Mr. Carruthers, Engineer-in-Chief, whose name has been mentioned several times in connection with this petition. I was at that time his office assistant. I was intimately acquainted with everything that went on, and from the time this correspondence began up to the time of Mr. Carruthers leaving New Zealand I knew all that went on, and I know his views were not in the direction of allowing these sheds to pass into the Harbour Board's hands, and he advised the Government accordingly, and that Act was the outcome of his advice.

197. *Hon. Sir J. Hall*.] When did Mr. Carruthers go home?—In 1878. Nothing more was done. This Act passed, and things went on smoothly. Nothing more passed to disturb affairs until 1879. I knew what was going on up to 1878, because I was then connected with the Railway Department, but after that my connection with it ceased for two or three years; and so, in referring to what took place during the latter period, I am going into details rather unknown to me. I found afterwards what had happened from correspondence found in the offices. In 1879, for some reason or other, the Board thought proper it should make some move with regard to the Gladstone Shed, and have it cut up into three pieces, and, as far as I can make out, they pressed Mr. Conyers to allow them to alter the shed, and wrote a letter, which has been read, in which it was suggested that this shed, when cut up, should be made over to the Board. Now, as I said before, because the traffic is worked exclusively by the Railway Department, and the department only are concerned in receiving and moving goods, it did not concern the Board whether the shed was at Christchurch or Lyttelton. Mr. Conyers agreed to this shed being cut into three pieces, and the Board spent £3,000 odd, and the Government spent £1,500—in all, £4,500—in effecting the alterations, and the result was they got 160ft. more shed-accommodation. That is all they got for that expenditure,

and the goods have to be dealt with in the same way at these three sheds as they had before at one shed, with this inconvenience: that there are three sheds instead of one. That £3,000 spent by the Board did very little good, and the £1,500 spent by the Government did very little good. The goods are dealt with in identically the same way as they were when there was only one shed. It was proposed to Government that the shed should be made over to the Board, and I believe the department really contemplated at the time making the shed over to the Board, but it was not done. Since that date the Board has claimed that these sheds belong to them, because they spent money in altering them. We have invited the opinion of the Crown Law Officer on the subject. He holds that the department had no right to dispose of the property under the Act, and the fact of allowing the Board to cut up this shed did not alienate the property of the Crown. Then, sir, about this idea that the shed is built on a piece of ground which belongs to the Crown: that is, I think, an erroneous idea. If the Harbour Board Land Act is looked up it will be seen this Gladstone Shed is vested in the Crown. The pier is vested in the Board, but the right is reserved to the Crown to lay down railway-lines, and do anything on this pier and on this wharf in connection with the effectual working of the lines; and the whole of these piers are occupied and were occupied by railway-lines. That is the theory of vesting the pier in the Board. It does not apply very well in practice. The Government might remove the sheds at any time to any part of this pier. Well, the Board, as I say, claimed, on account of having spent this money, that it was entitled to call the sheds its own; but the opinion of the Crown Law Officers was that that could not be done. Then, I believe, the Board spent money on painting or repairing the sheds. I, as General Manager of Railways, objected to their doing that, but they seemed determined to do it, and the Minister seemed willing, and they did it; but the money they spent in repairing the sheds was not legally spent, and the money they spent in insuring the sheds was not legally spent on the part of the Board. I think they made a mistake in insuring the sheds. Then, later on, as is shown by the correspondence, this Gladstone Shed expenditure by the Board was made the subject of a proposal in connection with other sheds, and the Government said they would pay the Board the £3,300 spent on the Gladstone Sheds if the Board agreed to reduce the rent of the other shed to £500 a year. This is the first time, as far as I know, that any proposal was made that the Board should be refunded the £3,000 spent on the Gladstone Sheds. I never heard of any proposal to that effect before. Had I heard of it I should not have advised that the amount should be paid, because the results were not worth the outlay. It was quite a mistake; the money should never have been spent in the way it was. The Railway Department objected to the payment of the rent, and so the matter stands. That is all I have to say about the Gladstone Shed. The Gladstone Shed has always been the property of the Crown: it has never been in the Board's hands, and has never been used by them at all; and they have been very fully informed about it, because in 1886 they wired in this way: "The Lyttelton Harbour Board propose to temporarily use one of their sheds on the Gladstone Pier for the storage of grain. The three sheds on that pier are almost empty, and I trust that no obstacle will be placed in the Board's way in doing this. Kindly reply at once." They assumed, as they have always done, that these Gladstone Sheds belonged to them. To that the Hon. Mr. Richardson replied, "Replying your telegram leasing, it appears you are under a misapprehension as to the proprietorship of the three sheds. I refer you to the Act of 1877; also to the correspondence subsequent, and to the Bill which your Chairman in 1881 endeavoured to pass, which provided for change of vesting. This Bill was opposed and dropped, and since then no further steps have been taken in the matter. If the Board requires more shed-room for storage Railway Department will be prepared immediately to give up possession of the large shed which it rents from the Board."

198. *Mr. Williams*, through the Chairman.] Will you read the reply to that telegram, Mr. Maxwell, by the Chairman of the Harbour Board?—On the 1st May the Chairman of the Harbour Board replied as follows: "I have the honour to acknowledge receipt of your telegram of yesterday's date, and, in reply, to state that you are entirely misinformed in regard to the Gladstone Sheds. The original shed, of 500ft. long, was built by the General Government on the site referred to in clause 11 of 'The Lyttelton Harbour Board Land Act, 1877,' on the Officers' Point Breakwater. Subsequently, the Government agreed with the Harbour Board to hand the shed over on condition that the Board erected it on their own ground on the Gladstone Pier. The Board did so by adding to it, and re-erecting it in three sheds of 210ft. long each, the increased length being 160ft. The correspondence clearly shows that the shed and flooring-material were absolutely handed over to the Harbour Board, and the three sheds were re-erected by them upon their own ground, the Board at the time consenting to allow the Railway and Customs Departments to work the sheds for certain purposes. So far as the Bill of 1881 was concerned, it could only have referred to vesting the original site of the shed in the Harbour Board. No shed now stands on the site referred to. The three sheds now stand upon ground vested in the Board, and there was no need to again vest it in the Board, and therefore there can be no question whatever that they absolutely belong to the Board. The trade of the port has considerably altered since the working of these sheds by the railway was assented to by the Board, and just now there is no necessity for keeping all three sheds for the cargo of English ships, and hence my telegram of yesterday intimating that the Board proposed to temporarily use one of these sheds for grain-storage purposes. This appears to me to be a reasonable proposal, and one which could not embarrass the Railway Department, and would meet the exigency of the case so far as the Harbour Board's present requirements are concerned. I may mention incidentally that the Harbour Board spent the sum of £3,302 in erecting these three sheds on their own property. I may also add that Mr. Conyers, the Commissioner of Railways, wrote as follows to the Board on the 14th November, 1878: 'In its present position the shed can only be used as a railway-store. All material must be put into it and removed from it by railway-wagons; and, consequently, it is of no more service on the wharf than if it stood in Christchurch or any other place remote from the ships. What appears to be required is a shed into which railway-wagons could discharge and thence be delivered direct to the ships, or ships discharge and thence to the wagons. This would immensely

relieve the demand for wagons, and facilitate loading and discharging of ships.' And, again, on the 22nd October, 1879, he wrote as follows: 'I have the honour to inform you that I am this day in receipt of a telegram from the Under-Secretary for Railways, intimating that the Hon. the Minister for Public Works has sanctioned my proposal to hand over the Gladstone Shed to the Harbour Board on the terms arranged for re-erection on their property.' That is from Mr. Conyers, and the whole of Mr. Conyers's proceedings seem to have been taken in complete ignorance of the negotiations which led to the passing of the Act in 1877, because, had he known it, he would have understood that Government declined to hand over the shed to the Board. I explained before that the department did, in a way, assent to the proposal that these sheds should be given to the Board, and I believe actually it went so far that the solicitor down there was asked to prepare the deed for handing over the sheds to the Board—as if the department could give away the property of the Queen in that way. Of course, the solicitor could not prepare the deed, and the thing never came to a point at all; it ended there. I should like to read the answer to the letter from the Chairman of the Harbour Board, as I think it bears on the matter. The latter is dated the 11th May, 1886, and is from the Minister for Public Works.

199. *Dr. Newman.*] Who was Minister for Public Works then?—The Hon. Mr. Richardson. The letter is as follows: "I have the honour, in reply to your letter of the 1st May, with reference to the breakwater shed, to point out that you appear to be under a misapprehension about the action of the Commissioner of Railways in 1879. The shed was handed to your Board for re-erection, as is stated in the letter you quote. The Government had no power to transfer the ownership in colonial property to the Board. Such a transfer could only be made with the sanction of Parliament. The Bill referred to in my telegram of the 30th ultimo was prepared and introduced into Parliament for this purpose. I should also further point out, with reference to the ownership of the land which is vested in the Board by 'The Lyttelton Harbour Board Land Act, 1877,' that it is so vested subject to the right of the Crown to occupy it for railway purposes with shed, offices, or railways, free of any compensation or other allowance to the Board. Notice was given your Board on the 11th July, 1885, that the Government did not feel justified in retaining the Board's large grain-shed, and I am now prepared to place that shed at the Board's disposal, if the Board is in want of further store-accommodation."

200. *Mr. Williams.*] Would you read the reply to that?—The reply from the Chairman of the Harbour Board is as follows: "In reply to your letter of the 11th May on the above subject, I have the honour to say that I am under no misapprehension about the action of the Commissioner of Railways in 1879. The shed and shed-materials were absolutely handed over to the Harbour Board under instructions from the then Minister for Public Works, and the shed-material was used by the Board towards the erection of the three new sheds on the Board's own ground, the Board spending some £3,200 in additional building-materials and labour upon them. If the Government handed the material over to the Board without parliamentary authority it certainly was not the Harbour Board's embarrassment, and if the matter required legislative authority to confirm the Government's action it was certainly the Government's duty to confirm such authority. In reply to the paragraph of your letter in which you say in regard to the ownership of the land which is vested in the Harbour Board by 'The Lyttelton Harbour Board Land Act, 1877,' that it is so vested subject to the right of the Crown to occupy it for railway purposes with shed, offices, or railways, free of any compensation or allowance to the Board, I need only refer you to the correspondence which took place on the same subject in 1881 between yourself, as Chairman of the Lyttelton Harbour Board, and Mr. J. P. Maxwell in regard to the Harbour Board's grain-export shed, Mr. Maxwell, in his letter as per margin, having expressed an exactly similar opinion to that now expressed by you. Your reply to him then was as follows: 'On the other hand, I may be allowed to point out that if the Government desire to press their objections the means of doing so are clearly set forth in sections 143 and 144 of "The Harbours Act, 1878" (which is a subsequent legislative measure to section 10 of "The Lyttelton Harbour Board Land Act, 1877," quoted by Mr. Maxwell), which provides that the Board shall receive compensation for land taken or used by the Government.'" I may again point out that the Harbours Act of 1878 did not apply; the land was dealt with under a special Act. I think I have said all I can say with regard to this Gladstone Shed.

201. *Dr. Newman.*] Have you got the written opinion of the Crown Law Officers as to the tenacy of the Gladstone Shed?—The opinion of the is as follows:—

"The Gladstone Shed is vested in the Crown by 'The Lyttelton Harbour Board Land Act, 1877,' section 11. During 1879 it was proposed by the Harbour Board that this shed should be divided into three sheds and re-erected in this form on and about the same position it had before occupied. The shed was handed to the Board for re-erection, and the Government also placed at the Board's disposal a large quantity of timber, some £700 in value, and also expended some £800 in altering the lines of rail to allow of and to fit the altered sites.

"The Board carried out the alterations. It is stated to have spent £3,000 or £4,000 in doing this, and it left the three sheds of a larger area than the one original shed. The sheds have since been in continuous use by the railway, uninterfered with by the Board. The Board now claims that the shed, or part of it, was given to the Board, and it claims one of the sheds as its property. The question is having regard to sections 9, 10, and 11 of the Lyttelton Harbour Board Land Act, whether the Government had any power to give any part of this property away without an Act of the Assembly.

"J. P. MAXWELL."

"I shall be obliged if Solicitor-General will advise me as early as possible on this matter, as Chairman of Board is here seeking interview with me.

"11th June, 1886."

"EDWARD RICHARDSON.

"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

give access to it—£4,000 for reclamation, and £4,000 in alterations to the yard in order to enable the Board to get access to the shed at all. The Board spent £6,000 on the shed, but the £16,000 was spent entirely outside the shed—on the wharf. This cost of the wharf could not come into this shed arrangement. I may say my view has always been that the Government should have bought this shed outright, and, although “The Harbour Board Land Act, 1877” says no compensation shall be paid for land, it does not say no compensation shall be paid for buildings. Of course, if the Government took the Board’s buildings it would have been bound to pay compensation, and a reasonable sum for what the buildings stood upon; so that, the Harbour Board Land Act notwithstanding, if the Government had taken over the shed it would have had to have paid for it in a reasonable manner. The shed cost £5,000, I believe, and for what purpose I forget for the moment. I had at one time estimated what was the cost of the ground where the shed stood, and I computed it at £4,000 or £5,000. I had in my mind fixed £10,000 as about the value of the property. I think the best plan would be to take the shed by Proclamation and pay £10,000. The alternative was to pay £500 a year rental, which would be 5 per cent. on the value of the property. I do not think, sir, that there is much more that I can say. I do not know whether the Board takes exception to the action of the Railway Commissioners in giving notice to discontinue occupation of the shed. Under advice, we gave one month’s notice; that is all the notice the Board were entitled to. They had several warnings from Government that they would not continue to lease the shed at £2,000 rental, and we considered they were fairly treated in having a month’s notice. Mr. Chairman, you asked a question as to whether they could cut up this shed. To that I would reply: the Railway Department must be the sole judge as to whether the sheds can be cut up or not, because it entirely depends upon how the railway-lines can be run, and how the sheds can best be worked from the lines. That question of cutting up the sheds we settled by determining that one shed was better than two or three. We considered the question as to whether there should be one, two, or three sheds, and our conclusion was that the most workable was one shed. Then Sir John Hall asked if half of the shed was on Government land. Well, I have explained that I think the whole of the land is vested in the Board, subject to reservations.

202. *Hon. Sir J. Hall.*] The land on which these three sheds stand is vested in the Board?—I think so. I think it is vested in the Board; and Government reserves the right to use it for certain purposes.

203. If the land is vested in the Board the shed is vested in the Board?—The shed is vested in the Queen, not the site.

204. That is very peculiar?—It is peculiar. The ground, so far as I can understand, is vested in the Board; but the right to put sheds upon it, and lay rails, and so forth, is reserved to the Crown, without paying compensation. Government is allowed to use it free of cost.

205. The shed could not be vested in the Queen? The Crown may be allowed to occupy it?—No, sir; the shed is vested in the Queen by the Act. The railway store and shed now standing on the site known as the Officers’ Point Breakwater remain absolutely vested in Her Majesty the Queen.

206. *Mr. Rhodes.*] It does not say all future sheds?—No; but the right to put up any sheds is reserved to the Crown.

207. Is that previous to the moving of the sheds, or afterwards?—Previously to this Act being passed. I do not think I have anything more to say on this matter.

208. *The Chairman.*] With regard to the Grain Agency Lease, have you anything to say as to the assignment?—Well, the Board has put itself into the position in which it stands, as I understand the matter, rather inadvisedly. Government had a site at Lyttelton, which, I think about 1879, they put up to public auction. The site was leased to Mr. Cunningham, one of the members who signs this petition, and Mr. Cunningham built a brick store on it, and for some years used it as a grain-store. Then he gave up his business to the Grain Agency Company, and the Governor assented to the assignment of the lease from Mr. Cunningham to the Grain Agency Company. Then the Grain Agency Company went into liquidation, and they put up these properties to auction, I think.

Mr. Williams: No; they were sold privately.

Mr. Maxwell: The Board bought this property, and the Government was asked to assent to the transfer of the lease from the Grain Agency Company to the Board. Then arose the difficulty. Mr. Cunningham, we were informed by the Crown Law Officers, is really responsible for the rent, and he is responsible for the fulfilment of the terms of the lease even now; but, when it was proposed to assign this lease to the Board, the question arose, Could the Board fulfil the conditions of the lease? Mr. Richardson was then Minister for Public Works, and he was advised by the Crown Law Officers that the Board could not fulfil the conditions. The reason was this: the shed was let subject to the lessee becoming responsible for the payment of all freights on goods, and so on, which would accrue; and the Board, by its constitution, could not undertake to become responsible for the freights which were due on these goods, and so could not execute the lease. We have in some measure got over this difficulty by delivering goods consigned only to persons who have ledger accounts, who have authorised the Harbour Board’s shed-manager to receive goods on their behalf. That was arranged before I left New Zealand in 1887. I do not see that anything has happened since then; nothing, I believe, has been done.

209. *Mr. Williams.*] With regard to the last letter from the Board in reply to the Minister’s communication, that legal power should be given to enable the Board to take possession of this shed, and relieve Mr. Cunningham of his obligation, because he is now responsible?—Of course, so long as the Railway Department gets its rental, and knows there is some person responsible for paying it, it does not matter whom they get it from, and they are willing to take it from the Board all through.

FRIDAY, 23RD AUGUST, 1889.

J. P. MAXWELL, Commissioner of Railways, examination continued.

210. *The Chairman.*] Have you any more evidence to give, Mr. Maxwell, as to this matter?—I was asked, sir, to explain why the assignment of the lease of a certain shed, which had been purchased from the Grain Agency Company by the Harbour Board, had not been assented to by the Governor. I wish to explain that the Harbour Board was unable to fulfil the conditions of the lease, and the reason it could not is given by the Crown Solicitor as follows: "These provisions presuppose the capacity of the lessees and their assigns for carrying on the business of warehousemen, and, in connection with it, of clearing and assigning goods carried or to be carried by the railway, and also, as you express it, of acting as agents on behalf of persons sending their goods for shipment, and, incidentally thereto, of paying railway rates and charges." That was the reason the Crown Solicitor said the Minister could not recommend the Governor to assent to this assignment.

211. *Hon. Sir J. Hall.*] Have you got the query to which that was an answer?—This is the memorandum to the Crown Solicitor: "Herewith please find original leases of above properties (store sites Nos. 1, 2, and part of 3, Norwich Quay) and the copy of assignment Cunningham to Grain Agency, also draft assignment forwarded by Messrs. Harper and Co. The Lyttelton Harbour Board proposes to take over the leases, and the Board's solicitor has prepared the deed of assignment enclosed. Will you please peruse this deed, and ascertain if all the rights and interests of the Crown are properly conserved, and if the Harbour Board can take over all the obligations in the original lease? If the assignment requires alteration in any way please communicate with Messrs. Harper and Co., and get the matter attended to, and forward the deed here for execution after first getting it executed by the other parties thereto." It was in reply to that. Then the position was this: the Harbour Board had bought this lease privately from Mr. Cunningham, and they found afterwards they could not get an assignment because the Governor could not assent to it. Then, I believe, there was some talk of getting a Bill prepared to enable the Harbour Board to do this. I do not know of my own knowledge, but I fancy that that proposal broke down, because it was not considered the right thing to pass an Act making Harbour Boards perform the duties of agents, and carry out duties that private firms should perform.

212. Did you not say some arrangement had been made by which the difficulty was to a great extent got over?—We, to some extent, helped the Board out of the difficulty in this way: In the cases of certain persons to whom goods are consigned, and who have ledger accounts with the Railway Department, these people give orders to the Board's manager to receive goods on their account, and hold themselves responsible for the payment of all freights to the railway. But goods not prepaid sent by the public we could not deliver to the Board; we should retain them in the shed until the freights were paid.

213. Why?—It is the rule with carriers that they do not give up the goods until the freight is secured.

214. Have you any reason to suppose you would not get it from the Board?—They cannot pay it; that is the difficulty. We are so advised by the Crown Law Officers. They cannot pay the railway-freights. If they could it would be all right.

215. They were paying freights for some years?—I do not think so.

216. *The Chairman.*] You have seen the letter of the 22nd July, 1887, from the Chairman of the Board to the Minister for Public Works?—Yes.

217. What is your answer to the contention contained in that letter?—I cannot answer immediately. I can only tell you what is the advice we have got from the Crown Solicitor and the Crown Law Officers. These are questions of law, and I should not like to answer them without again perusing the letter.

218. Is that which you have read the opinion of the Crown Solicitor at Christchurch?—Yes.

219. Not the opinion of the Solicitor-General?—No; but the Solicitor-General concurred in it.

220. The Auditor-General did not consider it any difficulty?—It is hard to say what he considered. The Auditor-General thought that some provision ought to be made to enable the Harbour Boards to do these things. That seems to be the rock on which things have split. I can only say I do not know anything about this matter after July, 1887. The last thing I did before leaving New Zealand was to make arrangements with regard to the ledger accounts before referred to, and since then I have not seen any papers in connection with the matter until a week or two ago.

Hon. Mr. Richardson: May I be permitted to make a remark?

The Chairman: Certainly.

Hon. Mr. Richardson: When I suggested to Mr. FitzGerald that a Bill should be prepared he said, "Oh, nonsense. Cancel the old lease, and get a new one, with these conditions altered so as to suit the two parties." That was his reply to me. With regard to these particular conditions, I do not know whether the Railway Commissioners or the Government would now have any objection to have them struck out altogether, and let the Board go on. If they do object there is nothing for it but an Act.

221. *Dr. Newman.*] I would like to ask Mr. Maxwell whether the shed originally brought in to the Government anything like £2,000 a year—I mean the big grain-shed, No. 5 shed?—I doubt if it ever did. From the date it was completed the storage receipts began to decline. We had ourselves been storing before, stacking in the open at our own risk, sufficient quantities of grain to have filled such a shed.

222. Since the Harbour Board put up a shed and lowered the storage-charges, has it been possible to get the shed properly filled with grain?—In 1885 there was no grain at all in it for a whole year. I do not say that was entirely due to the Harbour Board's action; it was due to the several

causes I have before stated—the decrease in exports and the increase in country stores, as well as to the Board's action.

223. Was the Harbour Board's shed in work that year?—I believe it was.

224. *Mr. Rhodes.*] Has there not been an enormous increase in grain?—There was a large increase in grain last year; but the storage-accommodation up country has so very largely increased that we do not get any particular increase in Lyttelton. There has been more grain this year than for several years.

225. And those few years when the storage fell off there was a large decrease in the actual quantity of grain grown in the country?—So I understood.

226. *Hon. Sir J. Hall.*] With regard to the Gladstone Sheds, you commenced by stating that the Harbour Board had been endowed with £30,000 a year wharfages?—About £28,000 a year, to speak more correctly.

227. Were these wharfages received additional to the wharfages from wharves erected by the Board itself?—I think you must take the whole of the wharfages together.

228. Do you know what wharves were in existence and yielding wharfages when the Board started? I want the Committee to know whether this is a fair view of the case?—Perhaps I did not mean to put it that these endowments were undue endowments. The Board was endowed with £28,000 a year to build and maintain the wharves and do all that was necessary to the harbour, and the railway had the working of the traffic and goods and the sheds.

229. Is it not a fact that the Board created the £28,000 by erection of the wharves?—No.

230. You are correct, then, in stating that the Board were endowed with £28,000 a year when they started?—It must be very close to that amount. I could give you the exact figures, year by year, I think.

231. As a matter of fact, the greater part of the wharves in Lyttelton have been erected by the Board?—I should think so. Of course, that was what they had these endowments for.

232. *Mr. Wilson.*] Was it only dues, or were there any other endowments?—I think the Board had some other endowments. Mr. Williams, perhaps, can tell you better about that than I could. They had to finish the Gladstone Breakwater for one thing—that was done by the Board—and they also dredged the harbour.

233. *Hon. Sir J. Hall.*] I understood you to say that the law gave the Government the power of taking any land which it might require without paying to the Board the cost of reclamation?—There is one case, Peacock's Wharf. I think the Act provides that if the Government take that land it would have to repay something to the Board.

234. Irrespective of that, in other cases, Government could step into the Board's work and take the benefit of that work without repaying the cost of reclamation?—That is what I understand to be the case by the Lyttelton Harbour Board Land Act. The Governor has the right to lay rails and erect sheds without paying compensation to the Harbour Board, except as to that portion known as Peacock's Wharf.

235. With regard to the circumstances under which this Gladstone Shed was altered and cut up, you have said, in your opinion, the alteration has not facilitated the railway work at all?—No; I do not think it has. I think the entire transaction was somewhat of a blunder. I think that the railway officers then allowed themselves to be led by the opinion of the Board, and did not study their own business sufficiently. Prior to the alteration of these sheds, the sorting of import goods had been done in Christchurch, and it has been a source of continual complaint, as I have experienced for the last nine years, that the sorting is not still done in Christchurch. If the £4,500 spent in altering the sheds had been spent in providing additional accommodation at Christchurch, and the goods had been still carried up there and sorted, it would have been very much better. The merchants, who are dissatisfied with the charges now, would have been satisfied. Only recently we had representations in this direction made to us by the Chamber of Commerce, to ascertain whether we could not work the sheds at Christchurch. I have always held that this sorting in Lyttelton was wrongly assented to by the Railway Department. It is very well in theory that ships should go alongside the wharf and sling goods into the sheds; but, as a matter of fact, ships cannot sling their goods into the railway-sheds and a large proportion of the steamers never did come to the Gladstone Sheds, and never will. The goods all have to be sorted in the trucks.

236. I am not asking with regard to present opinion on the matter: what was the case in 1878?—The same remarks applied then as now.

237. You say it had been done at the instigation of the Board?—So I understand. I read a letter from Mr. Conyers in 1879 to the effect that, from what he learned from the Hon. Mr. Richardson, the Harbour Board wished to make Lyttelton a small Liverpool, and were going to construct several sheds, and he, Mr. Conyers, advised the Minister this should be done.

238. Mr. Conyers was Railway Manager at the time?—Yes.

239. And he admitted it would be a convenience to the public that the shed should be altered so that ships could discharge into the sheds directly?—He did; he concurred in it.

240. You do not think the idea originated with Mr. Conyers?—I do not think so.

241. What information have you on the subject?—Merely the letter from Mr. Conyers.

242. Do not the official papers throw any light on the subject?—They do not throw any light on the matter. I may say that Mr. Conyers agreed with the proposal, and recommended the Minister to hand the shed over to the Board for re-erection, and the Minister assented to that being done.

243. The Board spent £3,000 on the sheds?—So the Board informs us.

244. The question is as to whom the sheds should belong: taking the sheds as Government sheds, and that the Government use them as transit sheds, is there any reason why the Harbour Board should not be paid the money spent on them?—I can hardly answer that. I consider the money was not well spent, and that the Board is responsible for this as well as the Railway, and we should not, therefore, pay them.

245. Supposing the Railway Manager made a blunder, is not the Railway Department responsible for it?—You may judge that. I am looking at the thing from a party point of view.

246. Try to be impartial for a moment, and say whether you do not think the Board is entitled to be recouped that expenditure?—Perhaps it is reasonable.

247. Supposing the Board were not paid the £3,000, should it have a share of whatever benefit may be derived from that?—I do not think so. We do not like these sheds as they are.

248. Will you hand them over to the Board, then?—I mean we do not like them in the form they are. We would rather have them in one shed. We could not, however, give up the sheds.

249. With regard to No. 5 shed, now, as to the present season and the amount of grain: is it not a fact that during the present season notice has been given that all the sheds in Lyttelton are full and could not take any more grain?—I am not aware.

250. You do not know that it is not so?—I will not say it is not so. I do not know that we ever refused to store grain, even when the sheds were full. We have stored hundreds of tons by laying down sleepers, and using tarpaulins to cover.

251. Are you not aware that a notice has been issued that all the sheds are full, and no more grain could be taken?—I am not aware of that. If it was issued it might have been because we ordered the grain in the big shed to be cleared out in time to vacate it.

252. I am not saying it was your notice, but there was a notice?—I do not know.

253. I think you stated in your evidence that you were in favour of paying £6,000 for the shed and £4,000 for the site: how do you arrive at the estimate of £4,000?—I have said I could not recollect how I arrived at it. I could go into the matter again, though. I understand the shell of the shed cost £5,000, and I mentioned that £5,000 was what I had at one time estimated the site to be worth, but I would require to look into the matter again to give my reasons for arriving at this estimate.

254. The greater part of the Board's claim is for reclamation: you put that down at £4,000: how do you arrive at that?—I would have to make some inquiries before answering that. I do not know now how I arrived at that estimate.

255. With regard to the third shed—the Grain Agency shed—you say there are legal difficulties which prevent the Board from entering into possession of the shed?—There are legal difficulties which prevent the Board from becoming practically an agent and consignee. Supposing this lease was signed they could not fulfil the conditions of the lease; but we need not consider that point at all. The difficulty still remains that we could not deliver to the Board goods on which the freight is not paid without an order from the owner.

256. Unless the Board became responsible?—Unless the Board became responsible.

257. Irrespective of any legal difficulties, is there any impropriety in the arrangement? Would it or would it not be to the convenience of the public?—I do not see why the public would suffer in any way without it. The Board would simply become an agent like any other agent if it were done.

258. Do you know how things are managed in Wellington? Are there any sheds there?—Yes.

259. In whose charge are they?—The Harbour Board's, I understand.

260. Do they receive goods from the railway?—No. On the Railway Wharf the goods are delivered direct to the ships.

261. The Board receive goods into their sheds from the ships?—Yes. On the Queen's Wharf here there are no rails, and the railway have nothing to do with it.

262. But they receive them from the ships?—The goods are unloaded on to the wharf, and those not taken away by the consignees may be passed into the shed for examination, I presume.

263. Do they not stand in the same position with regard to the ships that they would stand to the railway company?—I do not think so. I do not think the Harbour Board ever becomes responsible in any way for freights, in any shape or of any description.

264. Do they not stand in the same position in reference to the shipowners as they would stand to the railway company for goods received from the railway?—I do not think so.

Hon. Mr. Richardson: The point is this: the Board are responsible for all their own charges, but the question is as to the responsibility in cases where there are forward charges—charges on goods before they come into the hands of the Board.

265. *Hon. Sir J. Hall.*] Quite so. Are the Board not responsible to the shipowners for the freight on goods until they part with them?—I suppose they will not give them up until they get an order from the ship to deliver them; but I do not know for certain.

266. *Mr. Rhodes.*] Could you not make the Board your agents, to hold the goods until you received the money?—I will look into that, and consider it.

267. That seems to be a way out of the difficulty. Let the Board simply store them as agents for you, and not become responsible for the freight at all?—There is this to be said: we have taken a different view of the matter. We think all this storage business should have been done by the Railway Department, especially as that was originally the programme which was laid down by the Government when the Harbour Board was started. We hold that this competition should not be set up by the Board against the Government.

268. *Hon. Sir J. Hall.*] That introduces another element altogether?—I should not hesitate to say that this department at the outset informed the Board that all the storage business should be done by the Railway; and it was only in 1884 or 1885—I forget exactly the date—that the Board started competition with the Railway Department, and then, later, it attempted to get the lease of the Grain Agency shed, and continued that competition when the Railway Department had sheds absolutely standing empty in which they could take grain.

269. *Mr. Valentine.*] Would not that have some effect upon the actions of the Railway Department in causing them to resist this claim of the Board to some extent?—It would, as the Board's action was aggressive; but I may point out that the question that arises as to the assignment of this lease has arisen from a legal difficulty. There would have been no difficulty as to the

assignment of the lease, notwithstanding any feeling there may have been, had not the lawyers expressed the opinion that it could not be done.

270. *The Chairman.*] Is there any difficulty about adopting Mr. FitzGerald's suggestion as to cancelling the old lease and making a new one, with the conditions altered so as to suit both parties?—There is, perhaps, no difficulty in that that I am aware of. If the proposal which has just been made that the Harbour Board should act as agents for the Railway Department is given effect to that would get over the difficulties; but I must consider this point.

271. *Hon. Sir J. Hall.*] Have the Harbour Board received any goods on which the Railway Department has not been secured its freight?—I think they must have. I fancy you will find that, in the case of the transshipment of goods—goods sent from the bays—they paid freights on these.

272. *Mr. Williams, through the Chairman.*] You have the earlier correspondence in reference to the Gladstone Sheds?—Yes.

273. Have you a letter dated the 14th November, 1878, from Mr. Conyers?—No; I have nothing between October, 1877, and July, 1879. I think I mentioned I was somewhat in the dark as to what had gone on during this period.

Mr. Williams: It is a very important letter. If I may be allowed, I will read it. It is as follows: "Commissioner of Railways' Office, Christchurch, 14th November, 1878.—Secretary, Lyttelton Harbour Board.—Sir,—I have the honour to forward herewith two tracings of Gladstone Pier Shed, the removal of which is contemplated. Plan A shows the existing portion of the shed, and plan B the position to which it is proposed to remove it. The reason which led to this idea of the shed being shifted will be found set forth in the following extract from our Resident Engineer's report: 'In its present position the shed can only be used as a railway-store. All material must be put into it and removed from it by railway-wagons; and, consequently, it is of no more service on the wharf than if it stood in Christchurch, or any other place remote from the ships. What appears to be required is a shed into which railway-wagons could discharge, and thence be delivered direct to the ships, or ships discharged and thence to wagons. This would immensely relieve the demand for wagons, and facilitate loading and discharging of ships.' To meet this object, I recommend that the shed be removed nearer the side of the wharf, and laying the siding at back of the shed, as indicated on tracing herewith (plan B). But another manifest and great advantage would be attained by shifting the shed nearer to the wharf. Goods in British ships might be discharged direct into the shed, and the Customs examination, sorting, &c., be performed there, so that all goods intended for the interior might be loaded at once for destination, instead of being, as now, transhipped at Christchurch. I enclose also a plan (C) showing the arrangement proposed for the traversers.—I have, &c., W. CONYERS, Commissioner of Railways."

Mr. Maxwell: I may say I have never seen that letter. I can quite gather from Mr. Conyers's other letters that he was perfectly at one with the Board about it. I can quite understand that.

274. *Mr. Williams.*] Are you aware that clause 3 of "The Lyttelton Harbour Board Land Act, 1877," vests the fee-simple of all the land described in the First Schedule, including the breakwaters, in the Lyttelton Harbour Board?—Yes; I think that is so.

275. Did the Government erect and maintain the three Gladstone Sheds on the new sites on the Gladstone Wharf in conformity with clause 10 of "The Lyttelton Harbour Board Land Act, 1877"?—By means of the Harbour Board; yes. I have given the Crown Law Officer's opinion on this, which answers that question. I put it in this way: The shed was taken off the original site and cut into three pieces, and increased in size, and put on the Harbour Board land by the Harbour Board. That is the statement to the Crown Law Officer.

276. The Board, of course, erected these three sheds?—Yes.

277. With the full consent and authority of the Government?—Yes.

278. The sheds were partly on the old site, and partly on the Board's wharf?—Partly on the old site, and partly on the new site.

279. Under the correspondence Government pledged itself to vest these three new sheds in the Board?—I do not think the Minister did so. I do not know what Mr. Conyers may have written to the Board; but I am not aware this pledge was ever made.

[*Mr. Williams* here handed in the following documents: (1.) "Lyttelton Harbour Board Office, Christchurch, 27th August, 1879.—W. Conyers, Esq., Commissioner of Railways.—Sir,—With reference to your letter of the 14th instant, and to the interview which took place this morning between yourself and Mr. P. Cunningham and the Chairman of the Harbour Board, on the subject of shed on the Officers' Point Breakwater, I am directed by the Chairman to state that, if the Government are prepared to hand over the shed in question to the Board, together with the flooring-material which has already been provided for it, the Board are prepared to remove and re-erect the shed upon their property, in accordance with the plan enclosed in your letter of the 14th November last. The regulations for working the shed should be made by Railways and Customs Departments, having solely in view the facilitating the discharge and loading of ships, and the Customs operations.' The control of the shed to remain under the Government, they taking the necessary steps to vest the shed in the Lyttelton Harbour Board. (See section 11 of 'The Lyttelton Harbour Board Land Act, 1877.')

As it is of the utmost importance that the shed should be moved on to the wharf (Gladstone Pier) before the ensuing wool and grain season, I am to ask you for an early reply.—I have, &c., C. H. WILLIAMS, Secretary, Lyttelton Harbour Board."

(2.) Telegram, dated the 21st October, 1879, from Mr. N. W. Werry to Mr. C. H. Williams, as follows: "Government have sanctioned transfer of Gladstone Shed to Harbour Board, and Conyers instructed to take immediate action matter." (3.) Letter, dated the 22nd October, 1879, from Mr. W. Conyers, Commissioner of Railways, to Secretary, Harbour Board, Lyttelton, as follows: "I have the honour to inform you that I am this day in receipt of a telegram from the Under-Secretary for Railways, intimating that the Hon. Minister for Public Works has sanctioned my

proposal to hand over the Gladstone Shed to the Harbour Board, on the terms arranged, for re-erection on their own property, but reserving the question of the flooring-materials for further consideration, and conveying Hon. Minister's wish that early action may be taken. I have accordingly instructed the Resident Engineer, with a view to facilitate operations, to put the preliminary work of lifting the rails in hand at once." (4.) Telegram, dated the 25th October, 1879, from Mr. N. W. Werry to Secretary, Lyttelton Harbour Board, as follows: "Government approves flooring-material for Gladstone Shed being handed over to Board, and Conyers instructed accordingly."]

280. *Mr. Williams.*] You have seen the telegram from Mr. Werry to the Harbour Board, by direction of the Minister, agreeing to the terms of the Board's letter of the 27th August, 1879?—No; but I have it on record that the Minister ordered the shed to be handed over for re-erection, and, of course, I conclude on the terms that Mr. Conyers wrote to him.

281. Looking to the fact that the Harbour Board removed and re-erected these sheds on their own wharf, and at a cost of some £3,300, on the distinct pledge that the Government would vest them in the Harbour Board, do you not think it a breach of faith that this pledge was not carried out?—I am not in possession of all the circumstances of the case, as has been shown. If the Board were invited to do it by the Railway Department, and called on to carry it out, and the department instigated it, then I should say yes, the Board would be entitled to be recouped; not otherwise.

282. You are aware that vessels lying at the Gladstone Wharf could not discharge their cargoes direct into the old Gladstone Shed?—That is so.

283. The goods had to go into wagons, and thence into the shed?—Yes.

284. Vessels, in the present case, can discharge direct into the Gladstone Sheds?—No; they never do so. The goods are all put into the trucks, and sorted there from the slings. It is not three months since I put the question to the local officer, and he said, "All the goods go into the trucks; we cannot put them from the slings into the sheds at all."

Mr. Williams: I would suggest that this question be left open, in order that Mr. Maxwell may make further inquiry about it.

The Chairman: The reply to that question may be postponed, in order that Mr. Maxwell may make inquiry upon the subject.

285. *Mr. Williams.*] Did the Board's letter of the 27th May, 1886, in which the Chairman of the Board replies to the Minister for Public Works's letter of the 11th May, 1886, come before you as head of the Railway Department?—I have seen that letter; yes.

286. The Chairman concludes that letter in these words: "Under these circumstances, I am bound to assert the Board's proprietorship to the Gladstone Sheds." I think you have admitted that a reply was never sent to the Harbour Board?—Well, I do not think there was a reply sent.

287. Is it usual to allow a letter of so important a character to remain unanswered?—Well, the letter went before the Ministers in Cabinet, and was retained by the Ministers. I do not know why.

288. Might it not be implied that the receiver accepted the views of the writer?—I do not think so.

289. Now, as to No. 2 shed and the non-assignment of lease: on the 23rd July, 1887, the Minister for Public Works forwarded you from Christchurch a letter from the Harbour Board, dated the 22nd July, 1887, in which the Chairman to the Board fully replied to the objections raised by the Crown Law Officers to the assignment of the lease being assented to by the Minister. You received that letter?—I happened to be leaving New Zealand just at that particular time, and I do not think I ever saw that letter. The matter remained quiescent until a few weeks ago, when the Hon. Mr. Richardson asked some questions about it.

290. There never was a reply to that letter?—I see by the correspondence before me it went to the Minister, and was referred to the Marine Department; and why it did not get any further I cannot tell you.

291. As to No. 5 shed: I think you stated to the Committee you had recommended the taking-over of No. 5 shed by the Government at your own estimate of its value—namely, £10,000?—I have always expressed my opinion that the shed should be taken over by the Government. As to the value, that was what I had thought it was worth approximately.

292. Were you aware that the timber-breastwork had been specially strengthened at a large additional cost to take that shed upon it?—Yes; I know it was somewhat strengthened.

293. The full length of the shed?—Yes; 500ft.

294. Did you inform Mr. Richardson, the Minister for Public Works, at the time his letter of the 14th August, 1885, was written to the Board requesting a reduction of the rent of No. 5 shed to £1,000 a year, that the Board were entitled to £10,000 for the shed and site?—I do not recollect. The papers were before Mr. Richardson.

295. When you first wrote to the Board on the matter of No. 5 shed, on the 19th January, 1881, you then held that the Government could, under clauses 9 and 10 of "The Lyttelton Harbour Board Land Act, 1877," enter upon and use the property of the Board for railway purposes without paying compensation for so doing?—Yes.

296. You evidently altered your opinion upon this point when you recommended the Government to pay the Board £10,000 for No. 5 shed and site?—No; the department could pay compensation for the buildings, but it had the free use of land.

297. Have you any plan showing that it was ever intended to devote the reclamation at the back of No. 5 shed, which the Board did for the Government, to any other purpose than for rail-accommodation in connection with the port-traffic?—Have I any evidence?

298. No; any plan?—No; I merely said Government might have used the land itself.

299. By the plans side lines were laid upon it?—Yes.

300. Would there not be less siding lines to lay by the abandonment by the Board of the second row of sheds, as shown on Mr. Carruthers's plan?—I doubt very much whether we could have served a second row of sheds.

301. It was in Mr. Carruthers's design approved by the Board?—Yes.

302. Has the Railway lost money in consequence of renting No. 5 shed from the Board?—I should say decidedly. One year it stood quite empty.

303. Can you say how much a year?—No.

304. Approximately?—No; I could not.

305. Can you obtain that information?—It would be somewhat difficult, I imagine. It will have to be got out locally, and will take some time.

WEDNESDAY, 28TH AUGUST, 1889.

J. P. MAXWELL'S examination continued.

Mr. Maxwell: Sir John Hall has asked a question with regard to the figures I gave as to the revenue the Board was endowed with. He asked what year I referred to. On looking at the papers I find the revenue I was referring to was for the financial year 1880-81. I do not know what the revenue was in 1877-78.

306. *Hon. Sir J. Hall.*] That is when the Board was constituted?—Yes, 1877-78. I said that the Board was endowed with £28,000 a year, and you held that that could not refer to 1877, when the Board was constituted. I find that that is correct, that the revenue of £28,935 was for the financial year of 1880-81. Then, Sir, I was asked to state how I arrived at the valuation of the shed site, and I have requested the Railway Engineer to make his estimate now, as I could not find the figures showing how I arrived at my estimate before. He gave me his view of it, and his estimate is £4,210, taking the reclamation at the Harbour Board's contract price, and the strengthening of the wharf at the proper figure. That is an independent estimate.

307. *Mr. Perceval.*] What is that?—The cost of reclaiming the shed site, and the cost to the Board of strengthening the breastwork. I have stated that at one time I valued it at between £4,000 and £5,000 approximately. I requested the Railway Engineer to value it, and he puts it at £4,210.

308. *Hon. Sir J. Hall.*] That is the value of the exact site on which the shed stands?—Yes; with the cost of strengthening the breastwork.

Mr. Wilson: Do you mean the shed as it stands on Government land or on the Board's land?

309. *The Chairman.*] Mr. Maxwell is referring to No. 5 shed. You are referring to No. 5 shed?—Yes; No. 5 shed. Then I was asked to give some information as to what No. 5 shed had brought the Government in in the way of storage and so on. Well, I cannot at the present moment give accurate information on that point. I have been communicating with the department at Lyttelton, but there has been some inaccuracy in the figures. In 1884 and 1885, approximately, the Government made £1,000 each year out of the shed. In 1886 and 1887 practically nothing was made out of it—only a hundred or two. I will give the figures more precisely as soon as I obtain further information.

310. *Mr. Williams.*] Have you got the figures for 1888?—Approximate value of receipts from No. 5 store from 1883 to 1888, inclusive (financial years), £350, £1,000, £1,000, £150, nil, £700. Then, as to the question of locating the Gladstone Sheds: on looking into that matter I find that the letter which Mr. Williams read, dated November, 1878, from Mr. Conyers, I think referred not to the scheme which was finally carried, but to the scheme of removing the shed bodily. I find also from the papers that there seems to have been an interview between the Minister for Public Works and Mr. Conyers and the Chairman of the Board later on; and finally, towards the end of 1879, the scheme that was carried out developed. I do not know how that developed, but it seems to have been discussed on both sides, and I suppose the Minister and Mr. Conyers and the Chairman of the Board settled how it should be done.

311. Mr. Lowe devised the scheme of the three sheds?—Well, I have asked Mr. Lowe about it. He drew the plan out, but he does not seem to have originated it, and he cannot tell me who did it; but, at any rate, the matter was generally discussed by both parties. Then, regarding the discharging from ships, no steamers with inward cargoes are dealt with at the Gladstone Pier. Most of the sailing-ships with inward cargoes go up to the Gladstone Pier, if there is room and their draught will allow of it. If there is not room and not enough water, they discharge elsewhere, and they then discharge into trucks. If they lie at the sheds they also discharge into trucks, where the goods are sorted—that is to say, the goods are sorted in the trucks. Only very heavily-sparred ships could sling goods into the sheds if required, and then only when the hatches are in proper position; they do not attempt in practice to sling goods into the sheds at all.

312. I have seen them sling goods into the sheds.—Well, I have wired down for explicit information; and that is the reply I get. I have understood at one time—I think I am right in saying—that the Board expected to discharge their ships at the Gladstone Sheds, and then move them to the No. 5 grain-shed to load. I think I have heard that was projected some years ago, when the change was made, but it was not found practicable to move the empty ships; and there was another objection, and that was that the ships, while putting out cargo at one hatch, are often taking in grain at another hatch from trucks. That is all I have to state as to the questions raised at my previous examination. I think it also right to state that Government has a counter-claim against the Board on account of land reclaimed at Sticking Point, which amounts to £3,753. I am not personally acquainted with that claim, but I understand that information concerning it can be obtained from the Under-Secretary for Public Works. This work, I believe, has been done partly by prison-labour and partly out of the public-works funds, and it was commenced in 1881.

Hon. Mr. Peacock: There is a distinct agreement concerning that, quite apart from the questions under consideration.

313. *Hon. Sir J. Hall.*] Was not that agreement made by the Hon. Mr. Rolleston?—I could not say

314. I think you will find it in black and white.—I am not acquainted with the matter, but I think it right to state it, because Government thought of dealing with the Board's claims in connection with this reclamation. Government entered into negotiations on this subject with members of the Board. The Under-Secretary for Public Works could furnish you with the information.

Hon. Sir J. Hall: It was a contingent responsibility on the part of the Board not to become operative until the Board required.

HON. J. T. PEACOCK, M.L.C., examined.

315. *The Chairman.*] Would you kindly state to the Committee, Mr. Peacock, what you know about this matter, especially with reference to your interview with Government when you were Chairman of the Harbour Board?—With respect to that interview, I may perhaps begin where Mr. Maxwell left off. Sir John Hall was quite right in stating that this reclamation at Sticking Point was a contingent arrangement. Government, I think, suggested that if we took this over they would give it to us in place of the Gladstone Store claim which we have made. They acknowledge we had a right to this payment for the Gladstone Store Sheds, and suggested payment of the claim by giving the Board the reclaimed land at Sticking Point, which we have a right to take over when we choose, but are not compelled to take at all. I suppose you want my evidence with respect to the negotiations in reference to No. 5 shed. In 1880 the Harbour Board determined to lease the sites, and made an intimation to that effect to the Government—that was, to advertise for tenders for the lease of these sites to private people, who were anxious to erect warehouses on them for shipping purposes. Government replied to us that they wanted the sites themselves, and requested us to withdraw them from offer by tender. At the same time, they said that if they had the money to pay for the site they would take the land from us under the powers which existed in the Harbour Boards Act. Then, sir, the Government asked us if we had any unexpended balance of loan money with which we could build a shed and finish the reclamation, for which in the meantime they would allow us as rental 7 per cent. on the estimated expenditure, which amounted to £2,002 a year.

316. *Mr. Barron.*] Did they ask you by letter?—Some negotiations did take place in writing, but I am speaking of what took place in my own hearing.

317. You have no fresh evidence in writing other than that which appears in the correspondence?—No. I am thoroughly acquainted with this matter, I may say, because I happened to be a party to it; in fact, I came into the Board just previous to these negotiations. Then, sir, some negotiations took place with regard to erecting this shed upon the site for the Government; and then began what I considered, and what all the members of the Board considered, an arrangement that was to continue until the Government repaid us the cost of the shed and reclamation. Before the Government took possession of the shed we intimated to them that the shed was ready and certified to by the Railway Engineer, as was required by our arrangement. I took that, and I take it now, as a proof that the Government intended to complete the arrangement they made with us, that they were ultimately to become the purchasers of this site; and then, to make my contention even stronger, Government at the same time put rails and made the whole of the arrangements for carrying on the work in connection with this store, at very great expense. I maintain that that was an indication that Government intended at that time to complete the bargain they had made with us, for, is it probable that the Government would have gone to the expense of £6,000 or £8,000 simply to become a yearly tenant? I think it is positive proof that this was only a temporary arrangement, and that Government intended to buy the site as soon as they got a vote from Parliament for the purpose, in spending such a large sum of money in works in connection with the store. I am positive that if this arrangement had not been made with the Government, that this was only to be a loan by us, the Board would not have sunk that money in the building of the store, because previous to this negotiation we had completed what we thought at that time were all the works we had to do, and we had an unexpended balance of from £20,000 to £30,000, which we had determined to invest at interest as a reserve fund for any future operations the Board might find necessary to carry out. That is a proof that the negotiation we made with the Government was simply a loan to them for the time being of a sum of money which otherwise would have been made a reserve fund. I had a personal interview with Sir Robert Stout on this matter. I do not think I was Chairman of the Board at the time. As, unfortunately, there was no written lease, and Government had intimated their intention of breaking the agreement, I offered, with the consent of the Board, to reduce the rent of the shed to £1,500. The reason why we offered to reduce the rent to £1,500 was, we were advised by our solicitor that, as Government had disputed the agreement we had made with them, which, unfortunately, had not been put in writing, we had not a leg to stand upon. I, on behalf of the Board, offered to compromise with them, therefore, and take £1,500 rather than have the whole arrangement broken. I saw in some of the evidence a reference to an alleged difference between the interpretation put upon Sir Robert Stout's statement by the Committee and the expression of it by the Board. I say, with respect to my interview with Sir Robert Stout, that the question of the payment of the £3,300 for the Gladstone Sheds was altogether independent of the question of the rent of No. 5 shed. There were two distinct questions; and, with regard to the No. 5 shed, Sir Robert Stout—at all events, it was in my mind—had an idea we had a very good claim, and he said he would instruct the Hon. Mr. Reynolds to inspect the site on his way to Christchurch, and give his view as to the value, with the view of Government considering the question in the future. The Hon. Mr. Reynolds did make this inspection, but I have not seen his report. It has never been laid on the table of the House. Perhaps it was only a private memorandum for the information of the Government. The two questions were entirely separate. The one of £3,300, Parliament was to be asked for a vote for the purpose of paying that; the other was a contingent one, to be laid before Parliament when the Hon. Mr. Reynolds had inspected the site and reported upon the matter.

318. *Hon. Sir J. Hall.*] The claim of £3,300 was distinct altogether from the question as to No. 5 shed?—Yes; but as regards No. 5, I am positive in my own mind, and I think I can be just

as positive on the part of the other members of the Board, that, unless there had been the assurance from the Government that this lease was to extend to the time when Government would be able to pay the money themselves, the Harbour Board would not have entered into it at all. I believe at the time we could have got just as good a rental for the land for the time we were legally entitled to lease it.

319. *Mr. Wilson.*] That is for three years?—For thirty years, I think. You will find the term of lease set forth in the Act.

320. *Dr. Newman.*] What amount per year is Mr. Cunningham paying for the lease of that piece?—I cannot tell you.

321. Perhaps Mr. Williams will be able to tell us?—

Mr. WILLIAMS further examined.

Mr. Williams : £374 a year ground-rent—that is, for No. 2 store.

322. What did the Board buy it for, Mr. Williams?—They bought it to store grain in.

323. Yes; but how much did they pay for it?—£4,750. The lease had then, in December, 1885, about fourteen years to run. It was originally a twenty-one years' lease, I think.

324. *Sir J. Hall.*] Is it the same size as No. 5 shed?—No; it is smaller.

325. *The Chairman.*] It is a brick store?—Yes; a big brick store.

326. *Dr. Newman.*] Is Mr. Cunningham the buyer and seller as well?—He originally bought the lease of the site from the Government in the year 1878 at auction and sold it to the Grain Agency Company.

327. Was he a member of the Board when the lease was transferred by the Grain Agency Company to the Board?—Yes.

328. As a member of the Board he agreed to the private purchase of the lease from himself?—Not from himself, from the Grain Agency Company.

329. But he has not got a release—he is still a tenant of the Government?—He sold it to the Grain Agency Company some eight or nine years before.

330. But he has not got a release from it?

Hon. Mr. Peacock : There was an agreement to get a release.

331. *Dr. Newman.*] While interested in the lease, he agreed to the private purchase of the lease by the Board?—He was not interested as far as he knew. He understood it was transferred to the Grain Agency Company.

332. Put it in another way: Mr. Cunningham, as a member of the Board, agreed to the private sale of the lease from the Grain Agency Company?—Yes.

333. At the same time, he was interested in the Grain Agency Company, and had not got really an assignment of the lease?—I do not know what his interest in the Grain Agency Company was. It did not appear that he was interested in the Grain Agency Company at all. The Board bought the lease from the liquidator sent out from Home to wind up that company.

334. He was one of the largest shareholders in it, was he not?

Hon. Mr. Peacock : He had nothing to do with it. It was in the hands of a liquidator—a gentleman from England.

335. *Mr. Turnbull.*] Can you state, Mr. Williams, the difference in the storage capacities of No. 5 shed and this brick store?—No. 5 shed will hold, the Engineer estimated at the time, about 7,000 tons—70,000 sacks—and No. 2 shed holds about 40,000 sacks.

336. What does Mr. Cunningham pay for the lease?—£374 a year ground-rent only. Mr. Cunningham built the store himself after he had leased the site from the Government in 1878.

337. Did the Board buy the lease after intimation from the Government that they intended to give up the store?—I do not quite follow you.

338. Did the Harbour Board purchase this No. 2 store?—Yes; they purchased it from the Grain Agency Company, then in liquidation.

339. Had any correspondence taken place between the Government and the Board with reference to No. 5 store before you purchased it?—No. The Government first wrote to the Board about reducing the rent of No. 5 shed in August, 1885. The Board bought No. 2 store on the 31st December, 1885.

Hon. Mr. PEACOCK'S examination continued.

340. *Mr. Perceval.*] I would like to ask Mr. Peacock whether he thinks the Board would be willing to take over the Gladstone Shed and abandon their claim to the £3,000 odd? I understand the Board is willing to give up all claim to the shed on payment of the amount they expended on it—some £3,000. Would they accept the other position?—Government wish to have the Gladstone Shed, and wish to have the money too. I dare say we would be glad to take over the shed if we had all control over it; but Government want to have control and use it for Customs purposes, and pay nothing for it.

341. If Government gave you absolute control of that shed, would you be satisfied with the settlement I have mentioned?—Well, I can hardly say that now. It would hardly be a fair position to put the Board in. The Board would have been glad to have done so some time ago, but since then they have built sheds to provide adequate storage-accommodation. Of course, I cannot commit the Board to what it should do.

342. *Hon. Sir J. Hall.*] Do you think the Board would rather have the money or the sheds?—I think, as the sheds are in the hands of the Railway and the Customs, and the Board get no rent whatever, the Board would rather have the money; I should imagine so.

343. If you had the sheds, they would not continue under the control of the Railway and the Customs?—I think, then, we would rather have the sheds. That is my own opinion, of course.

344. Assuming the Customs and Railway could not be cleared out of the sheds?—Then, they would not be of any use to us. This question was raised while I was Chairman of the Board. These sheds were not in continuous use by the Customs and Railway, and we required them; and we asked for the use of one of the sheds, and that raised the whole question.

Mr. MAXWELL'S examination continued.

Mr. Maxwell: As to the question asked Mr. Williams whether correspondence had taken place between Government and the Harbour Board before the purchase of No. 5 shed, I wish to mention to Mr. Williams that I think the Grain Agency lease was purchased in 1885 by the Board.

Mr. Williams, through the Chairman: I did not quite follow the question, and I may not have been quite correct in my answer.

Mr. Maxwell: I think the correspondence about lowering of the rent of the store was just going on or was beginning about the time the Board made the purchase.

Mr. Williams: The Board was asked to reduce the rent of No. 5 shed in August, 1885.

Mr. Maxwell: I omitted to deal with one question, and that was if the Railway Commissioners could not see their way to make the Board their agents. Of course the Commissioners could hand over their goods to the Board for storage. I do not see anything to prevent that being done, but I do not think the Commissioners would be doing their duty if they did so. It is our business to make the interest on the cost of the railways and the large outlay on the plant and buildings in Lyttelton, and it would be quite wrong to hand over to the Board revenues which are legitimate railway revenues. If we sent goods to the Board's sheds which were not consigned to them we would be simply giving away revenue.

345. *Hon. Sir J. Hall.*] Assuming you could store goods yourselves?—We could, and have been able to store goods all the time. Our sheds were nearly empty for two years; we have had hardly anything in them. When the Harbour Board asked us for one of the Gladstone Sheds to store grain in, we had a store nearly empty, and we did not see our way to do that. If any storage is needed we can store and take storage-charges. We could not listen to the proposal that we should give up storage to the Board, with ample storage-room ourselves. If we want to make the railways pay interest we must not give up such revenue as this.

346. In connection with that particular point, do you see any insuperable difficulty in the Board collecting your charges for freights on goods delivered to them in the Grain Agency shed, assuming the lease was granted?—We have really got over any difficulty that existed. There is no occasion to bother about that, as far as the goods consigned to the Board are concerned. We should only move the goods not consigned to them.

347. Even if you gave them the goods consigned to you?—We can give up the goods and the lien on them which are not consigned to the Board, but it would be very unwise and an injustice to the colony.

348. You said, legally it could not be done?—I said, morally speaking, we should not do it. We ought not to do it, if we do our duty as Commissioners. We can do it, but we incur a risk which we are not justified in incurring.

349. What risk is there?—We give up the lien on the goods for one thing, and we put the goods into a shed we have no control over; we put them into the hands of the Harbour Board, which takes no risk for fire or water, which we are liable for.

350. You said, though, that the Board could not collect these rents and pay them over to the railway?—The Board cannot collect rates legally, and they cannot pay freights.

Mr. Williams: We did so originally, but we have not followed it up. We did not let them go into the Board's account.

351. *Hon. Sir J. Hall.*] I understand there is no practical difficulty?—In respect to which case?

352. In respect to the case in which you may hand over to the Board the goods consigned to them?—We have no difficulty in that case.

353. Or the other?—In respect to the other, there is a difficulty. We have no right to do so. We would not be doing our duty as Commissioners if we did such a thing.

354. Owing to the sacrifice of revenue?—Yes. We would be taking a risk and incurring a liability which we have no right to do. If the goods were destroyed or lost, the Board probably could not pay us.

355. Is there more risk if the goods were in their hands than if they were in yours: what extra risk is there?—We do not know. The goods are out of our hands, and we are liable for their safe keeping.

356. *Hon. Mr. Ballance.*] The Commissioners are the judges on that point?—I think so, certainly. I think we would be acting very wrongly in giving away colonial revenue in that way. We have to make the railways pay interest on the cost of construction, and if we give away means of doing so, we are acting contrary to the spirit of the Act under which we work.

357. *Mr. Wilson.*] You would be the insurers of the goods, and have no revenue from them?—We are responsible up to a certain point as carriers, and for a certain time as carriers.

358. And have no revenue from them whatever?—Not the proper revenue.

359. And no claim on the Board?—That is what I understand. There are cases in which the Harbour Board could not pay claims.

360. They could not legally pay claims for goods destroyed?—No. If the Commissioners choose to take the risk, and give up the revenue, it might be done.

361. *Mr. Williams.*] I think you stated the railway rates of storage are considerably higher than the harbour rates for storage?—They are, I think, 1d. per ton a week higher. Our rates are 2d. a week for the first eight weeks, and yours 1d.

362. What is the total charge?—The Board's total charges are 1s. 6d. for the first week; that, together with the shunting charges, makes 3s., and in that respect our charges are identical.

363. That includes receiving and delivering?—Yes.

364. And you charge for the first week, including receiving and delivering?—Our charge is the same. The aggregate charges are the same in both cases for the first week.

365. And the increased charge on the part of the railway is on the following weeks?—Yes.

366. Do you attribute the fact of the railway stores not filling to the higher charge of the railway?—I scarcely think that now it can be so. We put down our charges.

367. Did you, while you were General Manager of Railways, recognise the distinction between the lines destined for public purposes and for the Harbour Board's wharves from those intended for serving private sidings to be let by the Board?—Yes.

368. In the former case the practice was for the Government to bear the cost, and in the latter case the cost is borne by the tenant?—I do not know whether the Board's tenant bears it or not. It is borne by the Board I know.

369. I have simply quoted a letter of your own, dated 25th June, 1884, which laid that rule down?—That is the case with our own private sidings.

370. It referred to the Board's tenants as well?—I suppose the Board would charge them as well.

371. The lines which serve the Board's sheds were laid by the Government free of cost?—Yes.

372. If the Board were to take over No. 5 shed, would the railway afford the same facilities for working the traffic with it as are given to the Board with their other two stores at Lyttelton, which they work themselves?—Well, I am not prepared to answer that question. I cannot answer that without consulting my colleagues.

373. It would be following the usual practice hitherto followed if you did so?—I do not know of any instance where we have such a case as that to deal with.

374. As a matter of fact you are doing it at the present moment. The stores you are working, have they lines laid to them at the cost of the Government?—The cases are not identical. The stores you mention have different access to that of No. 5 shed.

375. Government paid the cost of laying rails in that case?—That may be.

376. I have got a copy of a letter here if there is any question about it. Is there not a special haulage-charge of 1s. 6d. per ton upon goods waggoned from the Board's shed, or from private sidings at Lyttelton?—From all private stores or sheds.

377. Have you not had repeated representations made to you by the Canterbury Chamber of Commerce, the Harbour Board, and others, pointing out that this was an excessive charge, and asking to have it reduced?—I think it is very likely every charge we have ever made on the railway has been said to be an excessive charge some time or other.

378. Has this been a particular bone of contention?—Yes.

379. Is not there a lower charge for haulage upon goods from the Government sheds at Lyttelton to the vessels at the wharves?—No; there is a second charge, which is the same to the Government as to the private stores. The charge is 1s. 6d. if the goods are hauled and handled at the ship's sides, and 1s. per ton if hauled only, and not handled. The charge is the same from all the sheds.

380. The Harbour Board have been charged 1s. 6d. per ton by the railway on all goods sent from their sheds to the wharves?—That is right; it is a universal charge.

381. In fact they have been treated as private siding-owners in this respect, notwithstanding the fact that they were treated otherwise by the Government in paying cost of laying the siding-lines to the Harbour Board's sheds?—The Board has been charged just the same as people who store with the Government. The charges are just the same as if we shipped the goods from our own sheds.

Mr. Williams: The Chairman, who was here, desired me to make some remarks in reference to certain points in the evidence, and I have here a written statement which I wish to place before the Committee. It is as follows: [*Vide Appendix.*]

382. *Mr. Rhodes.* You said, Mr. Maxwell, the cost of reclamation was between £4,000 and £5,000, as estimated?—Yes.

383. Do you allow anything for working the lines to it—this would require some reclamation which you would necessarily use with the store?—That is simply for the land on which the store stands.

384. The shed would not be of any use unless you had the extra reclamation, which is merely used by yourselves?—On the extra reclamation the Government spend £4,000 to £5,000.

385. Did the Board spend anything on it?—Yes; I suppose so—on its own extra reclamation, but not on the Government part.

386. The expenditure was necessary to work the shed?—Yes.

387. Have you any idea of the present value of that shed?—I think it is worth £500 or £600 a year. I think that is a fair value, although for two years we have got nothing out of it: that, I imagine, is very largely due to the fact that the grain was not going out of the country, but since the grain business picked up again we are getting more revenue.

388. Are your storage charges the same in Lyttelton as up-country?—They are lower in Lyttelton. It is not the department that stores up-country, but private storers—people who own private sheds.

Mr. Williams: If I may be permitted, I would like to make a remark. The question was raised as to the amount of storage in Lyttelton during this year. I may say the Board's sheds were blocked on the 7th May last, and an advertisement was put in the paper to that effect—in fact, it has not been withdrawn; we are still full.

389. *Hon. Sir J. Hall.* There is one question I would like to ask you, Mr. Williams. You say the £2,000 a year was based on the cost of the whole work in connection with the shed—£28,000: how much of that do you consider fairly applicable to the shed and not to the wharf?—I made an estimate for Mr. Peacock, and I put the amount down at £20,400.

390. As the cost of the shed, cost of the reclamation for lines immediately serving the shed, and strengthening the breastwork?—Yes.

391. £20,400?—Yes.

392. *Hon. Mr. Ballance.*] If the Harbour Board took over No. 5 shed, Mr. Maxwell, would the Railway Department have any objection to affording access to it?—I imagine we should be bound to afford access to it, but I cannot say we have considered the question upon what terms. If we are to earn interest on the capital invested in the railways, as we are supposed to do, we must take steps to derive revenue from some source or another.

393. That is to say, you would not be prepared to hand over No. 5 shed without compensation, or the right to make charges?—We have the right to make charges. I am speaking without premeditation. I cannot speak definitely without discussing the matter with my colleagues. At present I should not like to give a strong opinion on the matter.

394. You are not prepared to say you would afford free access to the shed?—We are bound to afford access, but upon what terms I cannot say.

395. With regard to the cost of compensation, you have offered £3,300 for the Gladstone Sheds in connection with the £500 a year rental for No. 5 shed. Do you admit any claim on the Commissioners to pay compensation for the Gladstone Sheds?—I have practically admitted it in answer to a question put by Mr. Williams—that if the Railway Department initiated the scheme of moving the shed I think we were bound to pay it. I was previously under the impression the Harbour Board originated the scheme.

396. Do you recognise £3,300 as a fair amount of compensation?—I recognise as fair compensation whatever amount the Harbour Board produces vouchers for.

397. You have made an offer of £3,300 on condition that the rent of No. 5 shed is reduced to £500 a year?—I think we should have to pay the claim of the Board in respect of the Gladstone Sheds on the production of vouchers.

398. With regard to No. 5 shed, you say the best plan would be to take the shed by Proclamation and pay £10,000?—Yes.

399. Do you think £10,000 a fair amount?—I think it is the full amount the Board is entitled to.

400. You have heard Mr. Williams say the cost of reclamation and so forth was £20,400. How do you compute, then, that the shed is only worth £10,000?—The Board built the wharf and breastwork, which has rails laid down on it, and goods may be carried from any part of the yard to that place; therefore I consider the wharf part of it does not concern the Railway Department. I think we should only pay compensation for strengthening the breastwork, necessary to enable portion of the shed to be built upon it, and pay them what the shed really cost, and for what it stands upon—its foundations, in fact—and I estimated the cost of that roughly at £10,000.

401. Do you admit the right to pay compensation for land necessary for the shed?—The Lyttelton Harbour Land Act says you shall not pay compensation for the land. However, it does not say that you shall not pay compensation for the buildings; and in taking an estimate as to the compensation for the buildings, I do not see how you can exclude valuing what the buildings stand upon—*i.e.*, the foundations in this case.

402. Then what would be your limit? Would you only take in in your estimate what the shed actually stands upon, or would you include any of the land around it?—Only what the shed actually stands upon.

404. Would it not be worthless without the surrounding reclamation?—Government have spent a large sum of money on the surrounding reclamation and rails leading to the shed—some £8,000.

405. Would you be prepared to submit to arbitration the cost of the shed and the liability in connection therewith?—I think we ought to be able to agree with the Board as to what the cost of the shed would be.

406. Supposing you were not able to agree, would you be prepared to submit the question to arbitration?—For one, I think I should. I cannot speak for my colleagues.

407. You think it would be advisable, from a railway point of view, for the Commissioners to retain possession of the shed?—Yes, I do.

408. Strongly so?—Yes.

409. You are not prepared to afford access without the right to make charges?—I think not. There is a simple way of settling the case—that is to take the shed by Proclamation, and go into the Compensation Court in a friendly way to decide the valuation, and then you would get the thing fairly treated. I believe that is the conclusion the Hon Mr. Reynolds arrived at. The conclusion he came to was that the shed should be taken by Proclamation, and that we should go into the Compensation Court to have the valuation settled there.

410. You said the Board was endowed with a revenue of £28,000?—I explained that I did not think the Board had that amount when it was first started in 1877. I believe that was their revenue in the financial year of 1880–81. That is what the railway collected for the Board.

411. That was in the nature of wharfage dues and rents?—Wharfages, not rents.

412. With regard to 1877?—I have no information about that. It is not so much, I believe, now, because the Board has reduced the wharfages very largely.

Hon. Mr. Peacock: I would like to make a remark with reference to the statement made by Mr. Maxwell as to there being no land outside the store except what the Government rails stood upon. My contention is that when we made that bargain with Government, they were absolutely to have that shed ultimately, and pay us for it. I wanted to ask the Committee whether they think the Board would have built that shed on that land without access unless they had the positive assurance from Government that they would take over the shed. The shed would have been of no use to us without access to it. Mr. Ballance was asking about referring the matter to arbitration. If the Committee is going to decide that the matter be left to arbitration, they will have to state some basis of arbitration. The shed cannot be valued if there be no access to it. We would be put in a false position. If the store were left in our hands without access to it, it would be valueless. It is a question of taking the thing off our hands altogether. I hope the Committee would not allow anything to be done that would be prejudicial to our interests.

Mr. Maxwell : That is why, I think, it is a case in which we should endeavour to agree with the Harbour Board.

413. *Hon. Sir J. Hall*.] There seems to be some misunderstanding about the cost of the reclamation, Mr. Maxwell : your estimate is £10,000, while the Board put it down at £20,400 : the total cost, I gather from the petition, has been £28,000?—It is quite easy to understand the difference : £28,000 includes, I understand, the whole cost of the breastwork.

414. *Mr. Williams*.] £32,000—£32,000, is it?—Well, that is the cost of the breastwork and shed, and the whole of the reclamation. What I am counting on is merely the foundation the shed stands on, and the cost of strengthening the breastwork.

415. *The Chairman* : Not the cost of the breastwork itself?—Not the breastwork itself, but only the additional cost of strengthening the breastwork to put the shed upon it.

416. There is 500ft. of the breastwork which you do not include in your estimate?—Yes

Hon. Sir J. Hall : The Board included the cost of reclamation alongside the shed.

The Chairman : This is what they say in Letter 21 of the correspondence : “ Actual cost to the Harbour Board of the grain export shed (522ft. x 60ft.) and of the portion of the timber breastwork and reclamation actually occupied by the shed built in April 5th, 1882—£20,411.”

417. *Mr. Williams* : I think I will be able to clear this matter if you will allow me to put a question to Mr. Maxwell. Is it not a fact, Mr. Maxwell, that the two lines in front of the shed serve the shed and no other purpose?—Oh! no. They are put there for the purpose of serving the ships. We rarely use these for the shed at all.

418. You used them when clearing the shed the other day?—Occasionally we do. The line next the shed, but the lines are laid for the use of shipping.

419. *The Chairman* : You get wharfage dues, Mr. Williams, from the 500ft. alongside the shed?—Yes.

420. You can produce vouchers, showing the amount of debt incurred?—Yes.

421. *Mr. Perceval* : Do you think, Mr. Maxwell, Government should pay for the actual cost of the shed, the cost of the reclamation on which the shed stands, and the strengthening of the breastwork necessitated by the building of the shed, and all works incidental to the shed? Is not that what you would be prepared to pay?—It is difficult to say what are the works incidental to the shed.

422. To pay for the shed and foundations and the cost of strengthening the breastwork?—Well, that would be a fair proportion I think. Certainly that point might be investigated. I have not considered it. I am inclined to think it might be looked into and considered. When we talk about buying the shed for £10,000 we are presupposing that Government has funds to buy it. I do not know that they have. It may be that, instead of buying the shed, we might have to pay a proper rate of interest on the valuation arrived at. Government might be unable to find the funds.

APPENDIX.

STATEMENT by Mr. C. HOOD WILLIAMS, 28th August, 1889.

It will have been gathered from Mr. Maxwell's evidence that he now rests his view of the case chiefly upon the legal advice he received, “ That the Government could, under clauses 9 and 10 of ‘ The Lyttelton Harbour Board Land Act, 1877,’ enter and use the Board's property for railway purposes without paying for it, notwithstanding the fact that such property had been constructed by the Board out of loan funds ; ” and he supplemented this view by alleging that the Lyttelton Harbour Board had been “ endowed ” to the extent of £28,000 in wharfages at the date of their constitution, in January, 1877. Mr. Maxwell first enunciated this opinion on the 19th January, 1881, but he did not then inform the Board that he based it upon advice tendered him by the Crown Law Officers ; nor did he do so when the Board, in reply to that letter, pointed out that the provisions of “ The Lyttelton Harbour Board Land Act, 1877,” were in this respect superseded by the 143rd and 144th clauses of “ The Harbours Act, 1878 ”—a measure passed by the Legislature the following year dealing, on general principles, with Harbour Boards. It was under this latter Act the Lyttelton Harbour Board floated their loan.

Before proceeding, I desire to point out that the Lyttelton Harbour Board never had an endowment. What occurred in their case happened to other Harbour Boards in the colony—namely, some uncompleted harbour-works, which were in course of construction by the then Provincial Government, were handed over to the Board. Not one penny of General Government money, with the exception of the cost of the original Gladstone Shed, which was built by them, was spent upon the works which the Board took over. These works cannot possibly be looked upon in the light of an “ endowment,” as they were works of a perishable character, and upon which the Board had, at the very outset and from year to year, to expend considerable sums of money to complete, repair, and maintain. The wharfage dues collected by the Board during the year 1877 amounted to £14,800—

Wharfage collected	...	...	...	...	...	£	s.	d.
Less 2 per cent. commission for collection	...	...	...	...	...	15,106	2	4
						302	0	0
Net wharfage for twelve months ending the 31st December, 1877						£14,804	2	4

And the amount the Board had to expend in dredging operations alone during that year, in order to give the shipping access to the wharves and jetties then existing, was over £7,000; and the balance was expended towards the completion of the works handed over to the Harbour Board.

To return to the question of No. 5 shed: on the 22nd February, 1881, we find the Minister for Public Works acknowledging and regretting "that Mr. Maxwell had both misunderstood and misinterpreted the Acts of Parliament bearing on this question, and therefore based his arguments on wrong data," and the Government forthwith proceeded to enter into an engagement with the Harbour Board to lease No. 5 shed at £2,000 a year, based at 7 per cent. interest on the Board's actual outlay upon the reclamation, timber-breastwork, and shed, which was then estimated at £28,600, the Board only agreeing to incur this expenditure because the Hon. Mr. Oliver then informed them that "the Government were not at present in a position to carry out the provisions of clauses 143 and 144 of 'The Harbours Act, 1878,' which provided for payment of the cost of the land if the Government took it over." The Board, upon this understanding, built the shed, and continued to receive rent from the Government at the rate of £2,000 a year up to the 30th June, 1889—a period of over seven years.

I may mention that the Board did not commence their storage business until the 10th February, 1886, so that Mr. Maxwell's statement that the Board's competition in this direction in 1885 caused the railway to reduce their storage-charges, and to ask the Board, as they then did for the first time, to reduce the rental of this shed on the 11th July, 1885, can hardly apply. Nor does it appear why he allowed this matter to rest in silence from the 15th June, 1887, till the 28th March, 1889, nearly two years, while in the meantime the Government were losing considerably by renting the shed in question at £2,000 a year.

In the year 1887 we find the Government still recognising the principle that they had to pay for the use of the shed, and asking for a reduction of rent; and the Committee have within the past few days been informed by Mr. Maxwell that not long since he had recommended the Government to take over the shed and site at his valuation of £10,000, thus again recognising the principle that the Board were entitled to compensation if their land was "entered upon and used by the railway."

In regard to the Gladstone Sheds, the correspondence and evidence we have adduced clearly show that the expenditure was undertaken on the distinct understanding that the Government would vest the three new sheds in the Board; and, therefore, they are either entitled to have the amount which they have expended out of their loan refunded, or that the Government should carry out their engagement to vest in the Harbour Board the three sheds in question. It also appears from the evidence that the difficulties raised by the Crown Law Officers in regard to the approval of the transfer of No. 2 shed from the Grain Agency to the Harbour Board can easily be met.

In conclusion, I am desired by the Chairman of the Board to say that if the Board were to consent to the sources of their revenue being impaired by permitting portions of their estate which had been constructed out of loan to be taken away from them without the cost being refunded, they would be failing in their duty, and committing a breach of faith with their bondholders. The Committee are doubtless aware that the loan is raised on the security of the whole of the Board's income, including rates and rents, and it could not be supposed that the Government have the power to reduce the security thus given to the English bondholders. As it appeared that there was little hope of arriving at any settlement of the questions at issue, the Board sought the intervention of Parliament, as it was desired to have them considered by an impartial tribunal, and settled on a fair and equitable basis. For this reason the Board have abstained from putting forward a legal opinion which they have got from the best counsel obtainable, which entirely disagrees with the legal opinion put in by Mr. Maxwell.

MEMORANDUM from MR. J. P. MAXWELL *re* MR. WILLIAMS'S STATEMENT.

"The Harbours Act, 1878," did not repeal "The Lyttelton Harbour Board Land Act, 1877, nor did it cancel the rights reserved to the Crown under the latter Act.

The Lyttelton Harbour Board was constituted by an Act of the General Assembly after Provincial abolition. The question of who built the original harbour-works, whether the General or Provincial Government, does not seem to be of importance.

The Harbour Board competition is of a much more extensive nature than the remarks imply. In 1882, just after the Government began to occupy the No. 5 shed, the Board asked the Government to approve new plans for a large series of sheds and sidings, covering several acres with many hundred feet of shed-frontage on the Board's reclamations between the tunnel and the dock, not specifically referred to in the previous evidence. In the latter part of 1884 they commenced operations to build a store 380ft. long, being the first of a series of sheds which they had informed the Government they were going to execute in connection with sidings to the railway. They probably may not have stored grain until February, 1886. In the natural course, the grain season did not begin until February, but that does not alter the fact that the Board initiated a scheme of competition on a most extensive scale in 1884, which had the effect of compelling the Government to reduce its storage-rates in 1885, and which has permanently reduced the value of other storage room in Lyttelton. The Board has still extensive areas available for stores unoccupied, while at the same time it is seeking to obtain possession of the Grain Agency lease.

As to the question of Mr. Maxwell's silence, of course Mr. Williams cannot know whether this was so or not. The Government communicated with the Board to such extent, and gave such information and opinions as it thought fit; and the question is not a personal one, as Mr. Williams appears to assume. I ask leave to add this memorandum, as Mr. Williams's statement was handed in but not read, and I was not made aware of it until it was printed and circulated.

30th August, 1889.

J. P. MAXWELL.

The following telegram was received from Mr. Williams after the Committee had finished taking evidence :—

I have only now seen Mr. Maxwell's memorandum of the 30th ultimo. I can but repeat that the Harbour Board began their storage business in February, 1886 : they neither let nor used their stores till that date. The Government first created competition themselves when they let No. 2 store-site and others on Norwich Quay in 1878. I most respectfully desire to say I do not assume that the question was a personal one as regards Mr. Maxwell. In allowing nearly two years to elapse in silence, without in the meantime releasing the question of No. 5 shed with the Board, I merely referred to him as the officer in charge of the New Zealand railways during that time.

The Chairman, Public Accounts Committee.

C. HOOD WILLIAMS,
Secretary, Lyttelton Harbour Board.

The following letter was handed in by Mr. Maxwell after the Committee had finished taking evidence :—

SIR,— Lyttelton Harbour Board Office, Christchurch, 21st May, 1878.

I am directed by the Chairman of the Lyttelton Harbour Board to request that you will inform me whether there will be any objection on the part of the Hon. the Commissioner of Customs to an arrangement which the Harbour Board have in contemplation in connection with the Railway Department for facilitating the discharge of foreign ships. The proposal is to discharge all cargo direct from the ship into the shed on the Gladstone Wharf, to be there finally dealt with and distributed.

The Collector of Customs, Christchurch.

I have, &c.,

C. H. WILLIAMS, Secretary.

P.S.—I am to ask you kindly to favour the Board with an early reply.—C.W.

CORRESPONDENCE HANDED IN BY THE LYTTELTON HARBOUR BOARD ON THE 20TH AUGUST, 1889.

No. 1.—*Re SHED-SITES TO EAST OF SCREW-PILE JETTY.*

LYTTELTON Harbour Board Meeting held 28th October, 1880.—A plan showing the proposed method of laying off the sites on the reclamation to the eastward of the boat jetty was submitted. Mr. Cunningham objected to the plan, the sites for the four sheds, to his mind, being most inconveniently arranged for the tenants. Mr. Turner's opinion was that a plan which would, when carried out, yield the largest revenue to the Board was what was wanted. He was opposed to so disposing of the sites, as very large frontages would be held by one person. The Chairman inclined to the idea that every shed would be independent of the others—that no one shed would be able to shut out the other. If any danger of that existed it could be easily removed in committee. The question was then referred to the Harbour Improvement Committee.—*The Press.*

Lyttelton Harbour Board, 28th October, 1880.—A plan showing the proposed lines to the sites for sheds on the reclamation between the Screw-pile Jetty and the Gladstone Pier was laid on the table. The Chairman said that Mr. Maxwell, the General Manager of Railways, would be in Christchurch next week, and the matter might possibly be referred to him. Mr. Cunningham was opposed to the plan, as those who got the outside sites would have a great advantage over those inside. He thought, as the matter had been so often before the Harbour Improvement Committee, it would be better if it was referred to them again before definite settlement. Mr. Turner was opposed to the site being let in large frontages. He thought if it was cut up into a number of smaller lots it would return a larger revenue to the Board, and the Railway Department would so lay their lines as to give each tenant equal facilities for getting on to the main line. Mr. Murray-Aynsley considered the question was to get the largest revenue to the Board. It was resolved, on the motion of Mr. Craig, seconded by Mr. Murray-Aynsley, "That the matter be referred to the Harbour Improvement Committee."—*Lyttelton Times.*

No. 2.—*Re SHED-SITES ON BREASTWORK LEASING.*

Report No. 13 of the Harbour Improvement Committee.—(Members of the Committee: Hon. E. Richardson, Messrs. P. Cunningham, R. J. S. Harman, C. W. Turner.)

5. *Re Shed-sites on Breastwork.*—Your Committee, after giving full consideration to the question of utilising the Harbour Board's reclamation and breastwork between the Screw-pile Jetty and the Gladstone Pier, have adopted a plan of providing for three shed-sites, with two lines of rail upon the wharf in front of them.

With regard to the leasing sites, as your Committee are not agreed upon the question, they submit the following alternatives which have suggested themselves to them: (a) That three two-floored sheds are required, and should be built by the Board, and be simply used as transit-sheds for receiving goods ordered for shipment by specially-named ships only; or (b) That the sites be leased on short leases by public tender, with a condition giving the Board the right to resume possession upon paying the actual value of the buildings, the conditions of lease to provide for the using of the sheds subject to railway and wharf regulations from time to time in force, and the occupation of the shed-site not to give the tenant any right whatever over the wharf frontage; or (c) That the Board should build the sheds themselves, and lease them by public tender for short terms not exceeding three years, the sheds to be used as export-sheds only, the lease of the sheds not to give any right over the wharf space in front of them, and the working of the sheds to be subject to the railway and wharf regulations for the time being in force.

2nd December, 1880.

EDWARD RICHARDSON,
Chairman, Harbour Improvement Committee.

Harbour Board Meeting.—Christchurch, 2nd December, 1880.—It was resolved, on division, “That, with reference to paragraph (b) of the Harbour Committee’s Report No. 13, the Board approves of the principle of leasing the sites for building purposes, and requests the Committee to prepare suggestions for the consideration of the Board at a future meeting.”—Carried. (Ayes—6: Messrs. Murray-Aynsley, H. Allwright, H. Sawtell, R. Allen, D. Craig, C. W. Turner. Noes 2: Messrs. P. Cunningham and R. J. S. Harman.)

REPORT OF THE DISCUSSION ON THE HARBOUR IMPROVEMENT COMMITTEE’S REPORT No. 13.

With regard to the second portion of Report No. 13, the Board approved of the plan for three sheds.

Mr. Sawtell supported the adoption of clause B, referring to the shed-sites. He would prefer the sites being smaller than at present proposed, as he feared that the erection of only three sheds might lead to a monopoly.

Mr. Harman thought that the Board should not lease the sheds; this would meet the objection of the last speaker. He would favour the Board’s trying to work the export-sheds at any rate for a time.

Mr. Turner moved, “That the Board approve of the recommendation of leasing the sites contained in subsection (b) of the Harbour Improvements Committee’s report.” The Board should bear in mind the desirability of gaining a revenue, which might tend to making the harbour eventually free. The holders of the sites, under favourable conditions, would find them worth £600 or £700 a year in the saving of haulage alone. What he feared was a monopoly, and he was inclined to think that the sites should have 100ft. frontage, instead of 200ft. as proposed. The proposal contained in subsection (a) would throw the business into the hands of three large firms, and farmers would be at their mercy. With regard to subsection (c), he thought it would be a mistake for the Board to work the sheds themselves. A proof of this was to be found in the action of the Government in similar circumstances. He did not believe that the revenue would warrant the expenditure.

Mr. Harman asked if Mr. Turner wished to have the sites leased by tender or by auction.

Mr. Turner would leave that open for the present.

Mr. Allwright seconded the motion.

Mr. Cunningham thought the site too valuable to go into private hands. He did not agree with Mr. Turner that it was intended to lease those sheds. He had been under the impression that they were for the English trade only. It would be a great convenience for the small trader and farmer if he could collect his grain in a shed, to wait there for the sailing of a certain ship. This would surely be better than having the grain at the different railway-stations. If left to large firms the sheds could be filled with grain for twelve months together, and no regulations would prevent this. He was quite opposed to monopoly, and believed that this would be prevented by the Board retaining the control over the sheds. Gladstone Pier Sheds were now monopolized for imports, and the other sheds were in the hands of large firms. With regard to the question of revenue, he believed the result would be that freights would be reduced, in consequence of quick despatch, and therefore the shippers would be willing to pay a fee per ton to secure the reduction of freight. He was of opinion that there should be a reserve made for another wharf before the present Board went out of office, and would like to see the Harbour Improvement Committee complete their plans, including additional screw-moorings.

Mr. Murray-Aynsley was inclined to lease the two large sheds as four, and leave the third shed to be dealt with at a future time. This would be the best course for the present condition of the Board. He would support Mr. Turner’s motion, provided the sites were made smaller.

Mr. Allen supported Mr. Turner’s motion. He believed competition would prevent monopoly. If the lessees became monopolists the Board could lease further sites.

Mr. Cunningham had no objection to leases of sites to the west of Peacock’s Wharf for any term agreed upon.

Mr. Turner would be satisfied with the recognition of the principle of leasing.

Mr. Harman could understand that, but saw a difficulty in adopting the recommendation as made in the report.

Mr. Murray-Aynsley suggested that Mr. Turner should confine his motion to the affirmation of the principle of leasing.

Mr. Turner was quite willing to do as suggested, but would be glad that the discussion should go on.

Mr. Sawtell pointed out that any large company anxious to secure a large freight and keep back competition could block up the sheds.

Mr. Cunningham replied that the goods would have to be stored for a ship named. It was intended to make prohibitory charges on goods remaining for over two months.

Mr. Turner altered his motion as follows: “That the Board approve of the principle of leasing sites for building purposes, and requests the Committee to prepare suggestions for the consideration of the Board at a future meeting.”

The Chairman believed that what was wanted was larger store accommodation. This would not be provided by mere transit-sheds. It was of great importance that the farmers should not be driven to outside stores. He agreed with Mr. Allen in the suggestion that if further stores were required other sites should be utilised.

Mr. Harman could not see that any other sites could compete with these.

Mr. Allwright thought there were plenty of sites quite as valuable as these.

Mr. Turner believed that, with the present accommodation, English ships could be discharged in four or five days. Pressure should be brought to bear upon owners.

The Chairman said that a regulation had been framed, but it had not been deemed advisable to carry it into effect until there should be an export-wharf and an import-wharf. No doubt much time was lost.

The resolution, as altered, was now put, and carried on the voices. A division was called for, and resulted as follows: Ayes, 6—Messrs. Murray-Aynsley, Sawtell, Allwright, Allen, Craig, and Turner. Noes, 2—Messrs. Harman and Cunningham.—*Lyttelton Times*, 2nd December, 1880.

No. 3.

SIR,—

Harbour Board Office, Christchurch, 20th December, 1880.

The Lyttelton Harbour Board have recently had under consideration the question of utilising their reclamation and breastwork between the Screw-pile Jetty and the Gladstone Pier, as shown upon the accompanying tracing; and the plan shown thereon has been adopted by the Board as being best suited to meet present and future requirements, and for giving the greatest facilities to the public and the shipping generally. It will be seen that the plan provides for the erection of three sheds upon the sites shown on the tracing, and it also shows the lines, &c., necessary for working them; but, before proceeding further in the matter, I shall be glad to be informed whether the Government approve of the proposed arrangement of the lines, and will lay them accordingly; and, as it is desirable that the Board should know the Government's decision on this at as early a date as possible, in order that the intending tenderers for leasing the shed-sites may be informed of it, I am to ask for an early reply.

I have, &c.,

EDWARD RICHARDSON,

The Hon. the Minister of Marine, Wellington.

Chairman, Lyttelton Harbour Board.

No. 4.—*Re* EXPORT-SHED AT SIDING.

Lyttelton Harbour Board Meeting, 3rd February, 1881.—The following letter from Mr. Maxwell, General Manager of Railways, was read:—

“SIR,—

“Dunedin, 19th January, 1881.

“I have the honour, by direction of the Hon. the Minister for Public Works, to acknowledge the receipt of your letter of the 20th ultimo, addressed to the Marine Department, in which you request the approval of the Government for executing certain works on the wharfage extension between the Screw-pile Jetty and the Gladstone Pier. The request involves several considerations, which it is desirable to draw attention to.

“1. The Government is asked to assent to an arrangement whereby the whole of the export wharfage-accommodation, as arranged by your Board, is commanded by the private individuals into whose hands the leases of the proposed sheds may fall.

“2. In addition to the outlay of £4,479 on the Government reclamation made upon your request by the Government for the proper completion of the Board's wharf, a further outlay of £4,000 will be necessary to make alterations in the station-yard, and to lay the additional sidings necessary for the proper working of the new wharves and contiguous sheds.

“3. The adoption of a site for sheds fixed by the Board, the general position of which is undoubtedly most convenient for the railway and port, necessitates the Government devoting the land just reclaimed, adjacent to the proposed shed-sites, to sidings for working these sheds. The sheds proposed could not, in fact, be worked unless the Government devotes its land for the purpose.

“As regards your application, so far as the design of sheds and sidings alone is concerned, it appears that the siding-accommodation has been somewhat too closely curtailed; and, having in view the fact that the sheds proposed by the Board will deal with only a part of the traffic which has to be worked, it is considered that a much larger proportion of siding-accommodation is necessary. The views of the department in this respect are indicated on the plan enclosed. With regard to the other considerations involved, of course it is the mutual interest of the Government and the Board that the station-arrangements should be such as to insure the rapid loading of ships and economical working of the station. These objects will not be best served by placing the proposed sheds in private hands, and the Government cannot, therefore, but dissent from any proposal to deal thus with them; and, after the Government has stated the grounds of its objections, it is believed that the Board will not press its proposals in this respect. The large outlay already incurred by the Government, and the further expense involved in connection with these wharves and shed-sites, and the fact that the Railway Department has to work the traffic, would materially entitle the Government to a voice in settling the course to be followed in this matter.

“The Lyttelton Harbour Board Act, in clauses 9 and 10, is particularly clear in defining the powers of the Governor in respect of laying lines and performing other needful work, as well as in entering upon and using the property of the Board for railway purposes, the Board's and the Railway Department's functions being regarded as mutually exercised in common for the public convenience. The Government is fully prepared to perform the duties imposed on it by the Act, and will lay out all the necessary roads and work, and the traffic in connection with any sheds the building of which may be approved; but before proceeding to take any action the Minister will be glad to have a further expression of opinion from your Board on the subject. I may add that, with regard to the shed-accommodation, it is considered more convenient to have one continuous building than to have three detached structures, the chief advantage being greater convenience in working, added to which the cost of construction is diminished.

“I have, &c.,

“J. P. MAXWELL,

“The Chairman, Lyttelton Harbour Board.”

“General Manager, N.Z.R.

The Chairman (the Hon. Edward Richardson) said he was very much surprised at the terms in which the reply to his letter was written.—(Hear, hear.)—He was of opinion that the Minister for

Public Works should be addressed directly on the subject. No doubt the letter would be referred to Mr. Maxwell; and, knowing, as he (the Chairman) did, the whole of the facts connected with the matter, he had prepared a reply, which he would read presently. Mr. Maxwell had either written the letter in ignorance or else at the direction of the Minister for Public Works. He did not think that it was written by Mr. Maxwell in ignorance, as he was in the Public Works Office, Wellington, when the matter of the store-sites was under consideration in 1877. In that year Mr. Carruthers agreed to the proposed sites for sheds, and plans of the reclamation-works to the eastward of the boat-jetty, showing the sites thereon, were approved by him and lithographed; and a copy of those plans was on the table. This was arranged previous to the passing of the Harbour Board Land Act in 1877; and the modified plans were approved by the Governor in Council and the Board. He (the Chairman) was therefore quite at a loss to understand the reply sent to the letter from the Board.—*Lyttelton Times*.

No. 5.

The following letter in reply was then read:—

“ SIR,— “ Lyttelton Harbour Board Office, 3rd February, 1881.

“ I have the honour to acknowledge the receipt of Mr. Maxwell’s letter of the 19th January, in reply to mine to the Government of the 20th December, 1880, asking whether they approved of the Board’s proposed arrangement of the lines to connect the railway with the new wharves and store-sites between the Screw-pile Jetty and the Gladstone Pier, and by direction of the Board I now reply. In dealing with this matter it appears that you have taken up this subject as if it had only now been raised for the first time, and as if the Board were now asking the assent of the Government to some new proposal; whereas the Board are only carrying out step by step the suggestions made by the late Engineer-in-Chief, Mr. Carruthers, after long and serious consideration, for the best possible arrangement for working the traffic of the port in conjunction with the railway, which suggestions were approved by the Minister for Public Works, 1877, and in the main adopted by the Harbour Board. Mr. Carruthers recommended land to be reclaimed by the Harbour Board sufficient for two rows of sheds, as shown on his lithographed plan, recorded in Public Works Office, No. 5990, 1879; and on the Harbour Board applying to Parliament for the necessary powers, in 1877, the Government, at Mr. Carruthers’s recommendation, specially reserved sufficient space to enable them to lay down the necessary siding-accommodation to work the two lines of stores, as proposed by him. If you will refer to the plan above named you will see that the Board have adhered to this plan, excepting so far that they have, with the approval of the Government (by Order in Council in February, 1879), only reclaimed the land necessary for the first row of stores, the Board considering that the deep-water space is really of more value in Lyttelton than land. The above being a general outline of the facts connected with this portion of the Board’s operations, I cannot conceive that you or Mr. Maxwell could possibly have been aware of the state of the case; and if you had been, you never would have written such a letter as that now under reply; and I hope that you will see your way to withdraw it at once, and endeavour to meet the views of the Board in the same spirit as they have those of the Government on all occasions since the formation of the Board—namely, to take that course which was mutually considered best for the interests of the public and the Government. Presuming that you will largely modify your views in this matter, I will only point out one or two serious errors in your letter.

“ In paragraph 1 in your letter you state that the Government are asked to assent to an arrangement whereby the whole export-wharfage accommodation is commanded by private individuals. You must have forgotten the existence of all the other wharves built by the Board, and you could hardly have thought that the Board would ever consent to any conditions of lease of these store-sites that would enable the lessees to command the wharfage. In regard to paragraph 2, in which it is stated, ‘In addition to the outlay of £4,479 on the Government reclamation made by the Government upon the Board’s request for the proper completion of the Board’s wharf, a further sum of £4,000 for rail-alterations in the station and yard and to lay the additional sidings necessary for working the new wharves and contiguous sheds,’ I desire to point out that you are under a misimpression in supposing that the reclamation was paid for by the Government ‘at the Board’s request for the proper completion of the Board’s wharf.’ A reference to the Board’s letter of 24th October, 1878, clearly sets forth the various reasons why it was necessary this reclamation should be done, looking to the rapidly-increasing demand for additional accommodation in Lyttelton, and pointing out that it was absolutely imperative that it should be provided for in time, it being a portion of the general plan for the Lyttelton Railway-station, as arranged by the late Engineer-in-Chief, Mr. Carruthers. I may add that the cost of this reclamation, executed by the Board for the Government, was 1s. 9d. per cubic yard, and is less than half the price paid by the Government for similar work previously done by them in Lyttelton.

“ In conclusion, I am directed to state that the Board are quite alive to the fact that it is ‘the mutual interest of the Government and the Board that the station-arrangements should be such as to insure the rapid loading of ships and the economical working of the station;’ but the mere expression of the Government’s opinion that these ‘objects will not best be served by placing the proposed sheds in private hands,’ unsupported by any reasons or evidence whatever, or any alternative proposal for building or working the sheds, does not alter the Board’s previously-expressed opinion on the matter. The grounds of objection are not specifically stated by Government, nor are the benefits of any alternative plan set forth, and yet the Board are asked to reverse their decision. On the other hand I may be allowed to point out that, if the Government desire to press their objections, the means of doing so are clearly set forth in sections 143 and 144 of ‘The Harbours Act, 1878,’ which is a subsequent legislative measure to section 10 of ‘The Lyttelton Harbour Land Act, 1877’ (quoted by Mr. Maxwell). The former Act provides that the Board shall receive compensation for land taken or used by the Government. In the present case

the Board have spent, or are spending, some £25,000 in carrying on this reclamation and breastwork, which are portions of the general plan as previously approved by the Government. If, therefore, the present Government see reasons for departing from the previously-agreed-to plan of harbour-improvements in Lyttelton, it is but fair and right that they should exercise the powers given them by the sections of 'The Harbours Act, 1878,' previously quoted. On the other hand, it would be manifestly wrong to expect the Board to sacrifice a legitimate and previously-counted-upon source of revenue when they hold the opinion that the leasing of these shed-sites will conduce to the general convenience of the public, and, with proper regulations, should in no wise interfere with the railway-traffic arrangements.

" I have, &c.,

" EDWARD RICHARDSON,

" Chairman, Lyttelton Harbour Board.

" The Hon. the Minister for Public Works, Wellington.

" P.S.—I am directed further to state that any delay in coming to a decision in the matter will seriously interfere with one of the principal efforts of the Board for the past three years—viz., to provide additional storage-accommodation in Lyttelton for the produce of the country. I have therefore to beg your earliest attention to this matter."

Mr. Turner thought that the letter in reply let both the writer of the letter and the Minister for Public Works off far too easily. It appeared to him that political bias and feeling had been imported into Mr. Maxwell's letter, and the reply was hardly strong enough. The Board had been working for several years to obtain the sites for stores, so as to increase their revenue, and it was not to be expected that a new-comer in the Railway Department should step in and endeavour to defeat the ends that had required so much care and attention on the part of the Board to attain. It was not fair to the Chairman or any member of the Board that the existing plans should be upset in so ruthless a manner, and he hoped that the Board would in every way resent any such endeavour on the part of the Railway Manager, and support the action of the Chairman.

Mr. Harman agreed with the remarks of the Chairman and the last speaker. Neither Mr. Maxwell, the Minister for Public Works, nor even the Governor in Council, had the power to stop the erection of stores. There was no authority anywhere where such power was given, and every possible step should be taken by the Board, as representing the public, to resent measures such as that submitted in the letter of the General Manager of Railways. When carrying the approved plan of harbour extension and improvements, no one had any right whatever to interfere with the Board; and he urged the Board most strongly to resist to the utmost any attempt to defeat the ends to attain which the Board had been so assiduously working for over three years.

Mr. Murray-Aynsley perfectly agreed with the previous speakers, and would point out that the Board had been working hard to meet the requirements of the port in every way, and that any delay caused by the Government in the proposed erection of sheds would be the means of throwing the work back for another year, and so causing great inconvenience and loss.

Mr. Allen supported the Chairman's letter in reply and the remarks that had fallen from other members of the Board, and moved, "That the Board approve of the Chairman's letter to the Minister for Public Works in reply to Mr. Maxwell's letter of 19th January." This was seconded by Mr. Harman and carried.

Mr. Cunningham entirely approved of the course of action taken by the Board.

The Chairman said he would make the additions to the letter as suggested by the members, which are included in the report given above.

The Board then adjourned, to meet at Lyttelton at 3 p.m. on Thursday.

No. 6.

Report No. 14 of the Harbour Improvement Committee.—(Members of the Committee—Hon. E. Richardson (Chairman), Messrs. Cunningham, Allen, Harman, Wright, and the Hon. J. T. Peacock.)

8. *Sheds on Breastwork.*—The Committee recommend the Board to make an offer to the Government to build sheds 580ft. in length by not less than 60ft. in width, providing the Government pay the Board a rental for the same at the rate of £2,000 a year, this sum only covering interest and depreciation upon the actual and proposed expenditure of the Board in this case.

EDWARD RICHARDSON,

Chairman, Lyttelton Harbour Improvement Committee.

Lyttelton Harbour Board, Christchurch, 30th March, 1881.

Harbour Board Meeting.—Lyttelton, 31st March, 1881.—Clause 8—Adopted, on motion of Mr. Harman, seconded by Mr. Wright.

NO. 6A.—REPORT of the Hon. EDWARD RICHARDSON, Chairman, Lyttelton Harbour Board, made to the Lyttelton Harbour Board on the 22nd February, 1881.

THE Minister for Public Works telegraphed to me from Dunedin, asking me to meet him here this morning in reference to the correspondence which has taken place between the Government and the Board on the subject of the leasing shed-sites on the breastwork. I accordingly met him, and he commenced by explaining that he regretted that Mr. Maxwell had both misunderstood and misinterpreted the Acts of Parliament bearing on the question, and therefore based all his arguments on the wrong data. He (Mr. Oliver) regretted it the more as he had always considered, and still did, that the Board had carried out its duties in a highly satisfactory manner. He also stated that he still objects altogether to allow the store-sites to go into private hands. The Government not at present being in a position to carry out the provisions of clauses 143 and 144 of "The Harbours Act, 1878," and as they consider the working of the sheds in Lyttelton should be under

one control, there remain only two alternatives, one being that the Board should build the sheds and retain the management of them, the other being for the Board to build the sheds and lease them to the Government at a rate to be agreed upon to cover outlay and depreciation.—True copy from minute-book.—C. H. W.

No. 7.

SIR,—

Lyttelton Harbour Board Office, Christchurch, 1st April, 1881.

I have the honour to again address you, by direction of this Board, on the subject of the proposed stores to be erected facing the new breastwork, now rapidly approaching completion, between the Gladstone Breakwater and the steamer-jetty in Lyttelton.

I refer you to my letters of the 20th December last and on the 3rd February on this subject. To Mr. Maxwell's reply to the former of the 19th January I need not refer, as at our interview on the 22nd February you informed me that that letter was written by him under a misapprehension of the portion of the matter under consideration; but I would also remind you of the discussion which took place at our interview on the 22nd February, the result of that being, practically, that, as the Government were decidedly of opinion that the whole of the sheds working in connection with the railway should be under Government control, the Board should build the proposed sheds, and then lease them to the Government.

The Board have given this matter their most serious consideration, and, while they see no reason to alter their opinion as to the advisability of leasing the proposed sheds to the public, as suggested in my letter of the 20th December last, the Board, with every disposition to meet the views of the Government, have directed me to state that they are willing to erect the shed proposed by Mr. Maxwell, at a cost not exceeding £5,000, and to lease it to the Government, to be used for the purposes of export, for the sum of £2,000 per annum.

They have fixed this sum as the lowest that it is possible for them to take, as it will barely represent 7 per cent. on the special outlay incurred by the Board in connection with the shed, reclamation, and strengthening the breastwork.

Trusting that the Government will comply with this proposal, and that the Board may receive an early reply,

I have, &c.,

EDWARD RICHARDSON,
Chairman, Lyttelton Harbour Board.The Hon the Minister for Public Works,
Wellington.*Actual Cost.*

Total cost of shed	...	...	...	...	...	...	£	6,178
" cost of reclamation	...	...	...	...	...	...		10,093
" cost of timber-breastwork	...	...	...	...	...	...		16,497
Total cost	...	...	...	...	...	...		<u>£32,768</u>

£28,600, at 7 per cent. = £2,002 a year.

No. 8.

SIR,—

Railway Department, Head Office, Wellington, 16th May, 1881.

With reference to your letter of the 1st ultimo, covering an offer on the part of the Lyttelton Harbour Board to erect a shed on the land between the Screw-pile Jetty and Gladstone Pier, as proposed by Mr. Maxwell, the General Manager for Railways, in his letter of the 19th January last, and to rent the same to the Government, I am now directed by the Hon. the Minister for Public Works to state that the Government is prepared to accept the offer of the shed at the proposed rental of £2,000 per annum; but I am desired to request that the detailed plans of the shed may be submitted to the Government before the erection of the same is commenced.

I have, &c.,

N. W. WERRY,
Under-Secretary for Railways.No. 9.—*Re* NEW GRAIN-EXPORT SHED, LYTTTELTON, RENTED BY THE GOVERNMENT.

SIR,—

Lyttelton Harbour Board Office, Christchurch, 3rd March, 1882.

In reference to your letter of the number and date of the 16th May, 1881, in which the Government agree to pay the Board a rental of £2,000 a year for the grain-export shed which the Board propose to erect on their reclaimed land fronting upon the new timber-breastwork near to the new Screw-pile Jetty, I have now the honour to inform you that this shed will be completed and ready for use by the Railway Department on Wednesday next, the 8th instant, on which date the Harbour Board will hand it over into the charge of that department, in accordance with the terms and conditions set forth in the Board's letter of the 1st April 1881, and your reply of the 16th May, 1881.

As regards making provision for storing grain on the floor of the shed, the Board will, when required, and pending the laying of the concrete floor after the present grain season, find the necessary timber dunnage, as indicated in their letter to you dated the 14th October last.

I have, &c.,

R. J. S. HARMAN,
Chairman, Lyttelton Harbour Board.

The Minister for Public Works, Wellington,

No. 10.—*Re* GRAIN-EXPORT SHED ON BREASTWORK.

(Telegram.)

Wellington, 17th March, 1882.

In reply to your telegram of yesterday, Hon. Minister for Public Works directs me to state that he has instructed Mr. Hannay to arrange for taking over new shed on certificate of Railway Engineer. That shed complete in all other respects than concrete floor. Engineer will inspect at once.

R. J. S. Harman, Esq.,
Chairman, Lyttelton Harbour Board, Christchurch.

N. W. WERRY,
Under-Secretary for Railways.

No. 11.

SIR,—

Traffic Department, Christchurch, 24th April, 1882.

I am instructed to request you to render an account for the rent of shed at Lyttelton lately taken over by us to the General Manager, Wellington, quarterly.

I have, &c.,

The Secretary, Lyttelton Harbour Board, Lyttelton.

FREDK. BACK,
Traffic Manager.

SIR,—

Traffic Department, Christchurch, 12th August, 1882.

Re rent for shed at Lyttelton, I am now directed to ask you whether you have yet sent a voucher to Wellington for the rent due, and to say that if you have not done so our Dunedin office will send forward the necessary document to Wellington, and will do so on each occasion as the rent becomes due, so that it will not be necessary for you to send in vouchers. Kindly reply per bearer.

I have, &c.,

The Secretary, Lyttelton Harbour Board, Christchurch.

FREDK. BACK,
Traffic Manager.

No. 12.

SIR,—

Railway Department, Head Office, Wellington, 11th July, 1885.

I have the honour, with reference to Board's shed in Lyttelton, which is now rented by the Government, to draw your attention to the fact that, owing to extension of accommodation inland, the demand for storage-room at Lyttelton has for the most part ceased, and the shed during the recent grain season has been unused. Under the circumstances, the Government is not justified in paying the present high rental of £2,000 a year, and I have now the honour to intimate that some modification of the terms is necessary. Before expressing a definite opinion as to what course is best, I should be glad to have your Board's views upon the subject.

I have, &c.,

The Chairman, Lyttelton Harbour Board, Christchurch.

EDWARD RICHARDSON,
Minister for Public Works.

No. 13.—*Re* No. 5 GRAIN-EXPORT STORE.

LYTTELTON Harbour Board meeting, 31st July, 1885.—Mr. Edward G. Wright, the Chairman, reported:—

4. A letter has been received from the Government asking the Board to consider the question of the grain-export shed, which is at present rented to them at £2,000 a year. It will be in the recollection of members that this shed was built specially to meet the requirements of the Government, notwithstanding that the Board was most anxious at the time to lease it to private firms. Mr. Maxwell, the General Manager of Railways, in writing to the Board on the subject, on the 3rd February, 1881, stated: "With regard to the other considerations involved, of course it is to the mutual interest of the Government and the Board that station-arrangements should be such as to insure the rapid loading of ships and economical working of the station. These objects will not best be served by placing the proposed sheds in private hands, and the Government cannot, therefore, but dissent from any proposal to deal thus with them; and after the Government has stated the grounds of its objections, it is believed that the Board will not press its proposals in this respect." To which the Harbour Board replied as follows: "The mere expression of the Government's opinion that these objects will not best be served by placing the proposed sheds in private hands, unsupported by any reasons or evidence whatever, or any alternative proposal for building or working the sheds, does not alter the Board's previously-expressed opinion on the matter." And again, on the 1st April, 1881, our then Chairman, the Hon. Mr. Richardson, wrote to the Government: "I would also remind you of the discussion which took place at our interview on the 22nd February, the result of that being practically that, as the Government were decidedly of opinion that the whole of the sheds working in connection with the railway should be under Government control, the Board should build the proposed sheds, and then lease them to the Government. The Board have given this matter their most serious consideration, and, while they see no reason to alter their opinion as to the advisability of leasing the proposed sheds to the public, as suggested in my letter of the 20th December last, the Board, with every disposition to meet the views of the Government, have directed me to state that they are willing to erect the shed proposed by Mr. Maxwell at a cost not exceeding £5,000, and to lease it to the Government, to be used for purposes of export, for the sum of £2,000 a year. They have fixed this sum as the lowest that it is possible for them to take, as it will barely represent 7 per cent. on the special outlay incurred by the Board in connection with the shed, reclamation, and strengthening the breastwork." The Board then built the shed, the whole work, including the breastwork and reclamation, amounting to £32,768. It will thus be seen that the Board have only charged interest upon the outlay at the rate of 6½ per cent., which covers maintenance. Having thus fully reviewed the position in which the Board have been placed by the Government in regard to this shed, you will

have no difficulty in coming to a decision in the matter. The present time is a most inopportune one to attempt to lease the shed to private firms, and, on the other hand, the Government are in the best possible position to use it to the greatest advantage, more especially if they largely reduced the present almost prohibitive storage-rates, so as to insure the shed being used to a greater extent for storage purposes than it has been in the past.

Chairman's Remarks at Board Meeting on 31st July, re Grain-export Shed.

The Chairman said that, had the Board been dealing with a private firm in regard to the letting of the grain-export shed, it would have protected itself by a lease. This had not been done with the Government, as it was represented that the Government was dependent on annual appropriations for its funds. He considered, however, that the attempt to avoid paying the rent was practically a breach of faith, and that the Board should adhere to its original determination. There was no reason, he held, to lower the rent because there was a temporary diminution in the trade. He had no doubt that ere long the shed would be as busy as ever.

Mr. Turner pointed out that the Board could have got very large rentals from merchants for the frontage occupied by the building, and that they had been strongly urged to let the shed to the Government in order to deliver the Government from a very difficult position. Under the circumstances, he thought it was extremely ungenerous of the Government to seek to withdraw from their engagement now.

The Chairman said that in considering the matter it would be as well to remember that the Government paid no rent whatever for the sheds on the Gladstone Pier, which had been erected by the Provincial Government, but had been removed by the Board to a site constructed by them at great expense. If the Government would not pay the rent for the grain-export shed it might be worth considering whether they should not be made to pay for the use of the other sheds.

Mr. C. W. Turner suggested that the matter should be referred to a committee. It might be advisable to consider whether the Board should not take over the whole of their own property and work it themselves. The Board should not submit to the treatment they had received from the General Manager of Railways.

The correspondence on the matter was then referred to the Finance Committee to report.—
Lyttelton Times.

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No. 14.

SIR,—

Lyttelton Harbour Board Office, Christchurch, 4th August, 1885.

I have the honour to acknowledge the receipt of the 11th ultimo, in reference to the grain-export shed at Lyttelton, which is at present let to the Government at a rental of £2,000 a year.

Having in mind the numerous important considerations which were involved when the question was previously settled, the Board think it desirable that they should refrain from giving a decisive answer, and would prefer to await an opportunity of discussing the question with yourself and Mr. Maxwell, the General Manager of Railways.

It is doubtless still in your recollection, as you were Chairman of this Board at the time this shed was let to the Government, that it was entirely out of consideration to the views of the Government that the Harbour Board altered their determination for leasing this shed-site to private firms, the Government having, through Mr. Maxwell, indicated "That the 'rapid loading' of ships and economical working of the station would not best be served by placing the proposed sheds in private hands, and the Government cannot but dissent with any proposal to deal thus with them."

I have, &c.,

EDWARD G. WRIGHT,
Chairman, Lyttelton Harbour Board.

The Hon. the Minister for Public Works, Wellington.

—
No. 15.—OPINION *re* GRAIN-EXPORT SHED LEASED TO THE GOVERNMENT. (NOTICE TO BE GIVEN.)

From the accompanying papers, which I have perused, it appears that on the 1st April, 1881, the Board wrote offering to erect the shed and to lease it to the Government for the sum of £2,000 per annum, and on the 16th May the Secretary for Railways wrote, by direction of the Hon. the Minister for Public Works, stating that the Government was prepared to accept the offer of the shed at the proposed rental of £2,000 per annum; and on the 3rd March, 1882, the Board gave the Government notice that the shed will be completed on the 8th instant, when they would be prepared to hand it over in accordance with the terms and conditions of the Board's letter of the 1st April. The Government reply by telegram on the 17th March that they "will take over the shed on certificate of the Railway Engineer that it is complete, excepting concrete floor," and that such inspection would be held at once. I understand that such inspection was made and the shed taken possession of by the Government on the 5th April, 1882, and, in accordance with a subsequent request of the Government, an account for rent was, for their convenience, rendered quarterly. That the Government have continued in possession to the present time, and they now want to relinquish possession. There being no lease and no term stated in the above letters, the tenancy created was, in my opinion, a yearly tenancy, which can only be determined by a half-year's notice before the end of the current year in which such notice is given—that is to say, that such notice in this case must be given at least half a year prior to the 5th April in any year, on which date only the tenancy can be determined; and, if the Government wish to determine the tenancy on the 5th April, 1886, they must give a proper notice of half a year (183 days) at least before the date.

8th August, 1885.

HENRY N. NALDER.

No. 16.—*Re* EXPORT GRAIN SHED LEASED TO GOVERNMENT.

SIR,— Railway Department, Head Office, Wellington, 14th August, 1885.

I have the honour to reply to your letter of the 4th instant. I quite concur in your statement of the circumstances under which the Government leased the shed from the Board; but, as the conditions of traffic have much altered since the shed was built, the subject has been again opened up with a view to curtailing the expenses of working the railway. I have, therefore, the honour to intimate to you that the Government consider they ought not to be called upon to pay a higher rental than £1,000 per annum, say, from 1st July last, and I shall be glad to learn that your Board can see its way to adopt this view of the case.

I have, &c.,

EDWARD RICHARDSON,
Minister for Public Works.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 17.—*Re* EXPORT GRAIN SHED LEASED TO GOVERNMENT.

SIR,— 3rd September, 1885.

I have the honour to acknowledge the receipt of your letter of the 14th August, in which you intimate that the Government consider they ought not to be called upon to pay a higher rental for the grain-export shed, say, from 1st July last, and that you will be glad to learn that the Harbour Board can see its way to adopt this view of the case.

I may be allowed, however, in the meantime to suggest that a large portion of the rent might be recouped to the Government if the present almost prohibitive storage-charges were reduced so as to encourage farmers to send forward their produce and hold it ready at the port of shipment. There can be no doubt that the shed has not been utilised to the extent it might have been owing to the excessive storage-charges, which were fixed at a time when the object was to prevent the stores being blocked. The Government must also be aware that a large percentage of grain and produce is still held back by the producers, but must ultimately come forward for shipment. Looking to the cost of the shed, breastwork, and reclamation, the rent charged is only 6½ per cent. on the actual cost.

I have, &c.,

EDWARD G. WRIGHT,
Chairman, Lyttelton Harbour Board.

The Hon. the Minister for Public Works, Wellington.

No. 18.—*Re* LEASE OF GRAIN-EXPORT SHED TO GOVERNMENT.

SIR,— Railway Department, Head Office, Wellington, 8th September, 1885.

I have the honour to acknowledge the receipt of your letter addressed to the Hon. the Minister for Public Works as to rental paid by Government for the grain-export shed and suggesting reduction in storage-rates at Lyttelton, and am directed to inform you that the subject thereof will receive consideration.

I have, &c.,

J. P. MAXWELL,
General Manager.

The Chairman, Lyttelton Harbour Board, Lyttelton.

No. 19.

REPLYING to Mr. Allwright, if the Minister for Public Works' attention had been called to the prohibitory rates charged for storage at the railway-sheds, Lyttelton, and if so, will he take into consideration the advisability of reducing the same, the Hon. E. Richardson said steps were being taken in the direction referred to.—House of Representatives, Wednesday, 9th September.—*Lyttelton Times*, 10th September, 1885.

No. 20.

HARBOUR Board meeting, Christchurch, 5th November, 1885. — That the Chairman, Mr. Turner, Mr. Graham, and Mr. Allwright be constituted a committee to wait upon the Minister of Works, and confer upon the questions of the grain-shed, and matters connected with the railway generally, and to report.

No. 21.—ESTIMATED COST OF GLADSTONE SHED AND GRAIN-EXPORT SHED.

DEAR SIR,— Christchurch, 25th June, 1886.

By direction of Mr. C. W. Turner I send you particulars of the cost of the Gladstone Sheds (three) and also of the grain-export shed.

	£	s.	d.
1. Actual cost to the Harbour Board of the three Gladstone Sheds, built by the Harbour Board in January, 1879 (three sheds of 210ft. by 45ft. each); built seven years and a half ago. (N.B.—Interest at 6 per cent. should be added)
2. Actual cost to the Harbour Board of the grain-export shed (522ft. by 60ft.) and of the portion of the timber breastwork and reclamation actually occupied by the shed (built in April 5th, 1882)
			*3,302 15 10
			20,411 0 0

C. HOOD WILLIAMS,
Secretary and Treasurer.

Hon. J. T. Peacock, Chairman, Lyttelton Harbour Board, Wellington.

* This is exclusive of the cost of the portion of the Gladstone Pier occupied by the three sheds,

No. 22.—*Re* PURCHASE OF GLADSTONE SHEDS BY GOVERNMENT, AND *re* GRAIN-EXPORT SHED RENTED BY BOARD TO THE GOVERNMENT AT £2,000. (GOVERNMENT PROPOSE TO REDUCE RENT TO £500.)

SIR,—

Premier's Office, Wellington, 8th December, 1886.

I have been directed by the Hon. the Premier to inform you that the Government has carefully considered the correspondence that has taken place with your Board relative to the Government sheds on the Gladstone Pier, and the Board's shed which is rented by the Railway Department, and is of opinion that it would be expedient to settle matters by agreeing to repay the Board's outlay, mentioned in your letter of the 27th May last, as £3,302 15s. 10d. provided vouchers are produced showing that such an expenditure has been incurred, and on condition that the rental of the Board's shed is reduced to £500 per annum. The Government can only regard the tenancy of the shed by the Railway Department as a yearly one, and therefore terminable at any time at six months' notice.

I am to request that you will be good enough to submit this proposal for the favourable consideration of your Board as early as possible.

The Chairman, Lyttelton Harbour Board.

I have, &c.,

ALEX. WILLIS.

NOTE BY MR. C. H. WILLIAMS.—The Board's solicitor advised that the Government could only terminate the tenancy by a six months' notice given six months before the date from which the shed was rented—namely, on 5th April.

No. 23.

Report No. 47 of the Harbour Improvement Committee.—(Present: Hon. J. T. Peacock (Chairman), Messrs. E. G. Wright, P. Cunningham, T. McClatchie, H. Allwright, and W. White, jun.)

3. *Letter from the Government re Grain-export Shed and the Three Gladstone Sheds.*—In regard to the letter from the Government, stating that, on condition of the Lyttelton Board reducing the rent of the grain-export shed from £2,000 to £500, the Government will be prepared to repurchase the three Gladstone Sheds for £3,300, your Committee recommend the Board to decline such offer.

J. T. PEACOCK,

Chairman, Harbour Improvement Committee.

Harbour Board Office, Christchurch, 29th January, 1887.

No. 24.

SIR,—

Premier's Office, Wellington, 9th February, 1889.

I have been directed by the Hon. the Premier to request that your Board will be good enough to reply to his letter of the 8th December last, relative to the Government sheds on the Gladstone Pier, and the Board's shed which is rented by the Railway Department, as early as possible.

I have, &c.,

The Chairman, Lyttelton Harbour Board, Christchurch.

ALEX. WILLIS.

No. 25.

SIR,—

Lyttelton Harbour Board Office, Christchurch, 11th February, 1887.

In reference to your letter of the 8th December last, in which you stated that the Government had carefully considered the correspondence that has taken place with the Lyttelton Harbour Board relative to the Gladstone Sheds, and the grain-export shed rented by the Railway Department, and the Government is of opinion that it would be expedient to settle the matter by agreeing to pay the Board's outlay (which amounts to £3,302 15s. 10d. on the Gladstone Sheds alone), provided vouchers are produced showing that such expenditure has been incurred, and on condition that the rental of the grain-export shed is reduced from £2,000 to £500 per annum, I am directed to inform you that the matter was considered by the Board at their last meeting, when it was resolved that the Board cannot agree to accept the above sum for the Gladstone Sheds on condition that the Board reduced the rent of the grain-export shed to £500 a year; and I was desired to point out that these two questions are entirely distinct ones.

I am, &c.,

J. T. PEACOCK,

The Hon. the Premier, Wellington.

Chairman, Lyttelton Harbour Board.

No. 26.

SIR,—

Premier's Office, Wellington, 25th February, 1887.

I have been directed by the Hon. the Premier to acknowledge the receipt of your letter of the 11th instant (this day), relative to the proposal of the Government to settle the dispute with your Board in connection with the Government sheds on the Gladstone Pier and the Board shed.

I have, &c.,

The Chairman, Lyttelton Harbour Board, Christchurch.

ALEX. WILLIS.

No. 27.—NOTICE OF MOTION.

Harbour Board Meeting, 27th April, 1887.—Moved by Mr. Wright, seconded by Mr. Perryman: "That, in the opinion of this Board, it is desirable to bring to a settlement at an early date the questions at issue between the Government and this Board in reference to the Gladstone Sheds and the grain-export shed." Mr. Wright stated he was content to allow his notice of motion to stand over, so as to enable the Hon. Mr. Peacock to interview the Government at Wellington on these matters.

No. 28.

SIR,—

Premier's Office, Wellington, 15th June, 1887.

I am directed by the Hon. the Premier to inform you that, as the result of an interview which he had with Mr. Peacock, the Government has again considered the correspondence relating to the Government sheds on the Gladstone Pier and the Board's shed, and I am now to state, for the information of your Board, that the Government adheres to the decision as to the former conveyed in my letter of the 8th December last, and will ask Parliament for a vote for the purpose; but, as to the latter, the Government cannot recognise any liability on its part to continue the occupation of the shed on the present terms.

The Chairman, Lyttelton Harbour Board, Christchurch.

I have, &c.,

ALEX. WILLIS.

NOTE BY MR. C. H. WILLIAMS.—The Railway Department, however, continued to occupy and use No. 5 grain-export store, and paid their rent quarterly to the Harbour Board at the rate of £2,000 a year.

No. 29.

An ordinary meeting of the Lyttelton Harbour Board was held at their Christchurch offices at 2 p.m. on Wednesday, the 29th June, 1887. Present: Messrs. P. Cunningham (Chairman), R. Westenra, W. White, H. W. Perryman, C. W. Turner, H. Allwright, E. G. Wright, W. B. Tosswill, and the Hon. J. T. Peacock. An apology was made for the absence of Mr. Graham on account of illness. The Hon. J. T. Peacock reported that he had interviewed the Premier with respect to the Gladstone Sheds. The Premier had agreed to pay £3,300 at once for the three sheds on the Gladstone Pier. On behalf of the Board, he (Mr. Peacock) had offered to let the Government have the grain-export shed on a lease at a rent of £1,500 a year, and this offer the Premier had promised to bring before the Executive.

No. 30.—LEASE NO. 5 SHED TO GOVERNMENT: NOTICE GIVEN BY COMMISSIONERS.

To the Lyttelton Harbour Board, Christchurch.

WE hereby give you notice that it is our intention to quit and deliver up, on the 30th day of April next, possession of the building known as the Lyttelton Harbour Board's grain shed, together with the appurtenances situate at Lyttelton, in the Provincial District of Canterbury, now held by us as your tenants thereof.

Dated the 28th day of March, 1889.

JAMES MCKERROW,
J. P. MAXWELL,
W. M. HANNAY, } N.Z. Railway Commissioners.

No. 31.

SIR,—

Railway Department, Head Office, Wellington, 28th March, 1889.

With reference to the notice which has been addressed to your Board this day, terminating the present tenancy of the large grain shed at Lyttelton, now rented by the Railway Department, at 30th April next, I have the honour, by direction of the New Zealand Railway Commissioners, to state that they are willing to continue the occupation of the shed after that date at a rental of £500 a year, until such reasonable time as the Harbour Board can make other arrangements.

I have, &c.,

E. G. PILCHER,
Acting-Secretary.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 32.

GENTLEMEN,—

Lyttelton Harbour Board Office, Christchurch, 25th April, 1889.

I have the honour to acknowledge the receipt of your letter of the 28th March ultimo, informing the Board of your intention to terminate the tenancy of the large grain shed at Lyttelton on the 30th April next, accompanied by a notice to the same effect, and I am instructed by the Board to inform you that they cannot accept such notice as the termination of the tenancy, and beg to refer you to the previous correspondence with the Government on the subject.

I am, &c.,

FRANK GRAHAM, Chairman, Lyttelton Harbour Board.

The New Zealand Railway Commissioners, Wellington.

No. 33.

SIR,—

Railway Department, Head Office, Wellington, 27th April, 1889.

I have the honour to acknowledge the receipt of your letter of the 25th instant, regarding termination of department's tenancy of shed at Lyttelton, and am directed by the Railway Commissioners to inform you that the subject thereof will receive consideration.

I have, &c.,

E. G. PILCHER, Acting-Secretary.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 34.

SIR,—

Railway Department, Head Office, Wellington, 2nd May, 1889.

Referring to your letter of 25th April, acknowledged on the 27th, I am now directed by the Railway Commissioners to state that, prior to sending the Harbour Board notice of the termination of their tenancy of the large grain shed at Lyttelton, they had very carefully considered all the

correspondence which had previously taken place between the Ministers and the Board. The Commissioners think there may be some misapprehension on the part of the Board. The case is one which "The Property Law Consolidation Act 1883 Amendment Act, 1885," provides for. The railway tenancy terminates on 30th April. The Railway Commissioners are now continuing occupation in terms of my letter of 28th March, 1889.

I have, &c.,

E. G. PILCHER, Acting-Secretary.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 35.

GENTLEMEN,—

Harbour Board Office, Christchurch, 14th May, 1889.

I have the honour to acknowledge receipt of your letter of the 2nd instant, relative to the tenancy of the Board's shed, and, in reply, to inform you that the shed was specially erected for the Government, who agreed to lease it from the Board, and who objected to the Board leasing the site to private persons who would have taken the sites on lease on advantageous terms to the Board. I have also to point out to you that, in the Premier's letter of the 8th December, 1886, he says, "The Government can only regard the tenancy of the shed by the Railway Department as a yearly one, and therefore terminable at any time at six months' notice." This was the Government's own definition of their tenancy on that date, and, in view of this, the Board cannot agree with you that "The Property Law Consolidation Act 1883 Amendment Act, 1885," applies, as that Act does not prevent tenancies being created terminable by such notice as the parties may agree to themselves. Besides this, the Commissioners did not give up possession of the shed on the date of their notice, having then, and still continuing to store, large quantities of grain in the shed; and it is out of the question to suppose that any tenant, even where it was agreed that a month's notice should be given on either side to terminate the tenancy, could hold possession after his notice, and dictate to his landlord the rent he would pay.

I have to add that the question of the tenancy is irrespective of any claim the Board have on the Government for not carrying out the original agreement with the Board.

I have, &c.,

FRANK GRAHAM,

Chairman, Lyttelton Harbour Board.

The Railway Commissioners, Wellington.

No. 36.

SIR,—

Railway Department, Head Office, Wellington, 16th May, 1889.

I have the honour to acknowledge the receipt of your letter of the 14th instant, in reference to the tenancy of large grain-store at Lyttelton, and am directed by the Railway Commissioners to inform you that the subject thereof will receive consideration.

I have, &c.,

E. G. PILCHER, Acting-Secretary.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 37.

To the Lyttelton Harbour Board, Christchurch.

WE hereby give you notice that it is our intention to quit and deliver up on the 30th day of June next possession of the building known as the Lyttelton Harbour Board's grain-shed, together with the appurtenances, situate at Lyttelton, in the Provincial District of Canterbury, now held by us as your tenants thereof.

Dated the 23rd day of May, 1889.

JAMES MCKERROW.

J. P. MAXWELL.

W. M. HANNAY.

No. 38.

Report No. 55 of the Harbour Improvement Committee.—(Present—Messrs. F. Graham, Waimouth, Webb, McClatchie, Peacock, Wright.)

5. *Re* the Government's lease of No. 5 store: After consideration of the correspondence on this subject, the Committee do not recommend the Board to accept the notice sent in by the Railway Commissioners dated the 23rd May, 1889.

FRANK GRAHAM,

Christchurch, 29th May, 1889.

Chairman, Harbour Improvement Committee.

Report adopted by Harbour Board on 29th May, 1889.

No. 39.

SIR,—

Railway Department, Head Office, Wellington, 14th June, 1889.

In reply to your letter of the 14th May, the receipt of which was acknowledged on the 17th ultimo, and from which it would appear that the Harbour Board was unwilling to acquiesce in the arrangements which the Railway Commissioners considered would be most convenient to the interests of the trade and port respecting the large grain-shed at Lyttelton, I am directed by the Commissioners to state that, under these circumstances, they have given a further notice to vacate the shed on the 30th June instant, such as they are advised is the notice to which the Board is legally entitled. The shed will be accordingly vacated, as the rate charged by the Board is excessive and out of proportion to the present value of the property.

I have, &c.,

E. G. PILCHER, Acting-Secretary.

The Chairman, Lyttelton Harbour Board, Christchurch.

No. 40.

SIR,—

Treasury, Wellington, 3rd May, 1889.

I have the honour to inform you that the sum of £500, of which particulars are subjoined, has been remitted to credit of the account of the Lyttelton Harbour Board, at the Bank of New Zealand, Christchurch.

The Chairman, Lyttelton Harbour Board.

I have, &c.,

H. GAVIN, Paymaster-General.

Quarter ending the 4th April, 1889.—Rent of shed at Lyttelton, at £2,000 per annum, £500.

No. 41.

SIR,—

Treasury, Wellington, 23rd May, 1889.

I have the honour to inform you that the sum of £142 9s. 4d., of which particulars are subjoined, has been remitted to credit of the account of the Lyttelton Harbour Board, at the Bank of New Zealand, Christchurch.

The Chairman, Lyttelton Harbour Board.

I have, &c.,

H. GAVIN, Paymaster-General.

April 5/30, 1889.—Rent of shed at Lyttelton Station, at £2,000 per annum, £142 9s. 4d.

[*Approximate Cost of Paper.*—Preparation, nil; printing 1,300 copies), £25 13s.]

By Authority GEORGE DIBSBURY, Government Printer, Wellington.—1889.