

16. This last prospectus is the company's prospectus?—I am referring to the first one: the Agent-General had that prospectus before him. He himself evidently took a sanguine view of the position. And he was perfectly justified in taking a sanguine view of the position as respects the colony. I dare say that a person intimately conversant with the country through which it passes would not have adopted so sanguine a view unless he was by nature of a very sanguine temperament. But the evidence which the Agent-General had before him, and which, at that stage, the Government had before them, justified them in taking a sanguine view. They had a report on the whole subject of the railway, as projected in London; the nature of the country through which it was to pass; its timber; its mines and minerals; its prospective settlement; its prospective traffic generally; and all the matters directly and indirectly connected with the formation of this proposed railway. It was embodied in the report of Mr. Blair, then Assistant Engineer-in-chief, printed in 1886 (D.—1A.). As to the land, I will not refer in detail to that; but I will ask the Committee to refer to it, for I venture to say that any one who is a stranger to the district through which it was intended the railway should pass, if he took this report, he would in all probability come to the conclusion that the line was not only a justifiable line, but that it was one of those lines analagous to the railways which have been projected and carried in America through the wilderness from one group of States to another, passing through mountain-chains which had been previously regarded as impassable, and connecting one large area of country with another with a great future before it, and possessed of good markets. The whole tone of this report is suggestive of a line similar to those great works bridging immense gaps, and connecting States as yet separated by alpine ranges, whether in Europe or America—bringing together the population of one great State with that of another. From first to last, this is the report of a sanguine man, embodying a sanguine view of the prospects of the line. It is quite probable that the Agent-General would derive his knowledge of the position of matters from some such report as this. It is a report obtained by the Government for Government purposes—obtained to forward what was regarded at the time as a great colonial undertaking, to be accomplished by a private syndicate, and ultimately by an English company. It was, no doubt, on a report of this kind, with similar data, that this glowing prospectus was sent into the London market. It led on to the debenture-holder taking up and retaining his debentures three years later; the description of forests and large areas of arable land formed a contrast with the large body of evidence called by the arbitrator at a more recent date.

17. The circumstances had changed? In what way?—From the commencement—from the promotion of the line to the actual operation—that is, the company was in difficulties.

*Mr. Chapman:* But the territorial circumstances had not changed; the prospects of the provinces to be united by this line had not changed (D.—1A., 1886). The Agent-General knew all these circumstances, he presumably had all these things—*i.e.*, the data supplied by the Government—at his fingers' ends. There is, at this stage, one thing that I should refer to—namely, the form of the debenture; as issued, it is not in accordance with the Act. The Act requires what all colonial Acts require in respect of local loans,—that there should appear on the face of the debenture a statement to the effect that the colony is not bound by it; stipulating that the exemption should be set out in it. It is not, in point of fact; but the promissory part of the conditions are set out in the trust deed, which was before the Agent-General, although the debentures were issued by the company.

18. *The Chairman.*] They are actually issued in the form shown in the trust deed?—In the schedule is set out the form of the debenture, the conditions on the back, and the coupon. Here is the section: (*See East and West Coast (Middle Island) and Nelson Railway Construction Act, 1884*). That is not on the debenture. I have little more to say beyond this, that the ultimate event was as I have pointed out. The debenture-holders are not connected with the subsequent history of the line. They went on receiving their interest. They could not be expected to know what went on between the company and the New Zealand Government. We know, as a matter of fact, that disputes developed between the two; negotiations of some kind went on; the construction of the line went on; taking-up and selling of land went on; all these matters went on; but in respect of these things the debenture-holders were a separate party. In course of time, the whole of the money available for the purposes of construction and so forth became exhausted. Then the position was this: the company had to call together the debenture-holders and explain the state of matters to them. That was quite recently. Then the matter went to arbitration. I need not go into details respecting the arbitration. Formal complaint was lodged by the company, setting out its grievances. That was taken up before the arbitrator, and a mass of evidence was called. All that was a proceeding between the company and the Government. It resulted in the Government successfully defending itself against the company. But by this time the company was unable to go on paying the interest upon the debentures. Technically, the company has not made default on its debentures. It called together the debenture-holders: whether the proceeding was strictly legal or not I do not know, but it does not really matter for the purposes at present under consideration. When it called the debenture-holders together, it arranged with them that they should accept debentures for the then due interest and a further two years' interest; so that, at present, without paying interest the company has given debentures by way of settlement for a time. But the trust deed contains a provision that if the company breaks its contract with the Queen, then the debenture-holders are entitled to step in and take possession of the assets, whatever they may be. Now the company had broken its contract with the Queen: that, as declared by the arbitrator, was sufficient for the debenture-holders; the debenture-holders then proceeded, under the terms of the trust deed, to appoint a Receiver, and take such steps as they deemed necessary for their protection. They appointed Mr. Parker, who is the petitioner here, the Receiver. He took possession of the office of the company in London, and he has come here to see what is further