

(f.) The attached Statement A shows that this fund of £300,000 and the interest earned by it will be sufficient to free the Government from any likely possibility of having at any time to provide money to meet their guarantee of interest, and, in addition to this sum of £300,000 to be provided by the company, the Government will have in hand, after paying £372,500 to redeem debentures, a further value of £245,500, the balance of the £618,000 land grant, which would have to be absorbed, to meet guaranteed-interest charges before the Government would be put to any further liability than now exists under the present contract. This most unlikely contingency is worked out in Statement B attached, in which the returns from traffic are assumed to be abnormally low, and far less than any calculated returns and estimates in the past or present attempt to show, but they have been assumed for the purpose of proving that, even if the low traffic returns only are reached, the Government would be safe from any loss or increased liability through giving the guarantee asked for. This will, no doubt, meet the objection raised on these grounds at our interview to-day whereas, if the company's estimates prove approximately correct, the country will actually save £245,500 of land-grant value guaranteed over and above the saving gained by raising the new capital with and without a guarantee, as shown in my letter of the 19th May, 1892. It will be seen from Statements A and B that when the net traffic returns equal the interest charges on capital (in Statement A after four years) the balance of the trust fund will annually increase by the interest earned by it, and will be available for an increased dividend, or may be reserved to redeem part of the balance of the debentures.

(g.) The Government may nominate an officer, say, a Commissioner of Railways, who shall have the power to inspect and report upon the management of working the company's railway in New Zealand from time to time, and any objection raised by him to excessive maintenance charges or maladministration to be submitted to arbitration. This would meet any objection that might be raised, or statements made by opponents to these proposals, that the company without such a provision might by mismanagement necessitate a payment by the Government under the guarantee, which would not otherwise happen.

(h.) It is understood that, as the company propose to resign at once the whole of the balance of the land grant given under the present contract—viz., £984,000—any proposals for completing the Nelson line between Reefton and the Motueka Valley must be the subject of separate negotiations when the East and West line is completed and opened for traffic.

(i.) These proposals are made subject to an extension of the contract time, and that consent be given at once to the substitution of the incline line for the original tunnel line at Arthur's Pass.

(j.) The company's property to be free from all local taxation. It is suggested for consideration that general taxation should not affect the company until such time as the net traffic earnings cover all guaranteed payment of interest, as this would otherwise increase the liability of the Government to meet interest payments.

I have, &c.,

ROBERT WILSON,

Engineer-in-Chief and General Manager

The Hon. the Premier

Enclosure 1 in No. 5.

| — | Capital. | Interest receivable. | Receipts from Traffic. | 3 per cent. Interest payable. | Balance. |
|-------------|----------|----------------------|----------------------------------|-------------------------------|----------|
| | £ | £ | | £ | £ |
| End of year | 300,000 | 12 000 | Traffic receipts for three years | 55,500 | 256 500 |
| " 1 | 256 500 | 10 260 | pawned to meet interest | 55,500 | 211,260 |
| " 2 | 211 260 | 8,452 | on £745,000. | 55,500 | 164,212 |
| " 3 | 164,212 | 6 568 | 50,000 | 93 000 | 115,280 |
| " 4 | 115,280 | 4,612 | 70,000 | 93,000 | 77,892 |
| " 5 | 77,892 | 3 116 | | | 59,008 |

Government to purchase half of £745,000 debentures = £372,500.

| | | | | | |
|---------------|---------|--------|---------|--------|---------|
| End of year 6 | 59,008 | 2,360 | 73,500 | 74,125 | 60 743 |
| " 7 | 60,743 | 2,428 | 77,175 | 74,125 | 66,221 |
| " 8 | 66,221 | 2,648 | 81 075 | 74,125 | 75,819 |
| " 9 | 75,819 | 3,032 | 84,319 | 74,125 | 89 045 |
| " 10 | 89,045 | 3,560 | 88,534 | 74 125 | 107,014 |
| " 11 | 107,014 | 4,280 | 92,959 | 74,125 | 130,128 |
| " 12 | 130,128 | 5 204 | 97 604 | 74,125 | 158,811 |
| " 13 | 158,811 | 6,352 | 100,000 | 74,125 | 191,038 |
| " 14 | 191,038 | 7,644 | 100,000 | 74,125 | 224,557 |
| " 15 | 224,557 | 8,984 | 100,000 | 74,125 | 259,416 |
| " 16 | 259,416 | 10,376 | 100,000 | 74,125 | 295 667 |
| " 17 | 295,667 | 11,828 | 100,000 | 74,125 | 333,370 |