

ment were anxious to avoid any improper delay in effecting the assignment of the contract to the company. I may say that the original contract was signed in New Zealand on the 17th January, 1885. Delegates on behalf of the persons with whom it was entered into proceeded to England immediately; they received letters of introduction from the Government to the Agent-General, and both the letters of introduction to Mr. Alan Scott and Mr. C. Y. Fell are dated prior to the 17th January, 1885, so that immediately on the contract being signed they might take the first steamer to England, which they did. As a matter of fact the steamer sailed the day after the contract was signed, and considerable expedition had to be used in the head office for the original documents to be put in their hands by the time of the sailing of the steamer. That was on the 17th January, 1885. The assignment was not entered into until the 30th April, 1886, and I submit that the object of those letters and telegrams to which Mr. Chapman has drawn attention was to see that no further delay took place in this matter, as a delay of fifteen months had taken place already, and the keen interest of the Government was in looking after its own interest in seeing that no further delay took place. In support of this view I shall refer to some further correspondence in a minute. In one of the letters to which Mr. Chapman referred—namely, the Agent-General's letter of the 21st April, 1886, printed in D.-2B., of 1886, in which he recites his negotiations with the new company, he states: "As to the assignment, I required the company to covenant that they would execute a new contract direct with the Government." That was on the 21st April, 1886, and the new contract ought to have been entered into forthwith. That new contract was not entered into until the 3rd of August, 1888, a delay of two years and four months. And the delay was so great, and so much attention was directed to it, that the Government sent some further telegrams, which Mr. Chapman will probably contend showed their keen interest in the matter. This is a telegram sent by the Premier to the Agent-General on the 24th July, 1888, No. 9, of D.-2A of 1889:—

Wellington, 24th July, 1888.

Government absolutely declines permit running till agreement made, but willing make agreement immediately. Question as much one of public safety as pecuniary. Clause as last amended practically same Salt's letter 15th April, 1886. Parliament irritated at delay, and Government has had to promise withdraw contract unless signed soon.
The Agent-General, London.

H. A. ATKINSON.

The delay had extended over so long a period, and the proposals and counter-proposals put forward by the company seemed so unending, that the Government felt compelled to intimate to the company that unless they signed the contract at once they would withdraw it altogether.

Mr. Chapman also contended that it was contemplated all along that debentures would have to be issued. This was certainly the case, and the issue of debentures is expressly provided for in the East and West Coast Railway Act of 1884. There is a special part of the Act in reference to borrowing powers. Section 9 says the company may borrow money on debentures. Section 10 makes provision for appointing agents for raising a loan. Section 11 is in these words "No claim of any debenture-holder, or of any creditor of the company, shall attach to or be paid out of the public revenues of New Zealand or by the Government thereof." Section 12 deals with the form of debentures, and contains these words, "The provisions of the last preceding section shall be stated on the face of each debenture and coupon respectively issued under this Act." This Act of Parliament, therefore, not only provided that no debenture should become a charge on the colony, but went further and, as a precautionary measure, expressly declared that this provision should be stated on the face of every debenture and coupon. Mr. Chapman contended that the omission of the declaration of non-liability on the part of the colony really amounted to a tacit admission of liability. This seems to me to be rather strained reasoning. The company is undoubtedly responsible for the omission; and although the debenture-holders may have good ground of complaint against the company for not having printed this express declaration on the face of the debentures and coupons, they can have no claim against the colony.

Mr. Chapman admitted that the directors, in their share prospectus, took rather a sanguine view of matters; and, also, that the debenture prospectus was, in some respects, a little highly coloured; and, in particular, that the statement in reference to the value of timber on the land was rather weak. I think I might safely go a good deal beyond this, and characterize both documents as being decidedly misleading. The share prospectus, however, is not in question just now. The prospectus we have to deal with is the debenture prospectus. I have not an original copy to refer to, but I have some notes that I took from it. The first paragraph to which I draw attention is that in which the company states that, under its contract, the Government have subsidised the company by a free grant of upwards of two million acres of land; the land not to be taken in alternate blocks, as is so often the case, but may be selected by the company at their option within a very large area of the Middle Island, specially reserved by the Government for that purpose. Mr. Chapman has admitted that the expression "free grant" was a stronger one than should have been used. Of course, it is quite well known that there was no free grant. The grant was subject to conditions, and not an acre of land could be obtained by the company until the provisions of the contract were complied with. Further on, in same paragraph, these words occur: "The Government have guaranteed that, should these lands not bring in £1,250,000 to the company, additional lands shall be granted to bring up the selling-value to that figure. That statement contained a half-truth which, without a fuller explanation, is a little calculated to mislead. Attached to the contract there is a map, referred to as "the B 1 map." This map shows the whole area that was reserved from sale on the contract being entered into. It is the area marked blue on the copy which I produce. When the Act was going through, it was stated by certain members of the House, who knew the country, that a great part of this area was valueless; and, to guard against an immense tract of country being given to the company for next to no consideration, the House enacted that no land should be given to them valued at a less rate than 10s. per acre; so that the valuation agreed upon by Mr. McKerrow, on behalf of the Government, and Mr. Alan Scott, on behalf of the company, which appears