

1892.

NEW ZEALAND

THE MIDLAND RAILWAY CONTRACT

(PROPOSALS BY THE MIDLAND RAILWAY COMPANY FOR AN AMENDMENT OF).

Laid on the Table by the Hon. Mr Seddon, with the Leave of the House.

No. 1

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,—

Wellington Club, Wellington, N.Z., 19th May, 1892.

In accordance with the wish expressed by you yesterday, when I called upon you with Mr Hilton in reference to business connected with the Midland Railway, I have now the honour to submit in writing the proposals we then made, to enable you to lay them before the Cabinet.

It has occurred to my directors in London that it might meet the wishes and views of the present Ministry and of the country if some arrangement could be come to by which the company should resign all rights to the balance of the land grants for the East and West Coast line other than that already pledged to existing debenture-holders, and that to be earned on completion of the section to Jackson's, now in progress, which is also pledged.

The B1 value of the land grant proposed to be resigned is £618,000, guaranteed. It is suggested that the Government should, in exchange for this sacrifice on the part of the company, give a guarantee of 3 per cent. interest on £1,600,000 ordinary share capital to complete the East and West line and to extend the Belgrove section into the Motueka Valley, and further should, at the end of five years from the opening of the East and West line, pay off, out of the proceeds of the sales of the lands resigned by the company, £372,500 of the company's present debenture-issue.

The company on its part will undertake to at once proceed to raise the necessary capital, and to let contracts to complete the East and West line and open into the Motueka Valley, with every possible despatch.

The advantages to the colony will be—(1.) To free not only the land actually likely to be selected by the company, but to release also at once the whole land within the reserved area for immediate sale and settlement by the Government. (2.) In the event of the Government in future exercising its powers under the contract to purchase the line, there will be, presuming it has all been constructed, —namely, the East and West and Nelson sections—a saving to the country of about one million sterling, or on the East and West line alone of between £400,000 and £500,000, this is calculated on a basis of raising capital with and without a Government guarantee—capitalising the difference of the annual interest-charge at 6 per cent. (3.) There will be immediately spent over £1,000,000 in the country, and employment found for fifteen hundred to two thousand men for at least three years.

Figures are given in the statements enclosed supporting the above contentions, and showing the amount of interest likely to be required from the Government. It is understood that the consent to the incline over Arthur's Pass, and to the extension of time asked for, will be granted.

The state of the money-market in London is such at present as to preclude my directors from raising further capital for some time, without a guarantee of interest, except at a great cost, which would ultimately fall on this country. To go on building the line expeditiously now is therefore advantageous both to the colony and to the company.

The company will at once undertake to proceed to raise the capital to complete the line from Reefton to the Motueka Valley, when the East and West Coast line is open for traffic, if called upon to do so. In that case the Government to increase the guarantee of interest to $3\frac{1}{2}$ per cent. on £2,900,000, the total sum required to finish the East and West line and the Nelson end. It will be necessary to raise the guarantee by $\frac{1}{2}$ per cent. because the receipts from the Nelson line will so diminish the rate of interest which can be earned on the total cost as to make it impossible to hold out any inducement to a capitalist, except at a ruinous discount, and the land grant and

all its profit will have lapsed to the colony The company then to give up the entire land grant, guaranteed B1 value £984,000, and the Government to pay off the whole of the company's present issue of debentures with part of the proceeds.

It is suggested to put off the completion of the Nelson line until the East and West is open for traffic, and for possibly a year or two afterwards, to avoid calling on the country for further interest until the company is in a position to earn something towards it.

The Hon. the Premier.

I have, &c.,
ROBERT WILSON,
Engineer-in-Chief and General Manager

Enclosure 1 in No. 1

STATEMENT A.

ESTIMATED capital required to finish the East and West Coast line and to extend the Belgrove section into the Motueka Valley, on the assumption of a Government guarantee of 3 per cent. interest on £1,600,000 ordinary-share capital, and the formation of a sinking fund from lands sold by the Government to redeem £372,500 of the company's present debenture-issue five years after the opening of this line for traffic. The company to forego all rights as to selection, sale, control, and administration of the present land grant for this section:—

| | |
|----------------------------|------------|
| New share capital required | £1,350,000 |
| Present share capital | 250,000 |

| | |
|--|------------|
| Total amount on which Government are to give a guarantee of 3 per cent. per annum | £1,600,000 |
|--|------------|

Annual charge, 3 per cent. on £1,600,000 = £48,000.

Time of completion, say three and a half years, making total interest during construction to be provided by Government, say, £168,000.

Value of land grant in this section to be surrendered, guaranteed to sell for £618,000.

Annual charges for interest when the East and West Coast line is open for traffic, one-half the debentures not being redeemed from land-grant sales by the Government:—

| | |
|--|---------|
| Debentures £745,000, interest at 5 per cent. | £37,250 |
| Ordinary shares £1,600,000, at 3 per cent. | 48,000 |
| | £85,250 |

Estimated revenue from East and West Coast line and from the Reefton line:—

| | |
|---|---------|
| East and West Coast line, net revenue available for interest, say | £60,000 |
| Ditto from Reefton line | 10,000 |
| | £70,000 |

Balance required from Government to meet interest, but not allowing for any development of traffic, £15,250.

Annual charges for interest when the East and West Coast line is open for traffic after one-half of the debenture-issue has been redeemed by the Government by land sales:—

| | |
|--|---------|
| Debenture-interest on £372,500, at 5 per cent. | £18,625 |
| Ordinary shares £1,600,000, at 3 per cent. | 48,000 |
| | £66,625 |

Estimated net revenue from the East and West Coast line and the Reefton line:—

| | |
|---|---------|
| East and West line, net revenue available for interest .. | £60,000 |
| Reefton line, ditto | 10,000 |
| | £70,000 |

N.B.—This shows that, under these circumstances, the Government will not require to pay anything towards interest.

Enclosure 2 in No. 1

STATEMENT B.

ESTIMATED capital required to finish East and West and Nelson lines on the assumption of a Government guarantee of 3½ per centum interest per annum on £2,900,000 ordinary-share capital, and the formation of a sinking fund from the land sales by the Government to redeem £745,000 of the company's present debentures, £372,500 to be redeemed five years after the opening of the line for traffic from east to west, and £372,500 five years after opening the Nelson section, or sooner if the Government desire to do so. The company to forego all rights as to selection, sale, control, and administration of the whole land-grant area:—

| | |
|--------------------------|------------|
| New share capital | £2,650,000 |
| Present share capital .. | 250,000 |
| | £2,900,000 |

Annual guarantee at $3\frac{1}{2}$ per cent. on this amount, £101 500.

The value of the land grant, the whole of which it is proposed the company should surrender, is guaranteed by the Government to be worth £984,000.

Annual charges for interest on capital when the whole line is open for traffic, assuming that the East and West line is finished first, and half the debentures paid off before the completion of the Nelson section :—

| | |
|---|----------|
| Debenture-interest on £372,500, at 5 per cent. | £18,625 |
| Ordinary-share capital, £2 900,000, at $3\frac{1}{2}$ per cent. | 101, 500 |
| | £120 125 |

Estimated net revenue available for interest :—

| | |
|---------------------|----------|
| East and West line | £60,000 |
| Reefton line | 10,000 |
| Nelson section, say | 30,000 |
| | £100,000 |

Balance required from Government to meet interest charges per annum until traffic develops £20,125.

Annual charges for interest when the whole line from east and west and Nelson is opened for traffic, and all the debentures have been redeemed by the Government out of land sales :—

| | |
|--|----------|
| Ordinary share interest $3\frac{1}{2}$ per cent. on £2,900,000 | £101 500 |
|--|----------|

Estimated revenue available for interest, not allowing for any further development of traffic on East and West and Reefton lines beyond that estimated when first opened :—

| | |
|--------------------|----------|
| East and West line | £60 000 |
| Reefton line | 10,000 |
| Nelson line | 30,000 |
| | £100,000 |

Balance required from Government to meet guaranteed-interest charges, £1,500.

Enclosure 3 in No. 1

STATEMENT C.

FROM information received from London it has been ascertained that the cost of financing £2,900,000 with a Government guarantee of interest as set out, and raising capital sufficient to finish the line without a guarantee of interest, will make a difference of £60,000 in the annual interest charges, based upon the present values of New Zealand Government Stocks in London. This annual difference of £60,000, capitalised at 6 per cent., represents a saving of £1,000,000 in the ultimate cost of the line when purchased by the colony under the power contained in the Midland Railway Contract.

No. 2.

The SECRETARY to the CABINET to the GENERAL MANAGER, Midland Railway Company
SIR,— Premier's Office, Wellington, 26th May, 1892.

By direction of the Premier I have the honour to inform you that the Cabinet has had under consideration your letter of the 19th instant, in reference to matters connected with the Midland Railway, and to request that you will be good enough to furnish information on the following points, viz. :—

(a.) Why does the company ask for a guarantee of interest on the capital already expended on the railway, and in respect of which a land grant has already been or is to be given?

(b.) Why is guarantee of interest asked for on cost of works on tunnel route when proposals stipulate that the Abt incline deviation is to be agreed to, by which deviation company estimate they will save £470,000?

(c.) What is the total subscribed capital of the company, and how much of this is paid up?

(d.) What amount has been actually expended on the construction of the railway?

(e.) What is the total value of the work already completed?

(f.) What liabilities exist on the works now in course of construction?

I have, &c.,

A. WILLIS,

Secretary to Cabinet.

R. Wilson, Esq. C.E.,
General Manager, Midland Railway Company,
Wellington.

No 3.

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,—

Wellington, 26th May, 1892.

I have the honour to acknowledge the receipt of your letter of to-day's date in reference to matters connected with the Midland Railway, and beg to answer the questions therein asked as follows, viz. :—

(a.) A guarantee of interest on capital already expended is required, because, without such a guarantee, it would be difficult, if not impossible, to raise fresh capital, as the land grant earned, and to be earned, has been partly used for interest during construction, and on works. The balance has been allocated, in the proposals under consideration, to meet the interest charges on debentures, during the period of construction on the East and West line.

(b.) It is an error to suppose that a guarantee is asked for on the cost of works on the tunnel route. The amount of £1,600,000 is the capital required to be guaranteed on the assumption that the incline is assented to. This figure is made up as follows;—

| | |
|--|------------|
| Estimated cost to complete line from Springfield to Jackson's with incline | £1,070,500 |
| Extra cost for increasing section of tunnels, and making ventilating shafts and headings on the incline section, as suggested by the Commission, say | 20,000 |
| Extending the line from Belgrove into the Motueka Valley | 30,000 |
| Expenses of raising capital, calculated on the basis of the present prices of the New Zealand Government Stock | 229,500 |
| Present ordinary share capital to be included in guarantee | 250,000 |
| | £1,600,000 |

(c.) Ordinary share capital fully paid, £250,000.

Debenture capital, £745,000.

(d.) Amount expended on construction, less cost of finance and interest, during construction, to the 31st December, 1891, is £673,838.

(e.) Total value of works completed to the 31st December, 1891, £965,105.

(f.) Liabilities on contracts let, about £150,000, for which money is provided partly out of land-grant proceeds.

I have, &c.,

ROBERT WILSON,
Engineer-in-Chief and General Manager,
New Zealand Midland Railway Company

The Hon. the Premier

No. 4.

From the SECRETARY to the CABINET to the GENERAL MANAGER, Midland Railway Company
SIR,— Wellington, 27th May, 1892.

I am directed by the Premier to inform you that the Cabinet has again considered the matter submitted by you in connection with the Midland Railway, together with your reply to my letter of yesterday's date, and it has decided that it is unable to entertain the proposals contained in your letter of the 19th in their present form.

I have, &c.,

A. WILLIS,
Secretary to Cabinet.

R. Wilson, Esq., C.E.,
General Manager, Midland Railway Company, Wellington.

No. 5.

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,— Wellington, 6th June, 1892.

I have now the honour to submit a modification of the proposals made by me, on behalf of the New Zealand Midland Railway Company (Limited) on the 19th May, 1892, which were to the effect that the Government should substitute a guarantee of interest for the guaranteed land grant, as contained in the present contract between the Queen and the company. The modified proposals are as follows:—

(a.) The company to relinquish their right to all further land grants for the railway to be made, but are to retain the lands already earned, and those lands to be earned by the completion of the sections of line now let by contract, and at present under construction. The area reserved for selection by the company is to be thrown open at once and dealt with by the Government.

(b.) The value of the balance of land grant to be earned by the company on completing the line from the end of the Springfield section to the end of Jackson's section is guaranteed by Government to yield £618,000.

(c.) The Government to guarantee 3 per cent. interest on £1,600,000 new share capital. This capital to be used to complete the East and West Coast Railway, and extend the Belgrove section, now under construction, into the Motueka Valley. The Government is, at the end of five years, to redeem £372,500 of the present debenture issue of £745,000 by means of the land grant given up by the company and valued at £618,000.

(d.) As soon as the company raises £1,600,000 it is to deposit out of this the sum of £300,000 in trust, at current deposit rates, say 4 per cent. or more. The interest derived from this trust fund, and a portion of the capital of this fund, will be annually used to make up any deficiency between the guaranteed interest payable on capital and the net earnings of the line available for interest.

(e.) The company has funds available to meet interest on the present debentures for a period of three years (the estimated time required to finish the East and West line) without drawing on the trust for this purpose. The money in hand is the balance of past land-grant earnings and traffic receipts from the opened line to Reefton.

(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 |

Enclosure 2 in No. 5

| End of Year. | Capital. | Interest receivable. | Receipts from Traffic. | 3 per cent. Interest payable. | Amount payable by Government from Sales of Lands. | Balance. |
|--------------|----------|----------------------|------------------------|-------------------------------|---|----------|
| | £ | £ | £ | £ | £ | £ |
| 1 | 300,000 | 12 000 | Traffic receipts | 55,500 | | 256 500 |
| 2 | 256,500 | 10 260 | for three years | 55,500 | | 211 260 |
| 3 | 211 260 | 8 452 | pawned to meet | 55 500 | | 164,212 |
| 4 | 164,212 | 6 568 | interest on | 55,500 | | 115 280 |
| 5 | 115,280 | 4,612 | the £745,000. | 30,000 | | 56,892 |
| | 56,892 | 2 276 | 34,000 | 93,000 | | 168 |

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

| | |
|---------------|-----------------|
| Land | £618,000 |
| Debentures | 372,500 |
| | <u>£245,500</u> |
| Balance above | £168 |

| | | | | | |
|----|---------|---------|--------|--------|---------|
| 6 | 245,668 | 40,000 | 74 125 | 34,125 | 211,543 |
| 7 | 211,543 | 45 000 | 74 125 | 29,125 | 182,418 |
| 8 | 182,418 | 50 000 | 74,125 | 24,125 | 158,293 |
| 9 | 158,293 | 56,000 | 74,125 | 18,125 | 140,168 |
| 10 | 140,168 | 61,000 | 74,125 | 13,125 | 127,043 |
| 11 | 127 043 | 71,000 | 74 125 | 3 125 | 123,918 |
| 12 | 123,918 | 82,000 | 74,125 | | 131,793 |
| 13 | 131,793 | 92 000 | 74 125 | | 149,668 |
| 14 | 149 668 | 97 000 | 74,125 | | 172 543 |
| 15 | 172 543 | 100 000 | 74 125 | | 198,418 |
| 16 | 198 418 | 100,000 | 74 125 | | 224 293 |
| 17 | 224,293 | 100 000 | 74,125 | | 250,168 |

No. 6.

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,—

Christchurch, 14th June, 1892.

In further reference to the proposals to modify the present contract submitted by me on behalf of the company in letter dated the 6th June, I have now the honour to submit, on separate sheets, detailed estimates of traffic on the East and West line, which will, I think, fully sustain the figures relative to traffic given in Statements A and B attached to that letter.

Sheet 1 gives details of estimates of traffic for the East and West line made up by me for Statement A of former letter. I wish to point out that the figure assumed for local coal-traffic is the same as that calculated by the Royal Commission of 1882. The figure which I give as coal for shipment is one which I have assumed as resulting from the development of the Blackball Coal Company and their arrangements with the direct shipping companies. The rates for coal are taken at such a figure as will compete with sea-borne coal to Lyttelton Harbour. I will again draw your attention to the fact that the sum of £70,000 in Statement A of former letter is made up of £60,000 from the East and West line, and £10,000 from the Reefton line traffic.

Sheet 2 shows traffic estimated to meet figures in Statement B of former letter. This does not allow for any shipment of coal from Lyttelton, but deals simply with local consumption. Sheet B allows a gain for £10,000 from Reefton line,

Sheet 3 is the estimate of prospective traffic developed some years after the line is opened.

Sheet 4 is the summary of estimates of traffic which are tabulated in the "History of the East and West Coast and Nelson Railway," published by the Railway League. I have given at the foot the average of all these estimates, and also the average net sum available for interest purposes.

Sheet 5 is the detailed estimate of the cost of working the East and West line. This is based on the estimate made by Messrs. Higginson and Maxwell of the cost of working the incline and the short adhesion section included in the proposed deviation at Arthur's Pass. This method of estimating the cost will no doubt meet with your approval, as you mentioned it was likely the estimates of cost of working would be referred to Mr Maxwell.

I trust that this detailed information may prove of service in enabling you to fully consider the proposals which have been laid before you on behalf of the company

I have, &c.,

ROBERT WILSON,
Engineer-in-Chief and General Manager, New Zealand
Midland Railway Company (Limited)

The Hon. the Premier, Wellington.

Enclosure 1 in No. 6.

NEW ZEALAND MIDLAND RAILWAY COMPANY'S ESTIMATE of TRAFFIC on East and West Coast Line, calculating Charges on Proportion of Through Rates only on Coal Traffic, to compete with Sea-borne Coal to Lyttelton.

| Tons. | | RATE. | | £ | £ |
|---------|--|--------------------|-----------------|--------|-----------------------------|
| | | Govt. Through. | Company Propor. | | |
| | | £ s. d. | £ s. d. | £ | £ |
| | WEST TO EAST. | | | | |
| 70,000 | Coal, local consumption, 103 miles | 0 11 9 | 0 8 7 | 30,040 | |
| 45,000 | " shipping company, " | 0 11 10 | 0 8 7 | 19,311 | |
| 21,000 | Timber, 15,000,000, 150,000 (c.m.b.) | 0 3 5 | 0 2 2 | 16,250 | |
| 1,430 | Sleepers, 1,000,000, 10,000 " | 0 3 5 | 0 2 2 | 1,083 | |
| 2,000 | Building-stone, &c., 2,000 " | | 0 8 1 | 808 | |
| 200 | Parcels, sundries | | | 1,500 | |
| 4,000 | Passengers, 1st class through, 4,000 (103 miles to Springfield) | (1 1 6 +25 %) | 1 6 10 | 5 370 | |
| 2 500 | Passengers, 2nd class through, 5,000 (103 miles to Springfield) | (0 14 4 +25 %) | 0 17 11 | 4,480 | |
| 5,000 | Passengers, 1st class local, 5,000 (20 miles) | | 0 5 3 | 1,300 | |
| 3,000 | " 2nd " 6,000 " | | 0 3 7 | 1,080 | |
| 154,130 | | | | | 81,222 |
| | EAST TO WEST. | | | | |
| 1,000 | Merchandise, Class A | 2 10 1 +25 %) | 3 2 7 | 3,130 | |
| 4,000 | " " B | 2 2 0 +25 %) | 2 12 6 | 10,500 | |
| 5,000 | " " C | 1 14 0 +25 %) | 2 2 6 | 10,625 | |
| 6,000 | Grain | 0 11 9 +25 %) | 0 14 8 | 4,400 | |
| 8,000 | Agricultural—Hay, &c. (per ton) | 0 7 5 +25 %) | 0 9 3 | 3,700 | |
| 900 | Cattle, 5,000, 417 trucks | 2 10 9 +25 %) | 3 3 5 | 1 322 | |
| 980 | Sheep, 16,000, 160 " | 2 19 6 +25 %) | 3 14 4 | 595 | |
| 200 | Parcels and sundries | | | 1,500 | |
| 4,000 | Passengers, 1st class through, 103 miles | | 1 6 10 | 5,370 | |
| 2,500 | " 2nd " local, " | | 0 17 11 | 4 480 | |
| 5,000 | " 1st " local, 20 miles | | 0 5 3 | 1,300 | |
| 3,000 | " 2nd " " " | | 0 3 7 | 1,080 | |
| 40,580 | | | | | 48,002 |
| | Cost of working (calculated on Messrs. Higginson and Maxwell's basis, see Enclosure No. 4. | 52 % | | | 129,224 67,318 61,906 |

Enclosure 2 in No. 6.

NEW ZEALAND MIDLAND RAILWAY COMPANY'S ESTIMATE OF TRAFFIC on East and West Coast Line, calculating Charges on Proportion of Through Rates, not providing for Coal for Shipment.

| | | Rate: Company's Proportion. | | | | | |
|--|------------------------------------|-----------------------------------|----|----|--------|-------------|----|
| WEST TO EAST. | | £ | s. | d. | £ | s. | d. |
| 70,000 | Coal | 0 | 8 | 7 | 30,040 | 0 | 0 |
| 21,000 | Timber, 150,000 c.m.b. | 0 | 2 | 2 | 16,250 | 0 | 0 |
| 1,430 | Sleepers, 10,000 c.m.b. | 0 | 2 | 2 | 1,083 | 0 | 0 |
| 2,000 | Bricks and building-stone | 0 | 8 | 1 | 808 | 0 | 0 |
| 200 | Parcels and sundries | | | | 1,500 | 0 | 0 |
| 14,500 | Passengers, as per Enclosure No. 1 | | | | 12,230 | 0 | 0 |
| <hr/> | | | | | | 61,911 0 0 | |
| 109,130 | | | | | | | |
| EAST TO WEST. | | | | | | | |
| 1,000 | Merchandise, Class A | 3 | 2 | 7 | 3,130 | 0 | 0 |
| 4,000 | " " B | 2 | 12 | 6 | 10,500 | 0 | 0 |
| 5,000 | " " C | 2 | 2 | 6 | 10,625 | 0 | 0 |
| 6,000 | Grain | 0 | 14 | 8 | 4,400 | 0 | 0 |
| 8,000 | Agricultural | 0 | 9 | 3 | 3,700 | 0 | 0 |
| 900 | Cattle | 3 | 3 | 5 | 1,322 | 0 | 0 |
| 980 | Sheep | 3 | 14 | 4 | 595 | 0 | 0 |
| 200 | Parcels | | | | 1,500 | 0 | 0 |
| 14,500 | Passengers, as per Enclosure No. 1 | | | | 12,230 | 0 | 0 |
| <hr/> | | | | | | 48,002 0 0 | |
| 40,580 | | | | | | | |
| Cost of working, 52 per cent., see Enclosure No. 4 | | | | | | 109,913 0 0 | |
| | | | | | | 57,154 0 0 | |
| | | | | | | <hr/> | |
| | | | | | | £52,759 0 0 | |

Enclosure 3 in No. 6.

NEW ZEALAND MIDLAND RAILWAY COMPANY'S ESTIMATE OF DEVELOPED TRAFFIC on Basis of possible Rates chargeable by Scale under Contract, taking Double Distance for Incline = 103 Miles, Stillwater to Springfield.

| Tons. | | Rate. | | | |
|---------------------------------------|--|-------|----|---------|--------|
| | | £ | s. | d. | £ |
| WEST TO EAST. | | | | | |
| 86,900 | Coal for Canterbury, 86,900 tons, at | 0 | 12 | 10 | 55,761 |
| 55,000 | " shipment, 55,000 tons, at | 0 | 12 | 10 | 35,291 |
| | | | | 91,052 | |
| Timber, 15,000,000=150,000 c.m.b., at | | 0 | 3 | 11 | 29,375 |
| Sleepers, 400,000=10,000 c.m.b., at | | 0 | 3 | 11 | 1,950 |
| | | | | 31,325 | |
| 2,000 | Building-stone, bricks, 2,000 tons, at | 0 | 10 | 0 | 1,000 |
| 500 | Parcels and sundries, say | | | | 1,000 |
| 4,000 | 1st passengers to Springfield (through), 4,000, at | 1 | 6 | 10 | 5,370 |
| 2,500 | 2nd " " " 5,000, at | 0 | 17 | 11 | 4,480 |
| 5,000 | 1st passengers, 20 miles (local), 5,000, at | 0 | 5 | 3 | 1,300 |
| 3,000 | 2nd " " " 6,000, at | 0 | 3 | 7 | 1,080 |
| | | | | 12,230 | |
| 158,900 | | | | | |
| | | | | <hr/> | |
| | | | | 137,107 | |
| EAST TO WEST. | | | | | |
| 1,000 | Merchandise, Class A, 1,000 tons, at | 3 | 2 | 7 | 3,130 |
| 4,000 | " B, 4,000 " | 2 | 12 | 6 | 10,500 |
| 5,000 | " C, 5,000 " | 2 | 2 | 6 | 10,625 |
| | | | | 24,255 | |
| Carried forward | | | | 24,255 | |

NEW ZEALAND MIDLAND RAILWAY COMPANY'S ESTIMATE OF DEVELOPED TRAFFIC—continued.

| Tons. | — | Rate. | | |
|--------------------------------|---|-------|---------|----------|
| | Brought forward | .. | £ s. d. | £ |
| 6,000 | Grain, 6,000 tons, at | .. | 0 14 8 | 4,400 |
| 8,000 | Hay, straw, &c., 8,000 tons, at | .. | 0 9 3 | 3,700 |
| | | | | 8,100 |
| 900 | Cattle, 5,000, 417 trucks, at .. | .. | 3 3 5 | 1,322 |
| 980 | Sheep, 16,000, =1,600 (per 100), at .. | .. | 3 14 4 | 595 |
| | | | | 1,917 |
| 500 | Parcels and sundries .. | .. | | 1,500 |
| 4,000 | 1st passengers (Springfield to Stillwater), 4,000, at | .. | 1 6 10 | 5,370 |
| 2,500 | 2nd " " " 5,000, at | ... | 0 17 11 | 4,480 |
| 5,000 | 1st passengers, 20 miles (local), 5,000, at | .. | 0 5 3 | 1,300 |
| 3,000 | 2nd " " " 6,000, " | .. | 0 3 7 | 1,080 |
| | | | | 12,230 |
| 40,880 | | | | 48,002 |
| 199,780 | Gross total tons. | | | |
| Receipts .. | .. | .. | .. | 137,107 |
| Working-expenses, 52 per cent. | .. | .. | .. | 48,002 |
| | | | | *185,109 |
| | Balance .. | .. | .. | £88,857 |

† Enclosure No. 4.

Enclosure 4 in No. 6.

SUMMARY of ESTIMATES of TRAFFIC on East and West Line given in the "History of the East and West Coast and Nelson Railway," page 389. (The cost of working is based on the estimate of cost given by Messrs. Higginson and Maxwell in Report dated the 1st April, 1892, on incline line at Arthur's Pass.)

| | £ |
|---|--------------------------------|
| (a.) First estimates, framed 1879, revenue .. | 163,900 |
| Cost of working, 52 per cent. | 85,233 |
| | £78,677 |
| | Balance available for interest |
| (b.) Total stated by company's promoters .. | 184,000 |
| Cost of working, 52 per cent. | 95,680 |
| | £88,320 |
| (c.) Above modified .. | 175,000 |
| Cost of working, 52 per cent. .. | 91,000 |
| | £84,000 |
| (d.) Railway League estimates laid before the members of the West Coast Commission | 134,375 |
| Cost of working, 52 per cent. ... | 69,875 |
| | £64,500 |
| (e.) Estimate of West Coast Commissioners .. | 120,000 |
| Cost of working, 52 per cent. | 62,400 |
| | £57,600 |
| (f.) Estimate doubled by them .. | 240,000 |
| Cost of working, 52 per cent. | 124,800 |
| | £115,200 |
| (g.) Estimate worked out from examination of evidence and public documents .. | 200,000 |
| Cost of working, 52 per cent. | 104,000 |
| | £96,000 |
| Average of above estimates .. | 173,898 |
| Cost of working, 52 per cent. | 90,427 |
| | £83,471 |

ESTIMATED COST of WORKING the EAST and WEST COAST LINE, with Incline over Arthur's Pass. (The cost of working is based upon the estimates made by Messrs. Higginson and Maxwell, in their report dated the 1st April, 1892, on the substitution of the incline for the tunnel line.)

Messrs. Higginson and Maxwell's figures are as follows:—

190,000 gross tons, west to east.
120,000 gross tons, east to west.

310,000 total tons.

Cost of working the incline, nine miles, £13,800 per annum.

Cost of working the adhesion section, from Otira to Jackson's, £5,500 per annum.

Cost per ton on incline section, $\frac{£13,800}{310,000 \text{ tons}} = 10\cdot67d.$ for nine miles, $\frac{10\cdot67}{9} = 1\cdot18d.$ per ton per mile.

Cost of the adhesion section, $\frac{£5,500}{31,000 \text{ tons}} = 4\cdot26d.$ per ton for twelve miles; $\frac{4\cdot26}{12} = 0\cdot35d.$ per ton per mile.

| | |
|---|-------------|
| For Estimate No. 1 the cost of working will, on this basis, be as follows:— | Gross Tons. |
| West to East—154,130 tons net, rolling-stock, 102,752 | 256,822 |
| East to West—40,580 tons net, rolling-stock, 27,052 | 67,632 |
| Empty trucks to meet difference of traffic east and west .. | 75,700 |

Total gross traffic

400,214

Giving 256,822 tons gross traffic, east to west.

143,332

west to east.

400,214 tons.

Cost of working east to west, and west to east:—

| | | | |
|--|---------|---|---|
| West to East—Adhesion, 256,882 gross tons, × 85 miles × 0·35 | £31,842 | 0 | 0 |
| " Incline, 256,882 gross tons, × 9 miles × 1·18 | 11,367 | 0 | 0 |
| East to West—Adhesion, 143,332 gross tons, × 85 miles × 0·35 | 17,767 | 0 | 0 |
| " Incline, 143,332 gross tons, × 9 miles × 1·18 | 6,342 | 0 | 0 |

Total cost of working traffic on estimated quantity, as per Statement No. 1 £67,318 0 0

NOTE.—Sheet No. 1, gross revenue, £129,224; working-expenses, £67,318, or 52 per cent.

No. 7

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,—

Wellington Club, Wellington, 8th July, 1892.

I have the honour to submit a further modification of the proposals submitted by me on behalf of the company in letter dated the 6th June, 1892.

This modification affects paragraph (c) of that letter. The alteration will read as follows:—

(c.) The Government to guarantee 3 per cent interest on £1,600,000 new share capital, which is to be used to complete the East and West Coast Railway and extend the Belgrove section, now under construction, into the Motueka Valley. The Government to pay to the company the sum of £618,000, the value of the balance of land grant on the East and West Coast Railway. The payment is to be made in annual amounts, commencing five years from the date of signing an amended contract, and extending over the following ten years. These payments may be made in Government stock, bearing interest at 3½ per cent, and issued to the company at the market price of such stock at the date of issue. This amount of £618,000 to be used by the company to redeem the present debentures, and is to be taken by the company as a part payment on account of the purchase of the railway, should the Government at some future time exercise its right to purchase as provided in the contract."

This modification is so advantageous to the colony that I trust it will receive every consideration, and I have the honour to request, on behalf of the company, that the Government will lay the proposals before Parliament, and ask for a special Committee to investigate and consider them.

I have, &c.,

ROBERT WILSON,

Engineer-in-Chief and General Manager,

New Zealand Midland Railway Company.

The Hon. the Premier.

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