

1894.
NEW ZEALAND.

NEW ZEALAND MIDLAND RAILWAY COMMITTEE.

(REPORT ON THE PROPOSALS OF THE NEW ZEALAND MIDLAND RAILWAY COMPANY
(LIMITED), TOGETHER WITH THE MINUTES OF PROCEEDINGS,
AND EVIDENCE, AND APPENDIX.)

LIST

OF

FORMER PAPERS RELATING TO THE MIDLAND RAILWAY,

PRINTED IN THE APPENDICES TO THE JOURNALS OF THE HOUSE OF
REPRESENTATIVES.

MIDLAND RAILWAY,—

- Correspondence, E.-4A, 1875; D.-2, D.-2A, and D.-2B, 1886; D.-2 and D.-2A, Sess. II., 1887.
 Surveys, E.-4, 1875; pp. 35 and 41, E.-1, 1876; E.-8 and E.-8A, 1878; D.-2B, 1883.
 Petition from Amuri District relative to the route for the, J.-1, Sess. II., 1879.
 Petition from Inhabitants of Buller, Inangahua, and Grey Counties in favour of the, J.-5, Sess. II., 1879.
 Report of Commission on, D.-2A, 1883.
 Reports by Assistant Engineer-in-Chief, D.-5, Sess. II., 1884; D.-1A, 1886.
 Meiggs and Co., Telegrams relative to proposed Agreement with, D.-4A, 1885.
 Contract for Construction, D.-4, 1885; D.-2 and I.-6 (including Report of Select Committee), Sess. II., 1887;
 D.-6, D.-6A, and D.-6B, 1888; D.-2 and D.-2A, 1889; D.-4, 1892.
 Statements by Minister for Public Works relative to, p. 6, D.-1, 1886; p. 6, D.-1, 1890; p. 13, D.-1, Sess. II.,
 1891; p. 11, D.-1, 1892.
 Runs within the Limits of Land-selection, C.-9, C.-9A, and C.-9B, Sess. II., 1887.
 Agreement with, for Interchange of Traffic, D.-2B, 1889.
 Agent-General, Appointment accepted by, in connection with, D.-2c, 1889.
 Greymouth, Hokitika, and Brunner Railways, Use of by the Company, D.-8c, 1890; D.-4A, 1892.
 Brunner Lake Deviation: Reports, &c., D.-8, D.-8A, and D.-8B, 1890.
 Timber-cutting and removal by the Company, D.-8B, 1890.
 Proposals of Company relative to Amendment of Contract, D.-4, 1892.
 Agreement *re* Brunner to Greymouth Railway-line between the New Zealand Railway Commissioners and
 the New Zealand Midland Railway Company, D.-4A, 1892.
 Report on Petition of Company, I.-7A, 1892.
 Proposals of Company for New Contract, D.-6, 1893.
 Copy of a letter from Mr. Wilson, Engineer-in-Chief and General Manager, D.-6A, 1893.
 Correspondence relative to the Proposals for a New Contract, D.-3, 1894.
 Letter from Manager, Midland Railway, accepting Report of Committee, and enclosing Schedule of proposed
 Rates and Charges, D.-3A, 1894.
 Schedule of Rates and Charges, D.-3A, 1894.
 Further Correspondence *re* Committee's Report, D.-3A, 1894.

1894.
NEW ZEALAND.

NEW ZEALAND MIDLAND RAILWAY COMMITTEE.

(REPORT ON THE FURTHER CORRESPONDENCE RELATIVE TO THE PROPOSALS
FOR A NEW CONTRACT.)

Report brought up 29th August, 1894, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

TUESDAY, THE 24TH DAY OF JULY, 1894.

Ordered, "That Paper No. 90 (Correspondence relative to the Proposals of the Midland Railway Company for a New Contract) be referred to a Select Committee."—Hon. Mr. SEDDON.

FRIDAY, THE 27TH DAY OF JULY, 1894.

Ordered, "That a Select Committee be appointed to take into consideration all correspondence received since last meeting of Parliament with reference to the Midland Railway; five to be a quorum. The Committee to consist of Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Hon. Mr. Mitchelson, Mr. McGowan, Captain Russell, Mr. Saunders, Hon. Sir R. Stout, Mr. Tanner, Hon. Mr. Ward, and the Mover."—Hon. Mr. SEDDON.

INTERIM REPORT.

THE New Zealand Midland Railway Committee desire to report that the evidence taken and the documents laid before the Committee have been published in the newspapers of the colony prior to the report being laid before the House, and that such publication is in contravention of the Standing Orders.

28th August, 1894.

W. R. RUSSELL,
Chairman.

REPORT.

THE Committee, having carefully considered the position of the Midland Railway Company, and its ability or otherwise to complete the present contract, and having also considered the proposals submitted by the company for an amendment of the contract, have the honour to report as follows:—

1. That the company is unable to complete the present contract, even with the concessions set forth in the resolution of the House last session.

2. Your Committee recommend that the present contract be rescinded, and that on such rescission a new contract be entered into (provided the Government are satisfied the company can give practical effect to such new contract) on the following lines:—

- (a.) That the company shall complete the Belgrove Section to a point at the junction of Norris Gully and Motueka Valley within two years, and that such work shall include everything necessary to the complete construction and equipment of the line, with the exception of rolling-stock, and on completion that portion shall be handed to the colony absolutely free from all claims whatsoever.
- (b.) That the making of the portion of the line beyond the junction before mentioned to Reefton be left over for future negotiation.
- (c.) That, in respect of the uncompleted portion of the line between Patterson's Creek and Jackson's, the company be given, in lieu of land-grants, Government $3\frac{1}{2}$ -per-cent. debentures to the amount of £618,250, to be delivered as follows: £200,000 within one year from the date of new contract, and £200,000 within two years from same date, such first and second deliveries of £200,000 each be made only on the company satisfying the Minister for Public Works that the company is making satisfactory progress with the work of construction, and the balance, £218,250, on the completion of the through line.

(d.) That the rescission of the existing contract shall extinguish all claims and demands that could have been made thereunder by either the Government or the company; and all the Crown land at present reserved from sale for selection by the company (except as regards the area yet to be selected in respect of the portion of the railway already constructed) shall be entirely released from such reservation, and shall be available to be dealt with in any manner the Government may think fit, as from the date of the execution of the new contract; also, that the area of land which the company is entitled to select in respect of the portions of the railway already completed shall be so selected within three months from the execution of the new contract.

(e.) That the time for the completion of the railway between Patterson's Creek and Jackson's be a period not exceeding four years from date of the new contract.

That the Government be requested to give effect to these proposals, provided the company consents to rescind the original contract and accept a new contract in the terms hereinbefore mentioned.

29th August, 1894.

W. R. RUSSELL,
Chairman, Midland Railway Committee.

MINUTES OF PROCEEDINGS.

WEDNESDAY, 1ST AUGUST, 1894.

Present: Mr. Graham, Mr. G. Hutchison, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner.
Order of reference read by the Clerk.

Resolved, on the motion of the Hon. Mr. Seddon, That Captain Russell be appointed Chairman.

Resolved, on the motion of the Hon. Mr. Seddon, That the Public Works Department be requested to prepare a statement showing what it would cost if the Government were to take over and complete all the uncompleted portions of the company's lines of railway.

The Committee then adjourned.

Minutes confirmed.

FRIDAY, 3RD AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Mr. Tanner.

Minutes of the previous meeting read and confirmed.

Mr. Robert Wilson, C.E., Engineer-in-Chief of the New Zealand Midland Railway, Mr. N. H. M. Dalston, Accountant, and Mr. H. J. H. Blow, Under-Secretary of Public Works, attended the Committee.

Mr. Wilson made a statement, which was taken down by the reporter.

The further consideration of the proposals was adjourned till Wednesday next at 11 o'clock, and the Committee then adjourned.

Minutes confirmed.

WEDNESDAY, 8TH AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner.

The minutes of the previous meeting read and confirmed.

A letter from the Under-Secretary, Public Works Department, enclosing a statement of cost to complete all the uncompleted portions of the Midland Railway Company's lines, was read by the Clerk.

Resolved, on the motion of Mr. Graham, That the evidence be printed, together with the correspondence.

At this stage of the proceedings Mr. G. Hutchison took the chair, during the temporary absence of Captain Russell, on the motion of Mr. Guinness.

Mr. Wilson and Mr. Dalston attended the Committee, and Mr. Wilson made a further statement, which was taken down by the reporter.

The witnesses then withdrew.

After some discussion, Sir Robert Stout proposed, "That, in the opinion of this Committee, no further negotiation should take place between the Government and the company."

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 3: Mr. McGowan, Captain Russell, Hon. Sir R. Stout.

Noes, 6: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Hon. Mr. Seddon, Mr. Tanner.

So it passed in the negative.

Mr. Graham gave notice to move at the next meeting, "That the company have shown no sufficient reason why resolution No. 198 of the House of Representatives, dated 2nd October, 1893, should be departed from."

Mr. G. Hutchison gave notice to move, "That the Committee, being satisfied that the company cannot raise the capital necessary to complete the several railway-works enumerated in the original contract, resolves that it is necessary to confine future negotiations to the railway between Springfield and Jackson's, the Belgrove Section being arranged to be completed to a point at the junction of Norris Gully and Motueka Valley."

On the motion of Hon. Mr. Seddon, *Resolved*, That the Clerk write to the Railway Commissioners and inquire if the charge of 40 per cent., mentioned in paragraph (e) of Mr. Wilson's letter page 12, is a fair proposal.

The Committee then adjourned until Wednesday next at 11 o'clock.

Minutes confirmed.

WEDNESDAY, 15TH AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Captain Russell, Hon. Mr. Seddon, Mr. Tanner, and Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

Letter from the Railway Commissioners, dated 14th August, 1894, respecting the working of the Belgrove-Motueka Section of railway, was read.

Resolved, on the motion of Mr. Tanner, That the same be printed.

Mr. Graham proposed, "That the company have shown no sufficient reason why resolution No. 198 of the House of Representatives, dated 2nd October, 1893, should be departed from."

After discussion, and upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 4: Mr. Fraser, Mr. Graham, Mr. McGowan, Captain Russell.

Noes, 5: Mr. Guinness, Mr. G. Hutchison, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

So it passed in the negative.

Mr. G. Hutchison proposed, "That the Committee, being satisfied that the company cannot raise the capital necessary to complete the several railway-works enumerated in the original contract, resolves that it is necessary to confine future negotiations to the railway between Springfield and Jackson's, the Belgrove Section being arranged to be completed to a point at the junction of Norris Gully and Motueka Valley."

Upon the question being put, it passed in the affirmative.

Resolved, on the motion of the Hon. Mr. Seddon, That a sub-committee, consisting of Messrs. G. Hutchison, Tanner, Graham, Fraser, and the Mover, be appointed to draw up amended proposals for submission to the Committee.

The Committee then adjourned until 11 o'clock on Wednesday next.

Minutes confirmed.

THURSDAY, 16TH AUGUST, 1894. (Sub-committee, Mr. G. Hutchison, Chairman.)

Present: Mr. Fraser, Mr. Graham, Mr. G. Hutchison, Hon. Mr. Seddon, Mr. Tanner.

Resolved, on the motion of the Hon. Mr. Seddon, That Mr. G. Hutchison be elected Chairman.

After some discussion, the Committee drew up the following proposals:—

1. That the company shall complete the Belgrove Section to a point at the junction of Norris Gully and Motueka Valley within two years, and after completion shall work the same, or arrange with the Railway Commissioners for doing so.

2. That 3½-per-cent. debentures equal to 50 per cent. of the cost of such construction (to be ascertained by the Public Works Department) be handed over to the company on completion of the work.

3. That in respect of the foregoing, as also of all other works at any time contracted for by the company, the right to select land by the company be absolutely surrendered.

4. That in respect of the uncompleted portion between Jackson's and Patterson's Creek, on the East and West Coast line, the company be given 3½-per-cent. debentures, representing 50 per cent. of the cost of construction; such cost to be ascertained by the Public Works Department. Such debentures to be handed over as the work progresses, in such sums and in such manner as may be arranged between the Crown and the company.

5. That new contracts be made on the basis of the above resolutions, all former contracts and claims being rescinded.

6. That an extension of the time for completing the East and West Coast line be granted for a period not exceeding four years.

7. That the new contracts as above be made conditionally on the Government being satisfied that the company is in a position to give practical effect to the foregoing.

Resolved, on the motion of Mr. Tanner, That the proposals be printed for revision at the next meeting of the sub-committee.

The meeting then adjourned until Tuesday next at 11 o'clock.

Minutes confirmed.

TUESDAY, 21ST AUGUST, 1894. (Sub-committee.)

Present: Mr. Graham, Mr. G. Hutchison, Mr. Tanner.

Minutes of the previous meeting read and confirmed.

A letter from the Under-Secretary, Public Works Department, dated the 21st August, 1894, enclosing copy of letter from Mr. Wilson, dated the 20th August, referring to the completion of the Belgrove Section, was read.

The Committee then adjourned until the 22nd August, 1894.

Minutes confirmed.

WEDNESDAY, 22ND AUGUST, 1894. (Sub-committee.)

Present: Mr. Graham, Mr. Fraser, Mr. G. Hutchison, Hon. Mr. Seddon, Mr. Tanner.

The minutes of the previous meeting were read and confirmed.

A letter from the Under-Secretary, Public Works Department, dated the 22nd August, 1894, giving estimate of cost to complete the line to junction of Norris Gully with Motueka Valley was read.

After some discussion, Mr. Robert Wilson was asked to attend the Committee, and, in reply to the Chairman, he stated that, with a view of arriving at a settlement as mentioned in his letter of the 20th instant, he would be prepared, as a further concession, to complete the railway to the junction of Norris Gully with Motueka Valley, and, when completed, to hand it over to the colony without receiving any further land-grant.

Mr. Wilson then withdrew.

The time having arrived for the meeting of the Committee, the further proceedings of the sub-committee were suspended.

Minutes confirmed.

WEDNESDAY, 22ND AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir Robert Stout, Mr. Tanner, Hon. Mr. Ward.

The minutes of the previous meeting read and confirmed.

The two letters from the Under-Secretary, Public Works Department, dated 21st and 22nd August, were read by the Clerk.

Mr. G. Hutchison made a verbal statement of what had been done by the sub-committee.

After some discussion,

Mr. Fraser proposed, "That, whereas the company has admitted that it is unable to carry out the original contract, and whereas it further admits by its present proposals that it is unable even with the aid of the concession offered by Parliament last session to raise funds sufficient to carry out its obligation with the colony, the Committee is of opinion that it is not in the interests of the colony that any further negotiations based on substituting colonial bonds for land-grants should be entered into with the company for the completion of the Midland Railway or any portion thereof."

The Hon. Mr. Seddon moved, by way of amendment, "That the Committee recommends that the resolutions of the House of last session be adhered to, with the exception of the variation made by the Committee on the 15th August instant. The Committee, being satisfied that the company cannot raise the capital necessary to complete the several railway-works enumerated in the original contract, resolves that it is necessary to confine future negotiations to the railway between Springfield and Jackson's, the Belgrove Section being arranged to be completed to a point at the junction of Norris Gully with Motueka Valley."

Upon the question being put, "That the words proposed by Mr. Fraser stand part of the question," a division was called for, and the names were taken down as follow:—

Ayes, 6: Mr. Fraser, Mr. Graham, Hon. Mr. Mitchelson, Captain Russell, Mr. Saunders, Hon. Sir R. Stout.

Noes, 6: Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Seddon, Mr. Tanner Hon. Mr. Ward.

The votes being equal, the Chairman gave his casting-vote with the "Ayes."

So the resolution passed in the affirmative.

Words retained.

The Hon. Mr. Mitchelson moved, That the following words be added to the resolution proposed by Mr. Fraser, "Except that the contract be varied so as to relieve the company from further work on the line between Belgrove and Reefton."

Upon the question being proposed, "That the words proposed to be added be so added," a division was called for, and the names were taken down as follow:—

Ayes, 8: Mr. Fraser, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Noes, 4: Mr. Graham, Captain Russell, Mr. Saunders, Hon. Sir R. Stout.

So it passed in the affirmative. Words added.

Mr. Fraser proposed, "That the resolution as amended be agreed to."

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 2: Mr. Fraser, Hon. Mr. Mitchelson.

Noes, 10: Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner, Hon. Mr. Ward.

So it passed in the negative.

The Hon. Sir R. Stout proposed, "That the Committee have no report to make, but report its minutes and evidence."

Upon the question being put, a division was called for, and the names were taken down as follow:—

Ayes, 5: Mr. Fraser, Mr. Graham, Hon. Mr. Mitchelson, Captain Russell, Hon. Sir R. Stout.

Noes, 7: Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Mr. Saunders, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

So it passed in the negative.

The Hon. Mr. Seddon proposed, "That the sub-committee previously appointed be requested to prepare and submit a report by Friday next."

Upon the question being put, it was resolved in the affirmative.

Resolved, on the motion of the Hon. Mr. Seddon, That the Committee adjourn until Friday next at 11 o'clock, and that the sub-committee meet to-morrow at 10.30 o'clock.

Minutes confirmed.

THURSDAY, 23RD AUGUST, 1894. (Sub-committee.)

Present: Mr. Graham, Mr. G. Hutchison, Hon. Mr. Seddon, Mr. Tanner.

Minutes of the previous meeting read and confirmed.

A letter from Mr. Wilson, dated the 23rd August instant, confirming in writing what he had promised at the last meeting as to completing and handing over to the colony the section between Norris Gully and Motueka Valley, was read.

Mr. Wilson, by request, attended the meeting, and explained what was meant by "completing" the line—that it would have all necessary completion and equipment except being supplied with rolling-stock.

Mr. Wilson then withdrew.

The sub-committee then drew up certain proposals, and it was resolved, on the motion of the Hon. Mr. Seddon, That the sub-committee adjourn till later in the day, so that a printed revise might be obtained and considered.

At 5.30 the sub-committee met and agreed to the following proposals:—

"That the Committee, having carefully considered the position of the Midland Railway Company, and its ability or otherwise to complete the present contract, and having also considered the proposals submitted by the company for an amendment of the contract, have the honour to report as follows:—

"1. That the company is unable to complete the present contract, even with the concessions set forth in the resolution of the House last session.

"2. Your Committee recommend that the present contract be rescinded, and that on such rescission a new contract be entered into (provided the Government are satisfied the company can give practical effect to such new contract) on the following lines:—

"(a.) That the company shall complete the Belgrove Section to a point at the junction of Norris Gully and Motueka Valley within two years, and that such work shall include everything necessary to the complete construction and equipment of the line, with the exception of rolling-stock, and on completion that portion shall be handed to the colony absolutely free from all claims whatsoever.

"(b.) That the making of the portion of the line beyond the junction before mentioned to Reefton be left over for future negotiation.

"(c.) That, in respect of the uncompleted portion of the line between Patterson's Creek and Jackson's, in lieu of land-grants, the same be paid for in Government $3\frac{1}{2}$ -per-cent. debentures to the amount of £618,250, to be delivered as follows: £200,000 within one year from the date of new contract, £200,000 under two years from same date, and the balance, £218,250, on the completion of the through line.

"(d.) That the rescission of the existing contract shall extinguish all claims and demands that could have been made thereunder by either the Government or the company; and all the Crown land at present reserved from sale for selection by the company (except as regards the area yet to be selected in respect of the portion of the railway already constructed) shall be entirely released from such reservation, and shall be available to be dealt with in any manner the Government may think fit, as from the date of the execution of the new contract; also, that the area of land which the company is entitled to select in respect of the portions of the railway already completed shall be so selected within three months from the execution of the new contract.

"(e.) That the time for the completion of the railway between Patterson's Creek and Jackson's be a period not exceeding four years from date of the new contract.

"That your Committee would further recommend that the copy of the report of the Committee be forwarded to the company, and that the company be informed that this is final, and that unless the company is in a position forthwith to state their willingness to cancel the original contract, and accept the new contract in the terms hereinbefore mentioned, then no further steps be taken."

Resolved, on the motion of Mr. Tanner, That the proposals as printed be submitted to the Committee as the report of the sub-committee.

The sub-committee then adjourned.

Minutes confirmed.

FRIDAY, 24TH AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Hon. Sir R. Stout, Mr. Tanner Hon. Mr. Ward.

Minutes of the previous meeting read and confirmed.

Mr. G. Hutchison brought up a report from the sub-committee, and the same was read, and, on the motion of Mr. Tanner, ordered to be printed.

A letter from Mr. Wilson, dated the 24th August instant, as to the company completing and handing over to the colony the section of railway between Norris Gully with Motueka Valley, was read by the Clerk, and, on the motion of Mr. Tanner, ordered to be printed.

Resolved, on the motion of Mr. Saunders, That the Committee adjourn until Tuesday next at 12 o'clock for the consideration of the report.

Minutes confirmed.

TUESDAY, 28TH AUGUST, 1894.

Present: Mr. Fraser, Mr. Graham, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Captain Russell, Mr. Saunders, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Minutes of the previous meeting, and also the minutes of the last meeting of the sub-committee, were read and confirmed.

Mr. G. Hutchison moved, "That the report of the sub-committee be agreed to."

The Committee then considered the report clause by clause.

Preamble postponed.

Clause 1 agreed to.

Clause 2: Upon the question being put, "That the clause as printed be agreed to," a division was called for, and the names were taken down as follow:—

Ayes, 7: Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Noes, 4: Mr. Fraser, Mr. Graham, Captain Russell, Mr. Saunders.

So it passed in the affirmative.

Clause agreed to.

Section (a) of clause 2: Upon the question being put, "That section (a) as printed be agreed to," a division was called for, and the names were taken down as follow:—

Ayes, 8: Mr. Fraser, Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Noes, 3: Mr. Graham, Captain Russell, Mr. Saunders.

So it passed in the affirmative.

Section agreed to.

Section (b) of clause 2: Upon the question being put, "That section (b) as printed be agreed to," a division was called for, and the names were taken down as follow:—

Ayes, 8: Mr. Fraser, Mr. Guinness, Mr. McGowan, Mr. G. Hutchison, Hon. Mr. Mitchelson, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Noes, 3: Mr. Graham, Captain Russell, Mr. Saunders.

So it passed in the affirmative.

Section (b) agreed to.

Section (c) of clause 2: *Resolved*, on the motion of Mr. G. Hutchison, That after the word "Jackson's," in line 2, to insert the words "the company be given," and in the same line to strike out the words "the same be paid for in," and to insert the word "and" after the word "contract," in line 3, and to strike out the word "under," in line 3, and insert "within" in lieu thereof; and after the word "date," in last line, to insert the following words: "such first and second deliveries of £200,000 each to be made only on the company satisfying the Minister for Public Works that the company is making satisfactory progress with the work of construction."

Upon the question being put, "That section (c) of clause 2 as amended be agreed to," a division was called for, and the names were taken down as follow:—

Ayes, 7: Mr. Guinness, Mr. G. Hutchison, Mr. McGowan, Hon. Mr. Mitchelson, Hon. Mr. Seddon, Mr. Tanner, Hon. Mr. Ward.

Noes, 4: Mr. Fraser, Mr. Graham, Captain Russell, Mr. Saunders.

So it passed in the affirmative.

Section as amended agreed to.

Section (d) agreed to.

Section (e) agreed to.

Last paragraph: *Resolved*, on the motion of Mr. G. Hutchison, That the last paragraph be struck out and the following inserted in lieu thereof: "That the Government be requested to give effect to the proposals, provided the company consents to rescind the original contract and accept a new contract in the terms hereinbefore mentioned."

Preamble agreed to.

Resolved, on the motion of the Hon. Mr. Seddon, That the report as amended be agreed to, and the same be reported to the House, and that it be printed, together with the minutes of evidence, the minutes of proceedings, and the correspondence.

The Hon. Mr. Seddon brought under the notice of the Committee that the proceedings, &c., had been published in the newspapers during the sittings of the Committee; and it was resolved that it be reported to the House that the evidence taken, and the documents laid before the Committee, have been published in the newspapers of the colony prior to the report being laid before the House, and that such publication is in contravention of the Standing Orders.

The Committee then adjourned.

Minutes confirmed.

MINUTES OF EVIDENCE.

FRIDAY, 3RD AUGUST, 1894.—(Captain RUSSELL, Chairman.)

Mr. ROBERT WILSON, Engineer-in-Chief, New Zealand Midland Railway Company, examined.

1. *Hon. Mr. Seddon*: I desire you to inform the Committee the grounds upon which you desire the proposed modification in the terms of the agreement, as set forth in the resolutions adopted by the House, and why it is imperative that the whole of the £618,250 should be deposited with the Public Trustee. The resolutions are contained in the printed correspondence (page 6):—

“A. That in lieu of land-grants being made to the company on account of work hereafter executed by it, debentures of corresponding value to the B 1 value be issued to the company, bearing interest at the rate of $3\frac{1}{2}$ per cent. per annum, such issue of debentures, in lieu of land-grants, to be conditional on the company surrendering its rights to select land within the reserved area of about 5,600,000 acres, after deducting the quantity to which it is entitled, and to which it may be entitled, for work done.

“B. That an extension of time for completion of the work be granted to the company; such extension not exceeding five years from the date of signing the new contract.

“C. That, if desired by the company, the debentures to which it may become entitled from time to time be deposited with the Public Trustee, to be issued to the company in, as nearly as may be, twenty equal half-yearly instalments.”

Witness: The reason for the proposed modification is entirely due to the financiers, who state that they must have the security of the deposit for the total amount. It is at the request of the financiers that the suggestion is made that the £618,250 should be placed in the hands of the Public Trustee, as a fund from which the interest on the new issue of capital shall be drawn, and used for that purpose only.

2. What is the amount you propose to raise?—One million and a quarter.

3. Have you ascertained the feasibility or otherwise of the new proposals? It will be necessary for the Committee to know what the company is prepared to do, the guarantee the colony will have in respect of the raising of the money, and the terms upon which it shall be raised?—We have the written assurance of the financial houses that they will raise this money, and have undertaken to do so on the terms stated.

4. What terms?—On these terms, that the Government place the £618,250 in the hands of the Public Trustee, and that it is used solely for the purpose of paying interest on the new issue of capital, which will cover interest for fourteen years. The fund forms practically a guarantee of interest for fourteen years.

5. At what rate of interest?—Four per cent. We propose to issue the stock at 4 per cent. interest, and we expect to be able to issue it at a favourable price. I am speaking now without the actual facts before me—we expect to issue it at about 98. I do not anticipate that we can issue 4-per-cent. stock at par. If we had actually the Government guarantee we could no doubt issue it at par. With the present proposals the interest is covered for fourteen years. I question if we shall be able to issue as high as at 98. This, I think, would be about the market value.

6. You ask here that “Interest at $3\frac{1}{2}$ per cent. per annum to be paid on £200,000 as from that date.” Is that the date when the money is lodged in the hands of the Public Trustee?—Yes. I suggested, in order to meet the wishes of the Government, that the £618,250 should bear interest on three yearly instalments. In carrying out this suggestion the interest-charges will be the same as on three instalments paid into the fund at intervals of one year. It was to meet the wishes of the financiers that I proposed placing the whole amount in one lump sum in the hands of the Public Trustee, and I suggested the modification of interest-payments to meet the wishes of the Government.

7. Why should the colony be called upon to raise £618,250 at once, when you only require the interest on £200,000 the first year, £200,000 the second, and some £218,000 the third? Is not the colony's credit good enough?—It is not a question of the colony's credit, it is a question of the company's credit. The company must be able to show that they have absolute security before the financiers will raise the money. They say: If you have this placed at deposit it is all right enough, we will raise the whole capital; but under the other plan all we have got is the £200,000 certain, with a promise that we will have from the Government of the colony £200,000, and £218,250 later on. It will simplify matters, and make the scheme more appreciated by the public, if the whole actual sum is deposited in the hands of the Public Trustee; and yet it will make no difference in the cost to the colony, and would make it better and more satisfactory for the public. That is the argument they use.

8. What is the difference between an Act of Parliament and a contract signed that you were to have in value over £1,000,000 worth of land. The company were quite prepared at that time to accept those conditions: as soon as you did the work you were to get the land. We have kept faith with the company in that respect, and we expect the company to keep faith with us. You now ask for the amount of £618,250 to be raised immediately. Of this sum, you want £200,000 the first year, £200,000 the second year, and the remaining £218,250 the next year. What reason have you to offer for this demand?—We do not say we only require the £200,000. We say we are prepared to meet you. You do not pay interest on the money until it is due. It is a question of

arrangement on the part of the financiers, who say that it will simplify the operations to have the arrangement in that form. I do not know that there would be any insurmountable difficulty in this. They might be able to arrange otherwise in London. My Board cabled me to say that it will facilitate matters very much if we can get the money placed in a lump sum in the hands of the Public Trustee.

9. I suppose you will admit that, after you raise this £618,250, you will not immediately want it; and that, therefore, it would not be a good business arrangement for the colony?—It might not be a good business arrangement if you had to pay interest on the money. I admit that; but the mere fact of having the bonds in the hands of the Public Trustee, and those bonds not carrying interest, will not make any difference to the colony. It is only when these bonds bear interest that the colony will be affected, as far as actual disbursements go. The payment in instalments of the £200,000, £200,000, and £218,250 would be practically the same thing as paying into trust at once the £618,250, as the bonds do not bear interest before the periods named.

10. If we issued them we should have to pay interest?—No, I think not. I think you could get over the difficulty by arranging for a certain issue of bonds to Public Trustee, and those bonds not to bear interest for a certain stated period. The £200,000 would bear interest at once when placed in the hands of the Public Trustee; but the next issue of £200,000 would only bear interest a year afterwards, and the balance would only bear interest two years afterwards—two years after the date of signing the contract. The bonds would be issued subject to these conditions of interest payments. The colony would not pay the interest until these respective dates. It would not cost the colony any more than the actual issue of the bonds in three sets of £200,000 each.

11. In other words, these bonds would be issued and locked up in the hands of the Public Trustee. Would it not be safer to trust the Government?—I do not raise the question myself at all. It is purely a question of the financiers stating that they would be able to go to the public with a statement that the £618,250 had been placed by the Government in the hands of the Public Trustee, and that there is, therefore, absolute security. That is the whole question at issue.

12. The Government quite recently gave its guarantee for two millions to the Bank of New Zealand, and the financiers in London were perfectly satisfied to trust the Government?—Well, if you like to substitute for the £618,250 a $3\frac{1}{2}$ -per-cent. guaranteed interest on the new capital, you need not put the money in the hands of the Public Trustee. The credit of the colony is no doubt good.

13. It would only be a guarantee for £200,000 for one year, £200,000 the next, and the remaining £218,250 the next year?—There is a great difference between a guarantee of $3\frac{1}{2}$ per cent. in perpetuity and a lump sum of £618,250 to pay interest for fourteen years only; they are very different conditions.

14. Where is the difference?—I am not sure whether financiers would take the guarantee for fourteen years instead of a lump sum down.

15. Will you point out to the Committee the difference?—It is a question of market conditions. I am not sure myself that the guarantee for fourteen years by the Government would not be quite as good as the deposit of the £618,250. Equal to guaranteed interest for fourteen years, I have no doubt, would be just as secure as the deposit of the money.

16. We give a guarantee of £200,000 for fourteen years, the next £200,000 for thirteen years, and the remaining £218,250 for twelve years: that is the proposal; where is the difference?—There is a difference in this way, that you have got practically 4 per cent. interest for fourteen years. I cannot say that the financiers would accept these terms; but practically it would be the same thing.

17. Under the land-grant arrangement you had to do the work before you got the land?—Assuming we had the money we could do that now; but then the British public would know that we had not got the money. We have to meet these financiers on their own terms as to how they will provide the money. That is the position we are now in.

18. What amount do you think you would be able to spend the first year?—It would take me three months to get the works under way. They are large works, and the contractors would have to make a careful examination of the country. I think we should be able to spend £200,000 in nine months. I expect, when all contracts are let, and the works in full swing, we shall spend over £30,000 a month.

19. Then, what objection, if any, is there to there being a limit as to expenditure, taking the minimum?—As long as you fix it at a reasonable limit I do not see any objection to the suggestion.

20. What would you say then would be a reasonable limit, the first and second years, or whatever time you fixed it?—For protection you might fix the same as in the original contract—£150,000 the first twelve months. Of course, when once we get the works going we ought to spend £360,000 a year; we should have to do that to get our work done in the time.

21. Well, the second year, there being £400,000 bearing interest, you would have to spend £250,000?—We should have to spend that amount; there would be no objection to that. We shall far exceed that after our works are in full swing. The first year there would be the difficulty and delay in getting everything under way.

22. Would the contract be completed then?—I am afraid it will take us four years before we finish altogether. If we have good luck we might do it in three years and a-half. The works in some places will be very heavy. It is doubtful whether we should finish in less than four years. A great deal depends on the weather.

23. Would you spend £400,000 the next year?—We should have to spend on an average £360,000 a year.

24. For the information of the Committee, you say that, with the limit indicated, the work can be done?—I do not see any objection to it at all. The only doubtful thing is the first year, until we get all our contracts let.

25. Well now, as a safeguard, we asked you by our letter that, inasmuch as the Government were asked to lodge the money with the Public Trustee, whether there should not be some security for the Government of the money being raised by the company, and that it should be put into safe keeping?—You have absolute security. When the prospectus is issued the directors will have to state in this the specific purpose for which the money is to be used, and we cannot use that money for any other purpose whatever; if we did it would be fraudulent, and the directors would be liable to any single shareholder. So far as that goes the money is absolutely safe, and, moreover, if you choose you can make it a stipulation that the prospectus shall be examined and approved of by the Agent-General on behalf of the Government before it is issued. I think you would be advised that you are perfectly safe. The company would be bound by the prospectus to raise one million and a quarter, and the directors are bound to set out the specific purposes for which the money is raised and on which the money will be spent. If there should be failure to spend the money in the proper direction an action would lie against the whole of the directors for misappropriation of the money.

26. *The Chairman.*] What would happen if you did not spend it at all?—We are bound to finish our work in five years.

27. *Hon. Mr. Seddon.*] In the meantime our margin of responsibility is reached on the signing of the contract?—You have got your first payment of £200,000, bearing $3\frac{1}{2}$ per cent. interest. At the end of the year you will see at once what progress is being made. Should the work not be done, you would have a right of action against the company for not proceeding with the work.

28. The point I wish to get to now is: that it shall be a condition if the company does not expend the minimum amount within the period named in the contract, the whole thing shall be void, and we withdraw the bonds?—I do not see any objection to that extent of protection. You may protect yourself as much as you like in that way. The object of the company will be to get the work completed as soon as possible, because every week of delay would be a loss to the company if it cannot get the railway opened.

29. Why should we commence paying interest on the signing of the contract when the money may not be raised?—You might alter that condition to the time the money is raised.

30. Or to the date the money is paid to the credit of the company. Subsection (b) refers to a new Rating Act, which may not pass?—If it does not pass we shall have to accept the position, I presume. It is the intention in the Rating Act to effect some reform in the method of taxing improvements. It is a serious defect in the districts where we have our lines already made. The local taxation is a serious hardship to us. If it were modified so that improvements should be exempt from taxation, it would then be a fair and reasonable tax, and there would not be the same objection to it as there exists now. Where we find it very unjust is that we have practically relieved the Greymouth County Council from much of their money difficulty. They are now more flourishing, and we are sufferers, from the excessive taxation imposed by them.

31. The County Council has an overdraft of £8,000 exceeding the year's revenue.

32. *Mr. Guinness:* It is only £6,000, and the year's revenue is £5,000.

33. *Hon. Mr. Seddon.*] The next subsection (c) relates to a maximum schedule of rates?—The company propose to submit to you a schedule of rates based on the general charge in the colony on the whole of the Government lines. There are a great many charges in the original schedule which are not applicable. Some of them are excessive, and some of them too low. I would suggest that there should be a fresh schedule. I have instructed the Traffic Manager to draw up one, which may be taken as the basis of maximum charges. It would cover the whole question.

34. Are you in a position to state definitely what the cost of the Springfield Section will be?—Including rolling-stock, contingencies, and other charges, it will come to a million and a quarter. That estimate will include complete rolling-stock. I have to be on the safe side with my estimate. It is different from Government work, where, if you fall short of money, you can get a fresh vote to carry on the work. I am bound to ask at first sufficient money to complete the work. The company cannot go to the public again and ask for more money.

35. What will be the actual cost for constructing this part of the line, including rolling-stock?—It will cost about £1,150,000. The balance will be for rolling-stock and contingencies.

36. Alluding to the original contract, you were only subsidised one-half the amount for actual construction?—No; that was a mistake. We were subsidised in some places more than one-half. The construction of the Springfield-Jackson's Section was a piece of most costly work, and we were subsidised to the extent of £618,250. The land-grant for the line from Belgrove to Reefton came to £300,000. The estimated cost of one million was too low. The estimated cost for the East and West line was £1,500,000, and up to Reefton from Stillwater was £400,000. These estimates are all set out in the agreement for the amounts of the land-grants.

37. The company got the advantage of the Abt-system?—We made the agreement that if the line cost less than £2,500,000 we should make a reduction on that piece; but, when we went into the calculations and real estimates, we found that, instead of the line costing £2,500,000, the whole line would have cost £3,100,000 at least. That arrangement of reduction was practically a waste agreement, for the cost was under-estimated.

38. Well, that leads me to the Belgrove Section, which comes next in order. The company got the worst of the bargain in that case. The land-grant is fixed in the present contract?—Yes, it is fixed in the present contract.

39. It will only amount to one-third?—Yes, that is about all.

40. That being against the company, you want to be relieved from it?—There are other causes. First, we say that the line was misrepresented altogether. The conditions were not such as to induce any persons to complete the line when they thoroughly understood the conditions of the country over which it passed, and the prospect of traffic. It is a different matter making a line like that if it were a politically necessary line. It could be built upon certain conditions. I propose to go carefully into the matter, and see what the line from Reefton to Bellgrove will cost. I propose to make an offer to the Government of the terms upon which the line can be built.

41. Have you surveyed that line?—No; flying surveys were made, but no accurate or working survey was made of that line.

42. What is the estimate of the detailed surveys of that line?—The Government estimate it at about one million. Speaking from memory, I estimate the total cost at a million and a quarter.

43. You are to get £300,000 as land-grant?—Yes.

44. Mr. Blow says the estimated cost was one million; you could get one-half that amount as land-grant?—No; the statutory cost of the East and West line was £1,500,000. The statutory cost of the other part up to Nelson was one million. The part from Reefton to Belgrove was estimated at £793,000—well, that piece would cost £1,300,000. The whole land-grant was based on the total cost of the whole line—namely, £2,500,000. There is £1,500,000 for the East and West line, and £1,000,000 for the portion from Stillwater to Belgrove.

45. You say that from Spooner's Range to Reefton the line would cost £1,300,000?—Yes, I think it will cost quite that.

46. As the contract now stands, your land-grant on that portion of the line would be what?—One-half of £793,000, or £396,500.

47. What would be the cost of making the detailed surveys. Your estimate of £1,300,000 is simply based on the flying survey?—Yes. I think the cost of making complete surveys over that country would be £80 a mile.

48. What is the mileage?—The mileage of the new line is 97 miles.

49. Should it not be a condition in any new contract that you ought to make that detailed survey?—No, but we should have to do something more for information about the line before we could make an offer. We should ultimately have to make the detailed survey, but we have got now flying surveys sufficiently close to enable us to make a pretty near approximate estimate. In the original flying survey for Rochfort there are many things which would have to be altered. In going over the country you can see where the work is under-estimated, and where it is not.

50. Very well. Now, where you have made the line from Belgrove to Spooner's Range: What did it cost the company?—£60,000.

51. Would it be likely to do anything for the country if left as it now stands?—No, it would be of no use if left as it is.

52. Then the £60,000 is dead money?—Yes.

53. What would it take to construct the line from Norris Gully to Motueka Valley?—To finish it down to the existing railway would cost about £30,000. That estimate does not include rolling-stock.

54. You mention that the company should get 40 per cent. of the gross receipts from that section?—Yes, allowing the Government 60 per cent. for working expenses.

55. I desire you to tell the Committee what has transpired regarding the raising of money and the construction of this portion of the line—the portion from Spooner's Range to Reefton?—I submitted the whole question to my Board and to the financial houses, and the answer plainly was this: that, without an actual guarantee from the Government for the interest on the capital they would not find any money at all for a piece of line like that.

56. Can you tell us how the matter stands now: Is it absolutely hopeless?—Yes; it is absolutely hopeless. Of course, in four or five years it is difficult to tell what developments may take place in the district. Conditions may be better in that time, and, if there is much mineral development, the conditions might be quite changed by then. Whenever there is a prospect of much traffic, and of its being a paying line, then you would get the money. Without that, no one will go into the thing.

57. What reason have you for asking the Government to buy over the piece of line from Spooner's Range to Motueka Valley, which you know would not pay working expenses?—I think the line could probably be worked to pay working expenses in conjunction with the Government line. It would never pay the company to work it. My offer is that, if we fail to come to a satisfactory negotiation with regard to the extension, the Government should pay £70,000, or 75 per cent. of its cost.

58. What amount of land-grant have you received on the portion of the line already constructed?—We received land-grant to the extent of £30,000.

59. And on this you are to have debentures equal to one-half?—Yes; that is what is suggested in lieu of land. We should then not get our money back; we should not gain anything by the sale of this section.

WEDNESDAY, 8TH AUGUST, 1894.

Mr. ROBERT WILSON, Engineer-in-Chief, re-examined.

60. *Mr. Guinness.*—As to that estimate which has been forwarded by the Engineer-in-Chief as to the cost of the line from Springfield to Jackson's, namely, £973,000?—That is the works' cost.

61. Does that include the cost of supervision, or the interest on the money while the sale is under consideration?—The interest on and the cost of raising the capital is not included.

62. What sum of percentage do you consider should be added to that total for supervision and interest on the capital during construction?—In addition to the cost of raising the money, about 10 per cent. for administration and engineering.

63. About 10 per cent. for administration and engineering?—Yes; and there would be also the cost of raising the money, which I cannot give, as it would depend entirely on the market in London.

64. If the colony were to make the line, of course that would be the amount that the colony would have to pay for raising the amount, and interest on that capital till the railway was completed?—Yes; that is so.

65. I think you have already said that it would take about three and a half years to finish the section from Jackson's to Springfield?—With regular work it would take three and a half or four years.

66. Do you agree with this estimate?—I think it is fairly approximate; it is within about £50,000.

67. I mean the Jackson-Springfield Section?—Yes, I understand. The difference is, no doubt, due to certain modifications made in the new surveys, which the Government have not had the opportunity of seeing; but the estimate is a close approximation.

68. Has a detailed estimate been made?—Yes; we have complete working-plans.

69. Now, with regard to section from Reefton to Belgrove, I understand you to say no detailed survey was complete?—No; all that exists is a flying survey made a few years ago, and the Government estimate is a close approximation as far as is possible with such a survey. I think they are very close, but, perhaps, a little underestimated.

70. The same remarks as to engineering and administration apply to this as to the Jackson-Springfield Section?—Yes.

71. This estimate, of course, does not include rolling-stock?—No.

72. What, in your opinion, will be required for rolling-stock for the Jackson-Springfield Section?—I should think, from the amount of traffic, it will require something like £80,000 or £90,000. I allow £80,000.

73. Would the use of the Fell system on that section increase the cost of the rolling-stock or not?—Not as a whole. We shall have special engines for the incline section, but it does not materially increase the cost of rolling-stock.

74. Do those remarks apply to the Reefton-Belgrove Section?—Yes; the allowance should be about £700 a mile for rolling-stock.

75. *Mr. Fraser.*] In excess?—Yes.

76. *Mr. Graham.*] You are aware of the resolution of the House of Parliament of last year?—Yes.

77. And you are aware of clause marked "D" in that resolution, which states that certain modifications of the contract be made conditionally only on the company having first satisfied the Government that it is in a position to raise the necessary capital required to complete the several railway works enumerated in the contract? Do you think there is any ambiguity in that paragraph?—It conveys plainly its meaning on the face of it, and the Government got a clear reply from my Board.

78. *Mr. Graham* reads paragraph 4 of letter No. 13: "My directors have thought it right to call your attention to this point at the earliest opportunity afforded to them, as they cannot help believing that the intention of the resolution is that the Government will be content with my company showing by the statement of a good financial house that they can raise the capital necessary to complete the main line from east to west." How do they come to that conclusion, in view of clause "D" of the resolution of Parliament?—In the correspondence submitted last session to the Government it was clearly stated that the company had no intention at present of completing the Belgrove-Reefton line, and that it would have to be subject to future negotiations.

79. Were you always aware that the company had no intention of constructing the Belgrove-Reefton Section?—It had originally the intention.

80. What would cause a change?—The evidence against paying-traffic, and the difficulty of obtaining capital for constructing the line.

81. Are you aware of Mr. Brodie Hoare's visit to New Zealand?—I was with him.

82. Were you with him when he and others, who were experts, travelled over the proposed line from Belgrove to Reefton, and afterwards, when he stated that he and those with him were perfectly satisfied to enter into the undertaking?—He is not an expert on railway construction.

83. None of them gainsaid his statement, and he said that he was giving expression to the opinions of others?—He was giving views based on information received from the Government, not from any private information of his own.

84. Do you think the company ever had any intention of completing the original contract?—Undoubtedly, until the question of traffic was gone into closely.

85. If it had been gone into closely, would the company not have entered into the original contract?—No.

86. I wish to ask how they could make it appear that they wished it to be understood that the Government or the House of Parliament never intended that portion of the line gone on with?—It shows the company could have gone on with the East and West line without the Reefton-Belgrove portion.

87. On the face of it, does it not show that the company had no idea of ever completing that portion of the line?—The company were prepared to go on with the line subject to the proposals to the Government; if the Government did not accept those proposals the company could not go on. The company are not prepared to submit any proposals with reference to the Reefton-Belgrove portion of the line until the East and West line is finished.

88. *Mr. Hutchison.*] Have the company any proposals to make as to the Belgrove Section?—In paragraph "E" of letter of 20th July it is stated that the company is prepared to complete the Belgrove Section within three years from the signing of the contract, and to accept in payment for the completed section 3½ per-cent. Government debentures; 75 per cent. of the cost, or, say, £70,000. If the Government cannot accept these modifications the alternative is to leave the works at Belgrove in their present unfinished state.

89. *Mr. Graham.*] Does that £70,000 represent the whole cost to the Government?—The amount of land-grant was £30,000.

90. Then, that would leave £40,000 to pay you?—We have spent in all £60,000 on the section. We shall have to spend another £30,000 to finish, equal to £100,000, and would be willing to sell for £70,000

91. You would be willing to sell for £70,000?—Yes; below its full value. The Government would get the line for £70,000 which cost £100,000.

92. You say £70,000, or 70 per cent., including £30,000 for lands?—Exclusive of land-grant.

93. You want £70,000 of bonds in addition to £30,000 land-grant?—Yes.

94. Practically, twenty shillings in the pound on its cost?—Practically. You must not confuse the two things; the one is the cost of the works.

95. You make it appear you are willing to sell for £70,000 on the cost, but if you get £70,000 in bonds—?—We do not get £70,000, except as the ultimate selling-price.

96. What do you get in addition to the land-grant?—£15,000. It would mean that we should have to spend up to £100,000 to complete. It will take £30,000 more to finish. The Government give bonds for £15,000 on the old basis, and when the section is completed we would sell it to them for £70,000 in bonds; we having spent £100,000, the Government would thus get £30,000 back.

97. Seventy thousand pounds includes the land-grants?—Yes.

98. In paragraph "E" of your letter of 20th July you state that, if the company completes the Belgrove Section to the junction of Norris's Gully and Motueka Valley, the Government shall purchase it for £70,000; and in paragraph "E" of letter dated 19th June, you state the price at £90,000, how do you explain this?—I have made a reduction. If the company got £15,000 bonds for land-grant, the company can rebate something. £90,000 was estimated as the net cost to finish.

99. *Mr. Hutchison.*] You are willing to forego 15 per cent. of the cost?—Yes.

100. That is, the total cost of everything?—Yes.

101. *Mr. Fraser.*] I understood you to say, with regard to the resolution of last year, in your reply to Mr. Graham, that it was contemplated when the resolution was passed that there was a possibility of completing the line?—Yes.

102. What is there before us to show that?—The whole correspondence of last session.

103. It is not shown here?—The possible profits on the transactions with the land were not such as to induce people to find capital. The company's position would have been all right if they could have shown a security which would have insured the interest on the capital.

104. After that reply, do you consider the new proposals submitted to us now are any departure from the resolutions of last year?—No; I do not say that. The departure consists in the company excluding the Belgrove line, and completing the East and West Coast line only, and leaving the Reefton-Belgrove Section for future negotiations.

105. Is it a departure from last year?—It is a modification by excluding Reefton-Belgrove Section.

106. What position would the company be in in the event of its new proposals not being accepted?—The company maintain that they have the right of legal redress. There is no doubt that, if the company's offer is not accepted, they will have to appeal to the law.

107. *Mr. Hutchison.*] Are they advised that they have a cause of action?—They are advised, in London, that they have a strong case, and are advised that there have been grave breaches of the contract—in the manner of making mining reserves, and changes of the conditions under which the company undertook its work, and also as to the evidence put before the company on the nature of the traffic and the paying qualities of the land, such as those based on statements of Ministers for Public Works and other public officials which were sent to London as evidence in favour of the railway. The lawyers in London think the company have a claim against the Government on the grounds that such evidence was misleading and inaccurate; or the evidence brought forward two sessions ago, that the lines would not pay, was brought forward for the purpose of damaging and depreciating the property of the company.

Mr. Graham: As against that, the opinion of eminent lawyers here is that that is just "moonshine."

108. *Mr. Hutchison.*] Can you tell us the resources the company possess for the purposes of litigation?—They have sufficient funds at present, which they mean to reserve to carry, if need be, the case to the Privy Council. Shareholders might not subscribe to new-works capital, but they would probably subscribe to a legal defence fund. I may add more: if the company is driven to take legal action the case will not be one of arbitration. The company will make a definite and specific charge against the Government, and obtain an injunction to prevent the lands being released until the case is tried.

109. *Mr. Tanner.*] When is the actual termination of the contract?—The 17th January, 1895.

110. *Mr. Hutchison.*] What is the sum of the stock, so to speak, in the shape of debenture capital subscribed?—£745,000 debentures, and a quarter of a million share capital.

111. All the money would be lost if some arrangement is not come to?—No; the company would have its property in the colony, and right of action under contract against the Government.

112. What is the amount of uncalled capital?—No uncalled. Share capital, if fully paid—

113. Does that represent the subscribed portion?—Yes.

114. What is the amount of uncalled capital?—All called up—a quarter of a million.

115. *Hon. Mr. Seddon.*] I want to know, in addition to this return, what it would cost the Government. For instance, there is a piece of railway at the Springfield end that belongs to the company, and there is another piece between the Brunnerton and Jackson's line that belongs to the company; the Government own pieces of railway at the extremities of the company's lines, and we ought to know the complete scheme to take up the whole thing. If we are going to take up the Springfield-Jackson's portion, we ought to know what it will cost to construct it and finish it. We

ought to have that information. What will it take to purchase the lines already constructed by the company?—The company have £745,000 debentures and £250,000 share-capital. It is not likely the directors will sell the already-constructed portions for less.

Mr. Hutchison: It would not be desirable, probably, for the Government to make a piece of line connected with the two ends unless it could take over the whole of the line intact.

116. *Hon. Mr. Seddon.*] It is very like the position of the Manawatu line. What has it cost you actually as between Reefton and Jackson's, and does that include the piece from Springfield to Patterson's Creek and Belgrove Sections?—In actual works the company has spent about £850,000. There is the cost of raising the money and interest to be added. The actual work has cost that sum.

117. And does that include the piece from Springfield up to Patterson's Creek?—Yes.

118. What would it take to satisfy you for the purchase of rolling-stock?—I allow an estimate of £80,000. The Government estimates are a little understated, and they are about £50,000 short. The Government Engineers have not had the new plans showing the alterations on the East and West line. On resurvey of the line I found it necessary to lengthen some of the tunnels and make other modifications.

119. In round numbers, then, to complete the gap, to purchase and construct the portion made, it would cost, say, £1,950,000 supposing you got the cost price?—You would have £1,158,000 for your gap, and rolling-stock to complete the whole thing from Springfield to Belgrove, you might say £2,800,000.

120. How do you make that out?—You have got the Reefton piece of line.

121. I have not come to that. You spent £60,000 on the Belgrove Section, and it will take £995,000 to finish the line to Reefton. You are in the same position as we are to the Manawatu Company?—What I said the other day was from Stillwater to Belgrove, £1,300,000. That is a low estimate. I do not think you would get that under £1,400,000; and then there is the rolling-stock, so that the actual cost would be nearly £1,500,000. Those making the estimate have evidently had to assume a mileage rate, as there are no details. The estimate works out to about £10,300 per mile. It is heavy work, and would probably average £13,000 per mile when taken out from detailed surveys.

122. *Mr. Hutchison.*] Can you say how the portions you have made are paying?—The piece from Stillwater to Reefton is earning a gross amount of about £17,000 a year. We are working a little over 54 per cent.

123. What is the capital?—It will be about £380,000. The line is practically a branch one. The traffic is to and from Reefton and Greymouth, and from the settlements on the line.

124. *Mr. Guinness.*] How long has that line been open?—About three and a half to four years.

125. Do the receipts show that the traffic is gradually increasing, or is it stationary, or decreasing?—The gross receipts have been annually £8,000, £12,000, and £17,000, for the financial year ending 30th June, 1892, 1893, and 1894 respectively. It is steadily increasing.

126. You say it is steadily increasing?—Yes.

127. *Mr. Tanner.*] Then, that line pays about the same as those of the colony?—Yes; and it is working at a disadvantage, for the standing charges now are much the same as would cover the whole line. The present line is practically a branch going to Reefton, which town has been in a depressed state for several years. I believe, when the line from east to west is open, the conditions will be very different from what they now are.

128. What difference is there in the estimate for the completion of the East and West Coast Railway beyond that laid on the table?—About £50,000 less. The Government Engineers have not had a chance of going through the company's plans. There are certain alterations made; for instance, the switchback had to be altered, and a long tunnel substituted to eliminate it. I have had to alter the plans in several places east and west to avoid the slip-faces. The Government Engineers have made a very close estimate.

129. *Mr. Fraser.*] In the resolution passed by the House last year, £618,000 was put down for land-grants for the completion of the whole line?—No; for the completion of the East and West line.

130. I am reading the words here: "We only asked for New Zealand Government 3½-per-cent. debentures in lieu of land-grants equivalent to the sections we are to make—namely, from Patterson's Creek to Jackson's; all the other land is free for the part we do not undertake to make. We therefore release the 5,600,000 acres on the signing of the new contract." £850,000 was the amount?—No; the total land-grants were £1,250,000, B1 value.

131. The total you asked for?—No; it was the amount we got.

132. Your proposal was to accept a certain amount on condition of surrendering your land-grants?—No; we said we would take, in lieu of land-grant, Government debentures equal to the original value of the land-grants for the £618,250 B1 value; and, for the East and West sections, we were prepared to take 3½-per-cent. bonds for £618,250, the amount of the land-grants for that section; the balance of the other land-grants to pass back to the Government.

133. I do not see how you could have any claim for land-grant if you surrendered?—No; the present proposals eliminate that part of the contract.

APPENDIX.

The UNDER-SECRETARY, Public Works, to the CHAIRMAN, Midland Railway Committee.
Public Works Department, Wellington, 7th August, 1894.

SIR,— *Midland Railway: Estimated Cost of Completion.*

I have the honour to acknowledge the receipt of your letter of 1st instant, asking for a statement to be prepared showing what it would cost the Government to complete all the uncompleted portions of the Midland Railway Company's lines of railway, and in reply am directed by the Minister for Public Works to forward to you the accompanying statement by the Engineer-in-Chief, showing the cost of completion to be as under, viz. :—

From a point 5 miles 55 chains from Springfield to Jackson's	...	£ 973,000
From Reefton to end of Belgrove Section	995,000
		£1,968,000

I have, &c.,

H. J. H. BLOW,

Under-Secretary for Public Works.

The Chairman, Midland Railway Committee, House of Representatives.

MEMORANDUM for Hon. MINISTER for PUBLIC WORKS.

Public Works Department, Wellington, August 7th, 1894.

Midland Railway: Estimated Cost of Completing all the Uncompleted Portions of the Company's Lines of Railway.

ACCORDING to figures previously given in official documents, and taking the Midland Railway Company's estimate for the Abt or Fell Incline line, with switch-back eliminated, the estimate for the completion of the Midland Railway would be as under :—

From a point 5 miles 55 chains from Springfield to Jackson's, 32 miles 15 chains; from Stillwater, a length of about 57 miles 44 chains	£ 973,000
From Reefton to end of Belgrove Section, a length of about 96 miles 48 chains	995,000
Total	£1,968,000

W. H. HALES, Engineer-in-Chief.

The SECRETARY, New Zealand Railways, to the CHAIRMAN, Midland Railway Committee.

New Zealand Government Railways,

Head Office, Wellington, 14th August, 1894.

SIR,—

With reference to your letter of 8th instant, respecting the Midland Railway Company's proposals for working, &c., I am directed to state that, as the Railway Commissioners do not see any prospect at present of the traffic on the Belgrove to Motueka Section paying the cost of working and maintaining the line, they cannot recommend the proposal of taking over the working of the line, or of paying the Midland Company 40 per cent. of the gross receipts from that section.

I have, &c.,

E. G. PILCHER,

Secretary.

The Chairman, Midland Railway Committee,
House of Representatives.

The UNDER-SECRETARY, Public Works, to the CHAIRMAN, Midland Railway Committee.

Public Works Department, Wellington, N.Z., 21st August, 1894.

SIR,—

Re Midland Railway: Proposals for a New Contract.

I have the honour, by direction of the Minister for Public Works, to forward herewith for your consideration a copy of a letter recently received from the General Manager of the Midland Railway, relative to the above-mentioned subject.

I have, &c.,

H. J. H. BLOW,

Under-Secretary for Public Works.

The Chairman, Midland Railway Committee,
House of Representatives.

The ENGINEER-IN-CHIEF, Midland Railway, to the Hon. the Premier.

Wellington Club, Wellington, 20th August, 1894.

SIR,—

Midland Railway: Proposals for New Contract.

I have seen from a newspaper report that the Select Committee have resolved they are satisfied that the company cannot raise the capital necessary to complete the several railway-works

enumerated in the original contract, and have resolved that it is necessary to confine future negotiations to the railway between Springfield and Jackson's, the Belgrove Section being arranged to be completed to a point at the junction of Norris Gully and the Motueka Valley.

I have also heard a report that the Sub-Committee have proposed to reduce the land-grant allocated to the section between Patterson's Creek and Jackson's, viz., the £618,250. I have the honour to point out, for further consideration of the Sub-Committee, that the financiers in London have based their offer of capital to the company on this sum of £618,250, and any alteration in this amount might endanger their present agreement with the company.

Desirous of amicably settling this question if possible, I beg to suggest, for the consideration of the Committee, that, instead of reducing the B1 land-grant value allocated under the existing contract for the Patterson's Creek to Jackson's Section, they should stipulate that the company, as a compromise, is to finish the extension of the Belgrove Section, receiving instead of land-grant half the cost of the extension in $3\frac{1}{2}$ New Zealand Government debentures, and when this extension is completed and in working-order the company to hand it over to the colony as a free gift.

I have, &c.,

THE NEW ZEALAND MIDLAND RAILWAY COMPANY,
ROBERT WILSON,
Engineer-in-Chief and General Manager.

The Hon. the Premier, Wellington.

The UNDER-SECRETARY, Public Works to the CLERK, Midland Railway Committee.

Public Works Department, Wellington, N.Z., 22nd August, 1894.

SIR,—

Midland Railway: Proposals for a New Contract.

I have the honour to acknowledge the receipt of your memo. of yesterday's date, forwarding a print of the evidence taken by your Committee on the above subject, and kindly offering the department an opportunity of revising its estimates if considered necessary.

I have submitted the matter to the Engineer-in-Chief, and beg to enclose, for the information of the Committee, a copy of a memorandum written by him on the subject.

I have, &c.,

H. J. H. BLOW,
Under-Secretary for Public Works.

The Clerk, Midland Railway Committee, House of Representatives.

MEMORANDUM for the ENGINEER-IN-CHIEF.

Public Works Department, Wellington, N.Z., 22nd August, 1894.

RE attached letter of Midland Railway Committee, I have looked through the evidence, and I do not think there is any necessity to modify our estimates. Mr. Wilson practically accepts them as correct for Springfield to Jackson's, and, as he has no better information apparently than Mr. Blair and Mr. Napier Bell had when they revised the estimate of the Reef-ton-Belgrove Section, I see no reason to accept the additions now made by Mr. Wilson.

The estimate to complete the line to junction of Norris Gully with Motueka Valley is £35,000.

P. S. HAY.

UNDER-SECRETARY,—

For your information, the estimates submitted to the Committee are as near as can be arrived at with the information now in possession of the department.

22/8/94.

W. H. HALES.

The ENGINEER-IN-CHIEF, Midland Railway, to the CHAIRMAN, Midland Railway Committee.

SIR,—

Wellington Club, Wellington, N.Z., 23rd August, 1894.

I have the honour to confirm a statement made by me before the Sub-Committee yesterday, to the effect that as a further compromise the company is prepared to complete the Belgrove Section to the junction of Norris Gully and the Motueka Valley without further payment of land-grant for that section, and when so finished hand the same as a free gift to the colony. This offer was made on condition that the land-grant value on the East and West Coast Section is not altered from the sum fixed by contract, viz., £618,250. The offer is equal to a gift in works-expenditure of £60,000, made up as follows:—

	£
Cost of executing works on section	60,000
Estimated cost to complete	30,000
	90,000
Deduct land-grant received	30,000
	£60,000

I have, &c.,

THE NEW ZEALAND MIDLAND RAILWAY COMPANY,
ROBERT WILSON,
Engineer-in-Chief and General Manager.

The Chairman of Special Committee, New Zealand Midland Railway Company.

The UNDER-SECRETARY, PUBLIC WORKS to the ENGINEER-IN-CHIEF, Midland Railway.

Re Midland Railway: Proposals for a New Contract.

SIR,—

Public Works Department, Wellington, 29th August, 1894.

I have the honour, by direction of the Premier, to forward herewith for your information a copy of the report of the New Zealand Midland Railway Committee, laid on the table of the House this afternoon, and to request that you will be good enough to state whether you agree to the last paragraph thereof as to the time for the completion of the railway between Patterson's Creek and Jackson's.

I have, &c.,

H. J. H. BLOW,
Under-Secretary for Public Works.

Robert Wilson, Esq., Wellington Club, Wellington.

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

Midland Railway: Proposals for a New Contract.

SIR,—

Wellington Club, Wellington, N.Z., 4th September, 1894.

Referring to my letter of the 29th ultimo, I have the honour to inform you that I have just received a cablegram from my directors stating that they accept the terms set out in the report of the Select Committee and enclosed in your letter of the 29th ultimo, but consider that the company should receive in Government $3\frac{1}{2}$ -per-cent. debentures half the cost of the extension into the Motueka Valley, and have left this question to my discretion.

In the meantime I have the honour to refer you to my letter dated 20th July last (clause B), and would ask you to be good enough to provide for this in the new contract.

Referring to clause C of the same letter, I herewith enclose schedule of the proposed maximum rates and fares, to be attached to the new contract.*

I have, &c.,

ROBERT WILSON,
Engineer-in-Chief and General Manager.

The Hon. the Premier.

The ENGINEER-IN-CHIEF, Midland Railway, to the Hon. the PREMIER.

Midland Railway: Proposals for a New Contract.

SIR,—

Wellington Club, Wellington, 5th September, 1894.

I have the honour to inform you that I have received a cablegram from my directors, asking me to let them know at once by cable when the company will be in possession of the draft contract, and when the Bill is to be brought before the House.

I shall be much obliged if you will, at your earliest convenience, be good enough to place me in a position enabling me to send an answer to my directors.

I have, &c.,

ROBERT WILSON,
Engineer-in-Chief and General Manager.

The Hon. the Premier, Wellington.

The ENGINEER-IN-CHIEF, Midland Railway, to the Hon. the PREMIER.

Midland Railway: Proposals for a New Contract.

SIR,—

Wellington Club, Wellington, 10th September, 1894.

Referring to my letter of the 4th instant, I have the honour to inform you that the New Zealand Midland Railway Company (Limited) accept the terms of the report of the Select Committee, enclosed in your letter of the 29th ultimo, as a basis of the new contract.

I shall be glad, however, if you will be good enough to make provision in the new contract for clauses (b) and (c) in your letter of the 18th July last, of which no mention is made in the report.

I have, &c.,

THE NEW ZEALAND MIDLAND RAILWAY COMPANY.

ROBERT WILSON,

Engineer-in-Chief and General Manager.

The Hon. the Premier, Wellington.

The UNDER-SECRETARY, PUBLIC WORKS to the ENGINEER-IN-CHIEF, Midland Railway.

Midland Railway: Proposals for a New Contract.

SIR,—

Public Works Office, Wellington, 10th September, 1894.

I am directed by the Hon. the Premier to acknowledge the receipt of your letters of 4th and 5th instant on the above subject, and, in reply, to state that the Government is unable to proceed with the preparation of the proposed new contract, or the Bill to authorise the same, until you have, on behalf of your company, definitely accepted the proposals of the Midland Railway Committee.

* Schedule of rates printed in D.—3a, 1894.

Your letter of 4th instant goes outside the terms of the Committee's report in two particulars, and I am to state that the Government is unable to see its way to consent to any variation of the terms proposed by the Committee. If, however, you will favour the Premier with a written intimation of your acceptance of the terms proposed, the preparation of the Bill to authorise the new contract will be proceeded with immediately.

I have, &c.,

H. J. H. BLOW,
Under-Secretary for Public Works.

Robert Wilson, Esq., Wellington Club, Wellington.

The UNDER-SECRETARY, PUBLIC WORKS to the ENGINEER-IN-CHIEF, Midland Railway.

Midland Railway: Proposals for a New Contract.

SIR,—

Public Works Office, Wellington, 10th September, 1894.

I am directed by the Premier to acknowledge the receipt of your letter of this day's date, in which you state that the New Zealand Midland Railway Company (Limited) accepts the terms of the report of the Select Committee, enclosed in letter from this office of 29th ultimo, as the basis for the new contract. As regards your allusion to paragraphs (b) and (c) in letter of 18th July last, however, I am to state that the Government is unable to see its way to go beyond the report of the Committee, which makes no allusion to these matters.

I have, &c.,

H. J. H. BLOW,
Under-Secretary for Public Works.

Robert Wilson, Esq., Wellington Club, Wellington.

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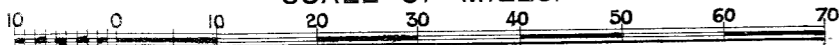
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NEW ZEALAND MIDLAND RAILWAY

TO ACCOMPANY THE REPORT OF THE NEW ZEALAND MIDLAND RAILWAY COMMITTEE.

1894.

SCALE OF MILES.



REFERENCE.

GOVERNMENT LINES	THUS	
MIDLAND RAILWAY—CONSTRUCTED	"	
UNDER CONSTRUCTION	"	
PROPOSED	"	
SURVEYED	"	

TABLE OF DISTANCES.

WAKEFIELD TO PATERSON'S	M.	CH.	M.	CH.
	5	55		
PATERSON'S TO JACKSON'S	57	44		
JACKSON'S TO BRUNNER	32	15	95	34
<hr/>				
STILLWATER TO REEFTON	37	60		
REEFTON TO JUNCTION OF MOTUEKA AND MOTUPIKO RIVERS	94	58		
MOTUEKA-MOTUPIKO JUNCTION TO NORRIS' GULLY	2	45		
NORRIS' GULLY TO BELGROVE	5	60	140	63

