

## No. 14.

The UNDER-SECRETARY for PUBLIC WORKS to Mr. N. H. M. DALSTON.

Public Works Office, Wellington, 10th May, 1897.

SIR,—

*Midland Railway.*

Referring to your letter of the 3rd instant, and previous correspondence, regarding the proposals submitted by you for a new contract, I am now directed by the Minister for Public Works to state that the Government would not be prepared to entertain the proposals even if they were amended, as suggested in your letter of the 31st March last.

I have, &amp;c.,

N. H. M. Dalston, Esq.,

New Zealand Midland Railway Company, Christchurch.

H. J. H. BLOW, Under-Secretary.

## PART II.—AS TO THE POSITION OF THE COMPANY'S DEBENTURE-HOLDERS.

## No. 15.

Mr. A. YOUNG to the Right Hon. the PREMIER.

Turquand, Youngs, and Co., 41, Coleman Street, London, E.C.,

DEAR SIR,—

29th July, 1897.

I cannot help again saying farewell as you are now quitting the shores of old England, where I am sure your countrymen endeavoured to give you the warmest possible reception as the worthy representative of New Zealand, and where, I am equally certain, the ring will long remain of your powerful speeches, so sympathetic towards the Mother-country and so strongly appreciative of the enormous advantages which must always accrue to both sides from your declared policy of cementing and strengthening in every possible way, politically and commercially, the bonds of union between the Mother-country and the colonies, amongst which New Zealand occupies a position which is already strong and must become stronger as time goes on. On such grounds I feel I can heartily wish you *bon voyage* and a safe return to the colony, although, unfortunately, our efforts to bring about a settlement of an old standing matter, which it seems to me it is high time to have disposed of, proved abortive—viz., the New Zealand Midland Railway. Indeed, in the circumstances, it could scarcely have been otherwise.

You came from New Zealand with views regarding the situation, and especially the rights of the debenture-holders, with which, from the beginning, as you are aware, it was not possible for me to agree.

The views on which you were proceeding were doubtless founded upon advice which had been given to you by the legal officers of the Government. These views, as enunciated by yourself, really amounted to this: that the shareholders had already forfeited all rights, whilst you could not admit that even the debenture-holders had any legal rights; the only way whereby, in your opinion, they could obtain any compensation in respect of the money which they had advanced upon debentures being the presentation by them, or by myself on their behalf, of a petition to Parliament, praying Parliament to take into consideration the hardship of their position, and to grant them such compensation as in the circumstances might be considered fair. To this suggested course I had, as you know, only one answer—that so far as my personal researches had extended I felt convinced that, having regard for the Acts of Parliament of New Zealand, particularly the special Act passed in 1884, the railway and all the assets of the company remained legally charged to the debenture-holders, and that such being the case their security could not be taken away, even by the Government of New Zealand.

Not being myself a lawyer, I cannot complain that this view, although strongly held by myself, was not one which unsupported could produce any serious effect upon your mind.

Finding, therefore, by our latest interview that you still retained your views, there appeared, as I said to you, to be very great difficulties in your way, as there were also in mine, and immediately after that last interview I took steps to have the case thoroughly examined by one of the most practical solicitors in the City of London, who immediately prepared a most exhaustive case and submitted same to the judgment of the ablest barristers in this city, together with copies of the Acts of Parliament, contracts with the Government, and all other documents bearing on the question. The men who have been consulted are men of the highest standing, and who are accustomed to conduct cases of the most important character in all our Courts of Appeal, and whose opinion would be certain to have weight in case of need.

The result has been the most complete vindication of the views which I, as a mere layman, have ventured to express to you. As I said to you, I have been accustomed to railways in all their aspects for many years past, and I could not bring myself to believe, from the circumstances of this case, that it would be possible for the Government of New Zealand, on any grounds, to deprive the debenture-holders of the securities which had, with the authority of Parliament, been pledged to them.

I was careful to impress upon the solicitors and counsel I consulted the importance of weighing very carefully the advice which the Crown solicitors had given to your Government; and, when I tell you that I myself attended the consultations, you will understand that I can speak with confidence when I inform you that this and all the other facts and points involved were most carefully weighed and most exhaustively considered.