

No. 3.

The GENERAL MANAGER, Midland Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.

Christchurch, 21st January, 1897.

SIR,—

Midland Railway : Proposals for a New Contract.

I have the honour to acknowledge the receipt of your letter of the 18th instant, stating that it is desirable that my proposals in connection with the Midland Railway should be made in writing.

In reply I have the honour to state that I am advised by my directors that in order to raise further capital for continuing the construction of the New Zealand Midland Railway it is absolutely necessary to obtain a Government guarantee of interest.

The new capital proposed to be raised is £1,200,000, to complete the construction of the line from Patterson's Creek to Jackson's, and also between Belgrove and the junction of Norris Gully with the Motueka Valley; the construction of the portion of the Midland Railway between the terminating point of the section at Norris Gully and Reefton to be left over for future negotiations.

With regard to the section terminating at Norris Gully, it is proposed that the company shall construct, equip, and fully complete this within two years from the date of signing the new contract, but the company shall not be required to furnish any rolling-stock for use upon this section, which, when completed, shall become the absolute property of the Queen, without any payment or other consideration whatsoever, as was proposed in 1894.

The time for completing the railway from Patterson's Creek to Jackson's shall be five years from the date of the new contract, but the Governor to have power to grant an extension of this period from time to time.

No provision shall be made in the new contract for grants of land to the company except such land as the company may be entitled to select on the date of signing the new contract, and the selection of such land shall be made by the company within three months from the signing of the new contract, and on the expiry of the said three months all land within the "authorised area," as defined in the contract of 1888, shall forthwith be released from reservation.

The property of the company taken possession of by Government on 25th May, 1895, to be handed back to the company on the signing of the new contract.

The Midland Railway Contract Bill of 1894, provided, amongst other matters, that in respect of the uncompleted portion of the railway between Jackson's and Patterson's Creek the company should receive in lieu of land-grants, 3½-per-cent. bonds to the amount of £618,250, to be issued as follows: £200,000 worth within one year from the date of the new contract, a further £200,000 worth within two years from the same date, and £218,250 worth upon the completion of the line from Springfield to Jackson's.

In lieu of this is asked a Government guarantee of interest at 3 per cent. per annum on £1,200,000 new capital, or £36,000 per annum.

This annual payment of £36,000 to be made by Government for seventeen consecutive years, which, together with a balance payment of £6,250 in the eighteenth year from the signing of the new contract, will amount in the aggregate to £618,250.

It is proposed that at the expiration of the aforesaid seventeenth year Government shall have prior lien over the net annual traffic receipts up to £36,000, but should the net annual traffic receipts in any year subsequent to the before-mentioned seventeenth year fall below £36,000, Government shall meet the deficiency to pay the interest on the new capital, and shall be recouped such deficiency out of subsequent net traffic receipts.

It is fair and reasonable to presume that at the end of the seventeenth year the net annual traffic receipts will be more than sufficient to meet the annual interest of £36,000 on the new capital. Therefore it may be safely estimated that the liability of the colony under the proposed guarantee will not exceed £618,250, and I have the honour to submit that the advantages gained by the colony under these proposals are worthy the consideration of Government.

Firstly, they are a solution of the present unhappy and unsatisfactory position existing between the colony and the company.

Secondly, the 5,000,000 acres of land included in the "authorised area" will become Crown property within three months from the date of signing the new contract, and, although it may be said that the company is to receive cash in lieu of land, I may point out that such cash payments will extend over a long period of years.

Further, and what is, I respectfully urge, of great importance to the colony, and is, no doubt, of even greater importance to Canterbury and Westland, the railway connecting the east and west coasts of this Island will be an accomplished fact, and its construction must necessarily increase the value of the assets of the colony.

These are the salient points of my proposals, which are subject to the approval of my directors.

As a matter of course, there will be minor points connected with the proposed new contract. These can be settled later on.

I shall esteem it a favour if you will let this matter have your early consideration.

I have, &c.,

NORMAN H. M. DALSTON,
General Manager.

The Hon. the Minister for Public Works, Wellington.