

1900.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE:

NEW ZEALAND MIDLAND RAILWAY.

REPORT ON THE PETITIONS OF J. H. B. COATES (Nos. 132 AND 263) AND NORMAN H. M. DALSTON (No. 267), TOGETHER WITH PETITIONS, MINUTES OF PROCEEDINGS AND EVIDENCE, AND APPENDIX.

Report brought up on the 18th October, 1900, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

TUESDAY, THE 3RD DAY OF JULY, 1900.

Ordered, "That a Committee, consisting of ten members, be appointed to examine into and report upon such questions relating to the Public Accounts as they may think desirable, or that may be referred to them by the House or by the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; five to be a quorum: the Committee to consist of Mr. J. Allen, Mr. Fisher, Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, the Hon. Mr. Ward, and the mover."—(Right Hon. R. J. SEDDON.)

FRIDAY, THE 10TH DAY OF AUGUST, 1900.

Ordered, "That the petitions of the committee of the New Zealand Midland Railway Company debenture-holders and of the New Zealand Midland Railway Company (Limited) (by its attorney and general manager, N. H. M. Dalston), respectively, be referred direct to the Public Accounts Committee."—(Right Hon. R. J. SEDDON.)

REPORT.

No. 132.—JAMES H. B. COATES (Receiver appointed by the Supreme Court of New Zealand for the Debenture-holders of the New Zealand Midland Railway Company, Limited).
No. 263.—JAMES H. B. COATES (as Authorised Agent for the Committee of Debenture-holders, London). No. 267.—NORMAN H. M. DALSTON (Attorney and General Manager of the New Zealand Midland Railway Company, Limited).

PETITIONERS pray not only for equitable treatment, but for just and generous consideration of their claims for relief, on account of the grievances set out in the attached copy of their petitions.

I am directed to report as follows: Your Committee has taken evidence and heard counsel on behalf of the petitioners and the Government, but time will not permit it to conclude its investigations this session. Without prejudicing the situation or in any way committing the colony, your Committee deems it advisable that evidence be obtained as to the value as a going concern of those sections of the railway which were completed at the time the Government took possession. This should be done irrespective of any expenditure of moneys in the construction of any portion of the unconstructed portions of the railway. It should be left to the Government to determine as to the best means of taking such evidence during the recess. This could be done either by Royal Commission or otherwise. For the purpose of dealing with these petitions the Committee would ask the House to allow the present petitions to be dealt with by the Committee as petitions of next session. That the evidence so taken during the recess by Royal Commission or otherwise be printed and circulated amongst members of the Public Accounts Committee prior to the opening of next session. The Committee further reports that evidence, addresses of counsel, and papers be laid on the table.

Thursday, 18th October, 1900.

JOHN GRAHAM,
Acting-Chairman.

MINUTES OF PROCEEDINGS.

[NOTE.—The proceedings of the Committee referring to other business are omitted.]

TUESDAY, 14TH AUGUST, 1900.

The Committee met at 10.30 a.m. pursuant to notice.

Present : Mr. G. Fisher (Chairman), Mr. J. Allen, Mr. W. Fraser, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, and the Right Hon. Mr. Seddon.

The minutes of the previous meeting were read and confirmed.

Business.—Consideration of petitions Nos. 132, 263, and 267, presented by Mr. C. H. Mills, M.H.R.

Mr. Mills attended, as also did Messrs. Coates, Dalston, and Dr. Findlay (solicitor for the petitioners). A shorthand reporter was also in attendance to take notes.

On motion of the Right Hon. the Premier, *Resolved*, That petitions Nos. 263 and 267 be printed and circulated amongst the members of this Committee.

On motion of the Right Hon. the Premier, *Resolved*, That petitions Nos. 132, 263, and 267 be sent to the Public Works Department, to be reported upon.

The Committee then adjourned till Tuesday, the 21st instant, at 10.30 a.m.

THURSDAY, 23RD AUGUST, 1900.

The Committee met at 10.30 a.m. pursuant to notice.

Present : Mr. G. Fisher (Chairman), Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, and the Hon. Mr. Ward.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. H. D. Bell (solicitor for the Crown), Mr. C. H. Mills, M.H.R. (who presented the petitions), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Dr. Findlay (solicitor for the petitioners), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

The departmental reports on the petitions Nos. 132, 263, and 267, before the Committee, were read by the Clerk.

On motion of Mr. J. Allen, *Resolved*, That Mr. Coates be examined first.

Mr. Bell, Mr. Dalston, Mr. Mills, M.H.R., and Dr. Findlay gave evidence before the Committee, which was taken down by a shorthand reporter.

On motion of the Hon. Mr. Ward, *Resolved*, That the three petitions be placed in numerical order, and that the respective departmental reports thereon be printed in parallel columns, each paragraph of the petition to be numbered, and the corresponding departmental reply to such paragraph placed opposite.

On motion of the Hon. Mr. Ward, *Resolved*, That this Committee do now adjourn till Tuesday next, the 28th August, at 10.30 a.m.

The Clerk was instructed to get the evidence printed and circulated as soon as possible.

The Committee then adjourned.

TUESDAY, 28TH AUGUST, 1900.

The Committee met at 10.30 a.m. pursuant to notice.

Present : Mr. G. Fisher (Chairman), Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, and the Right Hon. Mr. Seddon.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Dr. Findlay (solicitor for the petitioners), Mr. Mills, M.H.R. (who presented the petitions), Mr. H. D. Bell (solicitor for the Crown), and Mr. H. J. H. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

Dr. Findlay addressed the Committee on behalf of the petitioners.

Mr. Bell addressed the Committee on behalf of the Crown, and asked for an adjournment, which was agreed to by the Committee.

Mr. Dalston handed in a file of papers bearing on the petitions under consideration, and the Clerk was instructed to have the same printed and circulated.

The Committee then adjourned till Tuesday, 4th September, 1900, at 10.30 a.m.

TUESDAY, 4TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present : Mr. G. Fisher (Chairman), Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Morrison, Mr. Palmer, Captain Russell, the Right Hon. Mr. Seddon, and the Hon. Mr. Ward.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Dr. Findlay (solicitor for the petitioners), Mr. Mills, M.H.R. (who

presented the petitions), Mr. H. D. Bell (solicitor for the Crown), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

On motion of the Right Hon. the Premier, *Resolved*, That Mr. Dalston be at once heard.

Mr. Dalston then addressed the Committee.

Dr. Findlay and Mr. Bell also addressed the Committee.

Papers relating to the case before the Committee were circulated amongst the members of the Committee, as well as being supplied to petitioners and counsel, through Mr. Blow (Under-Secretary for Public Works).

The Committee then adjourned till the following day at 10.30 a.m.

THURSDAY, 6TH SEPTEMBER, 1900.

The Committee met at 10.30 a.m. pursuant to notice.

Present: Mr. G. Fisher (Chairman), Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Palmer, and the Right Hon. R. J. Seddon.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), Mr. H. D. Bell (solicitor for the Crown), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

A paper (petition of debenture-holders to the London Stock Exchange, and letter of Agent-General to the *Times* in reference thereto) was circulated (through Mr. Blow) amongst the members of the Committee, petitioners, and counsel.

Mr. Bell addressed the Committee.

The Committee then adjourned till the following day at 10.30 a.m.

FRIDAY, 7TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Palmer, and the Right Hon. R. J. Seddon.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. Mr. Seddon, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting, as amended, were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), Mr. H. D. Bell (solicitor for the Crown), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

Mr. Bell addressed the Committee.

Mr. T. Humphries, Commissioner of Crown Lands, Nelson, was called, sworn, and examined.

Mr. C. Louisson (Christchurch) was called, sworn, and examined.

The Committee then adjourned till the following day at 10.30 a.m.

SATURDAY, 8TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. J. Allen, Mr. W. Fraser, Mr. Morrison, Mr. Palmer, and the Right Hon. R. J. Seddon.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. Mr. Seddon, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), Mr. H. D. Bell (solicitor for the Crown), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

Mr. Roper, merchant, Christchurch, was called by Mr. Bell, sworn, and examined.

Mr. W. Acton-Adams, sheep-farmer, Cheviot, was called by Mr. Bell, sworn, and examined.

Mr. Bayfield, land and estate agent, Westport, was called by Mr. Bell, sworn, and examined.

The Committee then adjourned till Tuesday, 11th September, at 10.30 a.m.

TUESDAY, 11TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. J. Allen, Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, the Right Hon. Mr. Seddon, and the Hon. Mr. Ward.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. Mr. Seddon, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), and Mr. H. D. Bell (solicitor for the Crown) were in attendance. A shorthand reporter was also in attendance to take notes.

Mr. T. Humphries, Commissioner of Crown Lands, Nelson, attended, and handed in a map (incomplete).

On motion of Mr. Morrison, *Resolved*, That the map in question be sent to Mr. Humphries, Nelson, for completion, and be returned to this Committee when completed.

On motion of Right Hon. Mr. Seddon, *Resolved*, That the applications refused be marked green, and those granted be marked blue, on the map.

Mr. Gerhard Mueller, Commissioner of Crown Lands, Auckland, was called by Mr. Bell, sworn, and examined.

Mr. H. L. Michel, merchant, and Mayor of Hokitika, was called by Mr. Bell, sworn, and examined.

Mr. J. F. Byrne, Chairman of the Westland County Council, was called by Mr. Bell, sworn, and examined.

Mr. D. J. Evans, Clerk of the Westland County Council, was called by Mr. Bell, sworn, and examined.

The Committee then adjourned till the following day at 10.30 a.m.

THURSDAY, 13TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Palmer, and Captain Russell.

In the absence of the Chairman, *Resolved*, on the motion of Mr. Palmer, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), and Mr. H. D. Bell (solicitor for the Crown) were in attendance. A shorthand reporter was also in attendance to take notes.

Mr. T. H. Bannehr, editor of the *Nelson Colonist*, was called by Mr. Bell, sworn, and examined.

Mr. John Staines, a settler from the West Coast, was called by Mr. Bell, sworn, and examined.

Mr. Bell then summed up.

Dr. Findlay asked for an adjournment, which was granted.

The Committee then adjourned till Tuesday at 10.30 a.m.

TUESDAY, 20TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, and the Right Hon. R. J. Seddon.

In the absence of the Chairman, *Resolved*, on the motion of Mr. Palmer, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), Mr. H. D. Bell (solicitor for the Crown), and Mr. Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

Mr. Norman H. M. Dalston (petitioner) was called by Dr. Findlay, sworn, and examined. Mr. Dalston handed in certain written statements to the Committee.

Mr. H. J. H. Blow (Under-Secretary for Public Works) was called, sworn, and examined.

Dr. Findlay addressed the Committee.

The Committee then adjourned till Tuesday at 10.30 a.m.

TUESDAY, 25TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, and the Right Hon. Mr. Seddon.

In the absence of the Chairman, *Resolved*, on the motion of Mr. Palmer, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

The Hon. Mr. Hall-Jones (Minister for Public Works), Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), Mr. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), Mr. H. D. Bell (solicitor for the Crown), and Mr. H. J. H.

Blow (Under-Secretary for Public Works) were in attendance. A shorthand reporter was also in attendance to take notes.

Dr. Findlay made a statement on behalf of Mr. Dalston in connection with a letter he (Mr. Dalston) had written to Mr. Blow (Under-Secretary for Public Works).

Mr. Bell read the letter in question to the Committee, and asked that the same be allowed to follow Mr. Blow's statement (taken on Thursday, 20th September, 1900), which was granted.

Dr. Findlay then addressed the Committee, and handed in a statement, also a file of letters.

The Right Hon. Mr. Seddon handed in a paper containing a series of letters written by himself respecting clause 33 of the Midland Railway contract.

On the motion of Mr. Graham, *Resolved*, That this Committee do now adjourn till Thursday at 10.30 a.m.

The Committee then adjourned.

FRIDAY, 28TH SEPTEMBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, and the Right Hon. R. J. Seddon.

In the absence of the Chairman, *Resolved*, on the motion of Mr. Palmer, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

Mr. J. H. B. Coates (petitioner), Mr. Norman H. M. Dalston (petitioner), M. C. H. Mills, M.H.R. (who presented the petitions), Dr. Findlay (solicitor for the petitioners), and Mr. H. D. Bell (solicitor for the Crown) were in attendance. A shorthand reporter was also in attendance to take notes.

Dr. Findlay addressed the Committee.

Mr. Bell also addressed the Committee.

The Committee then adjourned.

TUESDAY, 9TH OCTOBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, the Right Hon. Mr. Seddon, and the Hon. Mr. Ward.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. the Premier, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

On the motion of the Right Hon. the Premier, *Resolved*, That evidence be taken as to the market-value of the railway as a going concern.

The meeting then adjourned *sine die*.

MONDAY, 15TH OCTOBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Palmer, Captain Russell, the Right Hon. Mr. Seddon, and the Hon. Mr. Ward.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. the Premier, That Mr. W. Fraser do now take the chair.

Mr. Fraser then took the chair.

The minutes of the previous meeting were read and confirmed.

Mr. Crow, Private Secretary to the Right Hon. the Premier, was called, and asked to take down the following proposed report in shorthand, viz. :—

Your Committee has taken evidence and heard counsel on behalf of the petitioners and the Government, but time will not permit it to conclude its investigations this session. Without prejudicing the situation, or in any way committing the colony, your Committee deems it advisable that evidence be obtained as to the value as a going concern of those sections of the railway which were completed at the time the Government took possession. This should be done irrespective of any further expenditure of moneys in the construction of any portion of the unconstructed portions of the railway. It should be left to the Government to determine as to the best means of taking evidence. This could be done either by Royal Commission, or it might be left over until next session, when the Committee could resume its investigations. For this purpose the Committee would ask the House to allow the present petitions to be dealt with as petitions of next session. If the suggestion of the Committee that evidence be taken by a Royal Commission during the recess is adopted, the Committee recommends that the evidence so taken be printed and circulated amongst members prior to the opening of next session. The Committee further reports that evidence, addresses of counsel, and papers be laid on the table.

The Clerk was instructed to make copies of the above proposed report, and circulate the same amongst the members of the Committee.

It was agreed to consider the said proposed report at the next meeting of the Committee.

The Committee then adjourned.

WEDNESDAY, 17TH OCTOBER, 1900.

The Committee met pursuant to notice.

Present: Mr. W. Fraser, Mr. Graham, Mr. Guinness, Mr. Morrison, Mr. Palmer, Captain Russell, the Right Hon. Mr. Seddon, and the Hon. Mr. Ward.

In the absence of the Chairman, *Resolved*, on the motion of the Right Hon. Mr. Seddon, That Mr. Graham do now take the chair.

Mr. Graham then took the chair.

The minutes of the previous meeting were read and confirmed.

The proposed report on the petitions of the New Zealand Midland Railway Company (Limited) was considered by the Committee.

Mr. Guinness moved, That the words "It" (line 8) down to "investigations" (line 11) be struck out, with a view to inserting the following: "The Committee recommends that power be granted this Committee to continue its investigations so as to report to Parliament next session."

And the question being put, the Committee divided, and the names were taken down as follows:—

Ayes, 3.—Mr. Graham, Mr. Guinness, Mr. Morrison.

Noes, 5.—Mr. W. Fraser, Mr. Palmer, Captain Russell, Right Hon. Mr. Seddon, Hon. Mr. Ward.

So it passed in the negative. Words retained.

Mr. Guinness moved, That before the word "evidence" (line 9) the word "such" be inserted, and that after the word "evidence" (line 9) the words "during the recess" be inserted.

And the question being put, the Committee divided, and the names were taken down as follows:—

Ayes, 4.—Mr. W. Fraser, Mr. Graham, Mr. Guinness, Captain Russell.

Noes, 4.—Mr. Morrison, Mr. Palmer, Right Hon. Mr. Seddon, Hon. Mr. Ward.

The Chairman recording his casting-vote with the "Ayes."

So it passed in the affirmative. Words inserted.

On the motion of the Right Hon. Mr. Seddon, *Resolved*, That after the word "Commission" (line 10) the words "or otherwise" be inserted.

On the motion of the Right Hon. Mr. Seddon, *Resolved*, That all the words from the word "or" (line 10) down to the word "investigations" (line 11) be struck out.

Resolved, That the word "this" (line 12) be struck out, and the word "the" substituted; and that after the word "purpose" (line 12) the words "of dealing with these petitions" be inserted.

Resolved, That after the word "with" (line 13) the words "by the Committee" be inserted.

Mr. Guinness moved to insert the words "at the taking of such evidence the Government or petitioners may be represented" after the word "evidence" (line 9).

And the question being put, the Committee divided, and the names were taken down as follows:—

Ayes, 2.—Mr. Guinness, Captain Russell.

Noes, 6.—Mr. W. Fraser, Mr. Graham, Mr. Morrison, Mr. Palmer, Right Hon. Mr. Seddon, Hon. Mr. Ward.

So it passed in the negative.

Resolved, That the words "If the suggestion of the Committee" (line 14) be struck out.

On the motion of the Right Hon. Mr. Seddon, *Resolved*, That the word "the" be inserted before the word "evidence" (line 14); that the word "be" (line 14) be struck out, and the word "so" substituted; that after the word "taken" (line 14) the words "during the recess" be inserted; that the word "a" (line 14) be struck out; and that after the word "Commission" (line 15) the words "or otherwise" be inserted; that from the word "during" (line 15) down to the word "taken" (line 16) be struck out; that after the word "members" (line 16) the words "of the Public Accounts Committee" be inserted.

The Clerk was ordered to send in the report, as amended, to the House.

PETITIONS.

MR. COATES'S PETITION (No. 132/1900), AND REPORT OF PUBLIC WORKS DEPARTMENT THEREON.

To the Honourable the Speaker and
Members of the House of Represen-
tatives in Parliament assembled.

THE HUMBLE PETITION of JAMES HUGH BUCHANAN
COATES, of Wellington, in the Colony of New Zea-
land, Banker, sheweth,—

1. That he is the Receiver duly appointed by the
Supreme Court of New Zealand for the debenture-
holders of the New Zealand Midland Railway Com-
pany (Limited).

2. That in the interests of this colony in general,
and in the interests of the Provincial Districts of
Westland, Nelson, and Canterbury in particular,
the Government of this colony for some years
prior to 1888 desired to encourage, and did en-
courage the construction by private enterprise of a
main line of railway between these provincial dis-
tricts, which would thus connect the east and west
coast of the Middle Island by a railroad.

3. After much negotiation, and in view of the
inducements offered by the then existing Ministry
of this colony, the New Zealand Midland Railway
Company was formed in England to undertake the
construction of this line.

4. The work involved in this whole undertaking
was enormous, presenting as it did some of the
greatest engineering difficulties ever met with in
this colony, and involving the expenditure of an
enormous amount of capital.

5. For these reasons probably the Government of
the day shrank from undertaking the work; but
added to these objections was the still greater one,
that the enterprise afforded no certain prospect of
profitable return. To adventure private capital,
therefore, in such an undertaking required faith in
the future development of Westland, Nelson, and
Canterbury; faith in the validity and safety of the
security offered; and, above all, faith in a friendly
and favourable treatment by the Government.

1. No remarks.

2. No remarks.

3. Considerable negotiation took place prior to the
signing of the contract, but such negotiations were
completed to the satisfaction of all parties on or be-
fore 3rd August, 1888, on which date the Midland
Railway contract was signed. Whatever took place
prior to that date cannot affect the present inquiry,
as the signed contract represents the terms which,
upon mature consideration, both parties agreed to
accept.

4. No doubt the engineering difficulties on some
sections of the railway between Jackson's and Pat-
terson's Creek are of a formidable nature, but the
construction of these sections was never attempted
by the company. The sections constructed were
not of a specially difficult character, as is evidenced
by the fact that they were estimated to cost only
about £7,000 per mile, which is less than the aver-
age mileage cost of the Government railways in
New Zealand. The engineering difficulties also on
all the sections were patent, and were as fully before
the company before it undertook the contract as
afterwards.

5. Why the Government of the day did not under-
take the construction of the railway it is useless
now to inquire. The facts are that the Midland
Railway Company undertook to construct it, and
bound themselves to complete the work on or before
the 17th January, 1895. It is obviously impossible
for the petitioner to contend that the company held
the view now advanced, "that the enterprise af-
forded no certain prospect of profitable return."
Both the share- and debenture-prospectuses show
that the company thought they had secured a good
contract, and that the enterprise would prove a
highly lucrative one. The necessary faith in the
future development of Westland, Nelson, and Can-
terbury, and also in the validity and safety of the
security offered, and likewise in a friendly and
favourable treatment by the Government, they
evidently possessed in a sufficient degree, and the

6. In the full measure of this faith a contract, dated the 3rd August, 1888, was entered into between Her Majesty the Queen and the company, and the company began the construction of the New Zealand Midland Railway line, and completed various sections of it, and equipped the same with all requirements at the cost of about £1,338,000.

7. This money was raised in Great Britain partly by the issue of shares in the company, but mainly by the issue of debentures, and the total issue of debentures was about £850,000.

8. To induce debenture-holders to advance to the company the large sums of money so required an Act was passed called "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884," by which the company was empowered by this colony to give a first charge on the railway. Section 13 of that Act runs as follows: "All such debentures and interest payable thereon shall be a first charge on the entire assets of the company, including the railway and everything pertaining thereto."

9. The debenture-holders erroneously, as it now seems, relied upon this Act and advanced and lent their money as investors in a colonial security in the belief that they were getting a valid first charge over the railway, its rolling-stock and appurtenances. They had no share in the company's undertaking, and were merely in the position of mortgagees who were entitled to receive a certain rate of interest, the return of their loan, and nothing more.

10. It would be fruitless and invidious to set out all the reasons why the company did not prosper, but from a variety of causes it found itself unable to carry on and complete the whole length of railway-line provided for in the contract.

department is not aware that such faith has been at all misplaced. Mr. Blake's award appears to be conclusive on this point. The provincial districts referred to—especially Canterbury—have progressed considerably, and would have progressed to a much greater extent but for the failure of the Midland Railway Company to complete its contract, and but for the locking up of six million acres of Crown lands for fifteen years in the interests of the company. The security offered—viz., a land-grant of 50 per cent. of the agreed estimated cost (proportional to a total estimated cost of £2,500,000) of each section of railway completed—has been found to be perfectly valid and safe, the land having been regularly granted to the company as earned and applied for, and having, moreover, for the most part, been sold by the company at a price beyond the value estimated for the purposes of the contract. The relations of the company with the Government were also of a very friendly nature until the latter portion of the contract term, when it became evident that the company would be unable to complete its contract within the prescribed time, and when the company also began to threaten legal proceedings.

6. There must be some mistake in the figures quoted in this paragraph. The estimated cost of the sections of railway between Brunnerton and Jackson's and Stillwater and Reefton, completed by the company—the estimates being the joint production of the late Mr. Blair (then Government Assistant Engineer-in-Chief) and Mr. C. Napier Bell (who afterwards acted as Engineer in general charge of the construction of the line for the company)—being only £478,500. Add to this the actual expenditure on the Springfield and Belgrove sections, £127,185, and we get a gross total of £605,685. If, therefore, these sections of the line actually cost £1,338,000, then the whole railway, on the same ratio of cost compared with estimate, would have entailed an expenditure of over £5,000,000 instead of £2,500,000 as estimated.

7. No remarks.

8 and 9. To quote the portion of the Act mentioned without also referring to its other provisions is misleading. Section 18 of the Act repeals the borrowing sections of "The Railways Construction and Land Act, 1881," but goes on to state that "otherwise the principal Act shall have full force and effect in respect of the railway to be constructed under the authority of this Act, and the company constructing the same, except as herein is specially provided in modification thereof." The "principal Act" is "The Railways Construction and Land Act, 1881," and section 123 *et seq.* of that Act gives the Governor power to take possession of the railway in case of delay by the company in the prosecution of the works. This provision is in no way modified by the Act of 1884. Further, in the contract itself the Act of 1881, and the power of the Governor to take possession, are distinctly referred to. Every debenture-holder therefore had notice of the Governor's powers of seizure, and invested his money with a full knowledge of this risk.

10. It is only fruitless or invidious to detail the reasons why the company did not carry out its contract, if the petitioner concedes that its failure was not due to any interference by the Government. If the petitioner could assert that the company had been improperly interfered with he would doubtless

attempt to support the petition by proof to that effect. The point he has to meet is that the debenture-holders' security was a railway to be completed pursuant to the contract, and that if the railway was not so completed nothing constituting the security was ever brought into existence.

11. About the 25th day of May, 1895, the Governor, under "The Railways Construction and Land Act, 1881," and on the ground that the company had failed to carry out its contract, took possession of the line, which was almost the only security the debenture-holders had for repayment of their advances; and the Governor has ever since kept possession of the line.

12. Since then the Crown has managed and worked the railway, and carried on its further construction, and has from time to time demanded from the debenture-holders, through the company, the cost of such work.

13. The debenture-holders have satisfied such demands to the extent of £37,876 15s. 1d., which sum, together with £8,518 9s. 9d., the net earnings of the line since the Crown took possession of it, makes in all a total sum of about £1,384,395 thus expended in and about the construction of the Midland Railway.

14. When your petitioner was appointed Receiver it became his duty to test the question of whether the debenture-holders were or were not entitled under the debentures, and under section 13 of the Act of 1884 to a real first charge on the railway, or whether their so-called "first charge" was one that could be defeated and destroyed by the Crown taking possession of the line owing to some default of the company for which the debenture-holders themselves were in no way whatever responsible.

15. It was considered by the debenture-holders essential, both in the interests of the colony and of the debenture-holders themselves, that this question should be conclusively settled, and it was therefore litigated by your petitioner in the law courts of this colony, and was finally decided against the debenture-holders by the Privy Council in the month of February of this year, and on the 18th day of April last the Crown served upon this petitioner and upon the general manager of the company a notice of its intention to confiscate the railway and all rolling-stock and other appurtenances at the end of three months from the said date.

16. The position of the debenture-holders is now therefore this: They have advanced to the company as *bona fide* lenders, relying on their security, some £764,000, and the whole of this sum has been spent in the construction of the Midland Railway line.

17. To encourage, and as a premium for the construction of the railway-line, but in no sense as part payment for it, the Crown made certain land-grants to the company, valued at about £260,000 in all.

18. These lands have all been sold or mortgaged to their full value and the proceeds expended in the further construction of the line and the payment in part of interest due to debenture-holders.

19. Since 1894 the debenture-holders have received no interest whatever in cash, though £93,000 is represented by a further issue of debentures, and, including this amount, there is now owing to them for interest a sum of about £207,000, making, with the principal moneys due and the £46,395 4s. 10d. in paragraph 13 hereof, a total of £1,017,395 4s. 10d.

11. No remarks.

12. No remarks.

13. The total figure in this paragraph includes the evidently erroneous figures in paragraph 6.

14. The "so-called" first charge was a valid and effectual first charge on the railway if completed by the contractors. The question which the petitioner tested was the validity of his contentions that the first charge was effectual although the railway was never constructed, and that the debenture-holders were entitled to the possession and ownership, to the exclusion of the Government, of fragments of a main line of railway connected at each end with other fragments to be constructed and worked by the Government.

15. No remarks.

16. No information is given to show how the sum of £764,000 is arrived at. The amount differs materially from the amount mentioned in paragraph 7.

17. No remarks.

18. No remarks.

19. No remarks.

20. The railway is about eighty-six miles in length, extending now from Stillwater to Reefton, from Stillwater to Otira, and from Springfield to Patterson's Creek, while some nine miles of it constitute what is known as the Belgrove Extension. The whole of it is perhaps the most substantially-built railway-line in the colony; and, having now practically made it the absolute property of the Crown by confiscation, this colony has obtained at the expense of the debenture-holders an immensely valuable asset—a railway which must prove of growing service and importance as the population of Westland and the West Coast generally increases and its enormous mineral and timber wealth is developed. The debenture-holders have no remedy against the company, which is insolvent, all its capital having long since been called up and expended on the construction of the railway.

21. The Crown having taken possession of and having declared its intention to confiscate the line and everything pertaining to it, the debenture-holders are now deprived of the whole of their security; for all the other assets of the company have been sold or fully mortgaged for the purposes already stated, and they have exhausted all their legal remedies only to find that their so-called "first charge" on the railway is illusory and valueless.

22. The debenture-holders admit that they have now no legal right whatever to the line, no estate or interest in it, and no security whatever over it. Being therefore entirely without legal redress, they respectfully ask Parliament through this petitioner to consider their grievance, the injury they have sustained, and the moral and equitable claim they have, in view of the circumstances, upon the Crown for redress.

Wherefore your petitioner prays that your honourable House will be pleased to inquire into the statements contained in this petition and grant to the debenture-holders such redress as to your honourable House shall seem meet.

And your petitioner, as in duty bound, will ever pray.

J. H. B. COATES.

20. The sections of the line mentioned in this paragraph include the sections constructed by the Government since taking possession. On these latter sections the Government has expended a sum of over £200,000, of which amount only £37,876 15s. 1d. has been repaid by the company, but in addition to this £12,293 has been derived as profit from the working of the railway; still, however, leaving the Government an unsatisfied claim against the company amounting to more than £150,000. The line is not more substantially built than Government railways constructed during recent years. In some respects indeed it is below the present Government standard. The rails are lighter than those now being laid in Government lines, there are fewer sleepers to the mile than the present Government standard, and at the time of the seizure the ballast on the railway was very deficient, and the rolling-stock in poor condition. Its value as an asset, from a business point of view, is merely the capital sum upon which it will earn interest; and the Government experience of the railway, extending now over five years, is that the receipts exceed the working-expenses by about £2,500 per annum on an average. If, however, the expenditure on new wagons (which might have been charged to Capital Account, had such an account been available) and rates to local bodies (which will not be payable under Government management) is deducted from the total expenditure, the receipts would then have exceeded the expenditure by about £4,000 per annum. This, on a 3-per-cent basis, would make the capital value of the railway about £135,000.

21. The assertion that the "so-called" first charge was "illusory" has been contravened in the reply to previous paragraphs.

22. No remarks.

H. J. H. BLOW, Under-Secretary.
Public Works Office, Wellington,
New Zealand, 22nd August, 1900.

MR. COATES'S PETITION (No. 263/1900), AND REPORT OF PUBLIC WORKS DEPARTMENT THEREON.

To the Honourable the Speaker and
Members of the House of Represent-
atives in Parliament assembled.

THE HUMBLE PETITION of the COMMITTEE of DEBENTURE-HOLDERS, consisting of the Right Hon. Lord Avebury (Chairman), the Hon. Lionel Ashley, the Hon. A. Brand, Lord Eustace Cecil, Mr. Walter Chamberlain, the Hon. Sir C. W. Fremantle, Mr. R. A. Hankey, Mr. John Rathbone, Mr. Beckwith Smith, Mr. Lindsay Eric Smith, Mr. William Trotter, sheweth as follows:—

1. A general meeting of the debenture-holders of the New Zealand Midland Railway Company (Limited) was called under the direction of the High Court of Justice, and was held in the City of London on Wednesday, the 16th day of May, 1900, and at such meeting your petitioners were, by a unanimous vote, appointed a committee to represent the debenture-holders in the terms of the following resolution: "That this meeting of debenture-holders of the New Zealand Midland Railway Company (Limited), having considered the statement issued by Mr. Alexander Young, the Receiver and Manager, under date the 7th May, 1900, with the further explanation given by him to-day, hereby resolves: That a Committee be appointed for the purpose of considering the present position of the debenture-holders, and of advising and consulting with the Receiver and Manager, with full power to such committee to take such course, and generally to act in whatever manner, they may deem to be the most conducive to the protection and promotion of the interests of the debenture-holders."

1. No remarks.

2. The amount of debentures originally issued was	£	743,800
There was a further issue of		112,975
		<u>£856,775</u>
Add interest accrued, say, three years and a quarter		139,225
Making a total of		<u>£996,000</u>

2. No remarks.

3. The last payment of interest was made in October, 1894, and the coupons from April, 1895, to April, 1897, were funded. The interest due October, 1897, and subsequently, has not been met.

3. No remarks.

4. The circumstances relating to the unfortunate position in which investors in the securities of the New Zealand Midland Railway Company find themselves placed are so well known as not to need recapitulation.

4. No remarks.

5. The debenture-holders advanced their money, never doubting that in subscribing on the prospectus of the 12th of April, 1889, and the trust deed of August, 1889, they were obtaining a full and indefeasible charge on the railway under the Act of 1884, in virtue of which the debentures were created.

5. The prospectus and trust-deed were both drawn up by the New Zealand Midland Railway Company, without any reference to the Government or to the Agent-General of the colony in London. The Government therefore is in no way responsible for them. As regards the Act of 1884, I have already explained, in my report on the New Zealand Receiver's petition (No. 132), that throughout this Act the Act of 1881 is referred to as "the principal Act," thus clearly showing that the whole law in reference to this railway was not contained in the Act of 1884, but that there was another and earlier Act which generally controlled the matter. A reference to this Act would at once have disclosed the powers of seizure given to the Government in case of non-performance of contract by the company.

6. It is obvious that there would have been no subscriptions to the issue had it been known that if, by chance, differences should arise between the Government and the company, it might result in the total loss of the debenture-holders' security. Those who subscribed to the debenture issue never for a moment supposed that the Government of New Zealand could, under any circumstances, have the right to confiscate the lien held by the debenture-holders on the railway, whatever they might be able to do as regards the interest which the company retained in the undertaking after satisfying the debenture-holders' claims.

7. The debenture-holders were never advised or consulted as to any such differences, and they respectfully beg that the Government will take into consideration their position as innocent parties, and will recognise the justice of their claims to an honourable settlement. Your petitioners cannot believe that it is desired to take advantage of any technical legal defect in the debenture-holders' title in order that the colony may benefit at the expense of the debenture-holders.

8. The railway is admitted to be a work of great public utility, and including the sum of £100,000 provided by the Government, represents an expenditure of about £1,000,000, of which by far the greater part has been provided by the debenture-holders on the faith that the security assigned to them constituted a first and unassailable charge on the undertaking.

Your petitioners therefore confidently appeal to the Government and Parliament of New Zealand, not only for equitable treatment, but for just and generous consideration of their claims.

And your petitioners will ever pray.

AVEBURY,	R. A. HANKEY,
LIONEL ASHLEY,	J. RATHBONE,
ARTHUR BRAND,	BECKWITH SMITH,
EUSTACE CECIL,	L. E. SMITH,
WALTER CHAMBERLAIN,	W. TROTTER,
C. W. FREMANTLE,	

(By their duly authorised Agent and with the sanction of the Supreme Court of New Zealand),

J. H. B. COATES,

Receiver in the Colony for the Debenture-holders of the New Zealand Midland Railway Company.

17, Moorgate Street, London, E.C.,
18th June, 1900.

6. It is impossible that the views set forth in this paragraph could have been held at the time, or can be held now, by any intelligent person perusing the debenture-prospectus and other documents submitted to the investors by the company when inviting offers for the debentures. The debenture-prospectus stated that a copy of the Midland Railway contract could be seen at the offices of the company, and the contract states that it is made under the Act of 1881, and refers to that Act as "the principal Act," and, as I have already stated, a reference to that Act would have disclosed the powers of seizure. Moreover, the contract itself distinctly refers to there being a power in the Governor to "take possession of the railway."

7. The defect in the debenture-holders' title is not a technical legal one. The Governor had the right to take possession in the event of non-performance, and the debenture-holders in advancing their money knew, or ought to have known, of this provision, and they cannot therefore reasonably now complain because the Governor has exercised his plain right. If the company had performed its contract the debenture-holders would have their security. Neither the prospectus nor the Acts purported to give them any right to claim a fragment of the railway as their property.

8. The reference to the sum of £100,000 provided by the Government is not understood. The land grants actually received by the company or its representatives from the Government amounted to over £260,000 in value, according to valuations made for the purposes of the contract, and as the land was sold by the company at prices exceeding the assessed values, the amount really provided by the Government towards the cost of the part of the railway constructed by the company probably exceeded £300,000.

H. J. H. BLOW, Under-Secretary.
Public Works Office, Wellington,
New Zealand, 22nd August, 1900.

MR. DALSTON'S PETITION (No. 267/1900), AND REPORT OF PUBLIC WORKS DEPARTMENT THEREON.

To the Honourable the Speaker and Members of the House of Representatives in Parliament assembled.

THE HUMBLE PETITION of the NEW ZEALAND MIDLAND RAILWAY COMPANY (Limited), by NORMAN HOWARD MAXWELL DALSTON, its Attorney and General Manager, sheweth,—

1. For some years prior to 1888 the Government of this colony desired to encourage, and did encourage, the construction of a railway by private enterprise, connecting the Provincial Districts of Canterbury, Nelson, and Westland.

1. No remarks.

2. In the year 1885 certain accredited delegates from this colony visited England for the purpose of inducing British investors to take an assignment of a contract they had obtained from the then Government for the construction of the above-mentioned railway.

3. The reports and reiterated public and official statements of members of the then Government as to the paying possibilities of the line, brought Home by these delegates, led to the formation of the New Zealand Midland Railway Company (Limited).

4. This company in the year 1886 raised in share capital £250,000, and subsequently raised in debentures £745,000, the whole of which sums have been spent on or in connection with the construction of the railway.

5. On account of the great delays in finally settling the existing contract the time originally provided for the completion of this work—namely, ten years—was reduced to six years and five months. The company has on many occasions applied for an extension of time, but without success.

6. Through a variety of reasons the company has not been able to complete its contract. The Crown has confiscated the entire railway, which was pledged to the company's debenture-holders in the faith that they (the debenture-holders) would obtain "a first charge" and, therefore, perfect security.

7. The company is earnestly desirous of supporting in every way the object of the Receiver, Mr. James Hugh Buchanan Coates, whose petition on behalf of the debenture-holders of the company has already been presented to your honourable House.

8. The shareholders are all British investors. They did not come to this colony to seek this investment. They were diligently solicited in England by accredited delegates from this colony, and

2. The term "accredited delegates" does no mean delegates in the service of or sent on behalf of the Government. The first contract for the construction of the Midland Railway was entered into in the colony, with a Christchurch-Nelson Syndicate, and the so-called "accredited delegates" were sent Home by these gentlemen to endeavour to dispose of the contract to an English company.

3. The final Midland Railway contract was entered into with the Midland Railway Company (the present petitioners). It was not, however, entered into on the representations of the "accredited delegates" mentioned in the second paragraph of the petition, nor on the "reports and reiterated public and official statements of members of the then Government," referred to in the paragraph now under review. The Deputy-Chairman of the company visited the colony prior to the contract being signed, and remained here some months, and the shape the contract ultimately took was largely due to representations made by him. The paragraph under notice is calculated to convey the impression that the company was misled by the statements of colonial politicians, but this can scarcely be so in view of the Deputy-Chairman's visit to the colony, and the lengthy negotiations that took place between him and the Government.

4. No remarks.

5. There was very great delay in the signing of the contract of August, 1888; but the delay was wholly attributable to the Midland Railway Company. Both the Government and Parliament were much irritated at this delay, in proof of which I append an extract from a cablegram sent by the then Premier to the Agent-General on the subject on 24th July, 1888, which ran as follows:—"Parliament irritated at delay, and Government has had to promise withdraw contract unless signed soon." In any case, the company signed the contract on the 3rd August, 1888, well knowing that it provided that the whole railway was to be completed on or before the 17th January, 1895. It is useless, therefore, to now contend that the time allowed for the work was not sufficient. The proper time to have raised this contention was before the contract was signed. Further, a reference to evidence given on behalf of the company before Committees of the House on previous occasions, and to the eighth paragraph of the petition, demonstrates that the failure of the company to complete its contract was due to want of funds, and not to pressure of time.

6. The question of the debenture-holders' "first charge" on the railway does not affect the company's petition, and I have gone into the question on both the debenture-holders' petitions, so that it is unnecessary to make any further remarks on the subject here.

7. No remarks.

8. It is quite likely that the gentlemen who originally formed the company were "diligently solicited in England by accredited delegates from this colony"; but I have already explained that

have suffered their great loss mainly owing to a too generous faith in the representations then made to them, and partly to unforeseen embarrassments in regard to arranging further finance to enable them to complete the construction of the railway.

9. The company is now left without assets or property of any kind. It abandons any legal rights which it has or may have had against the colony, and throws itself upon the generosity of your honourable House, in the hope and belief that it will cause inquiry to be made into the circumstances under which the company was formed and the loss to the shareholders which has resulted, and that it will see fit to grant some redress to the said shareholders.

Wherefore your petitioner prays that your honourable House will be pleased to inquire into the statements contained in this petition.

And your petitioner as in duty bound, will ever pray.

THE NEW ZEALAND MIDLAND RAILWAY
COMPANY (Limited),
(By its Attorney and General Manager),
NORMAN H. M. DALSTON.

such "accredited delegates" were not sent Home on behalf of the Government, but on behalf of the Christchurch-Nelson syndicate that entered into the first contract, and the Government of the colony is, of course, in no way responsible for the representations.

9. No remarks.

H. J. H. BLOW, Under-Secretary,
Public Works Office, Wellington,
New Zealand, 22nd August, 1900.

MINUTES OF EVIDENCE.

THURSDAY, 23RD AUGUST, 1900.—(Mr. FISHER, Chairman.)

Mr. Mills : Is it the intention of the Committee to take these petitions separately? Will you deal with the petition from Mr. Coates and the supplementary one from the debenture-holders as one, and the petition from Mr. Dalston on behalf of the shareholders separately?

Dr. Findlay : The petition from the shareholders is practically only a formal petition. It was merely presented so that the Committee should have before it all the parties interested in this matter. That petition is not seriously pressed, but merely that all the parties shall be represented. The Committee may have something to say with regard to the company's petition; but I think it would lead to confusion if Mr. Coates's petition were mixed up with it. I ask that the petitions be taken separately.

The Chairman : Has Mr. Dalston anything to say?

Mr. Dalston : My petition is on behalf of the shareholders in the company, and in every way supports the petition of Mr. Coates, the Receiver. The directors feel that their first duty is towards the mortgagees, and they have also a duty to the shareholders, and hope to receive a favourable hearing from the Committee on behalf of the shareholders.

The Chairman : You do not urge any objection to the petition of Mr. Coates being taken separately?

Mr. Dalston : No objection at all.

Mr. Bell : I will submit this to the Committee: The position put by Dr. Findlay and also by Mr. Dalston is that the debenture-holders should come first, and, if the Committee think they have a claim, then the company should present evidence in support of its petition. It is really all one matter. I submit the Committee will find it less confusing to take all the evidence together rather than separating the claim of the debenture-holders from that of the company. Of course, it is immaterial to the department how they are taken. The department is quite ready to meet both claims separately; but it occurs to me that it might very easily be the case that, if the debenture-holders present their evidence now, Mr. Dalston will not offer evidence in support of his petition, and it will crop up again.

Dr. Findlay : The evidence given by Mr. Coates will be the same as that which will be given for the company. We have agreed that it should be so taken, but we consider that the debenture-holders should be treated separately. There may be a strong claim against the company which does not exist against the debenture-holders, and it might prejudice our case if the two were taken together. I do not think taking them separately will mean a double trial. I am sure Mr. Dalston will agree that he will not offer any further evidence after the debenture-holders have been heard.

Mr. Mills : I understood that the object of all these petitioners was that, before any report came down from the Committee, they should hear every one, and so prevent a repetition of evidence. Then, of course, there could be no question of the matter coming up again.

Hon. Mr. Ward : I think we should take these petitions together, hear the evidence, and then we can deal with them separately in our report.

Mr. Guinness : It will be confusing the matter if we take the evidence of Mr. Coates and his witnesses on his petition, and then, in the middle of it, have to take the evidence of Mr. Dalston and his witnesses. It seems to me they are on different foundations.

Mr. W. Fraser : I think we should take the case of the debenture-holders as separate from that of the company.

The Chairman : I hope the members of the Committee will not—as I am sure they will not—be unaware of the force of the remarks of Mr. Bell, that they may be leaving the door open for fresh application.

Mr. Mills : As I presented these petitions, I should like to say that I have followed the career of the Midland Railway Company from its inception. I have always opposed the extension of time for the contract; but I have followed the case throughout, and now, according to the claim set forth in these petitions, the company and debenture-holders have abandoned all legal rights, and have come here asking for fair consideration of the position as they stand to-day. I think they set forth very clearly in their petitions that, as far as the debenture-holders are concerned, it is apparent to most people that a misunderstanding occurred with regard to clause 13 of the Act, as to whether they have a legal claim over the line or not. I do not want to bring forward any minor points, because Dr. Findlay is here to represent the debenture-holders, and Mr. Coates will make his statement with regard to the case. I have assured them the Committee will treat the matter in a careful and businesslike manner. I hope it will not be considered a case for the confiscation of the line only and for giving no redress to those who have invested their money in the undertaking. I am sure the Committee will not take up the strict legal position and ignore the equitable issues. The petitioners ask that their petition may be considered in a generous and practical spirit. I feel certain the colony will realise that there is a fair claim to bring before the House, and to ask its consideration and decide as to whether the company have anything in the way of a genuine claim against this colony or not. I will not detain the Committee, but will ask Mr. Coates to make his statement with regard to the matter.

Mr. J. Allen : I suggest that we should hear Mr. Coates's statement now, and then decide what course we shall take.

Mr. JAMES HUGH BUCHANAN COATES in attendance, and makes the following statement:—

Mr. Coates : I appear before you as the petitioner for the debenture-holders of the New Zealand Midland Railway Company (Limited), and I deem it my duty, both to myself and to the Committee, to define shortly my position. Although I am represented by counsel, I desire to give one statement the weight of my personal assurance, and that is with regard to the authority I have to represent the debenture-holders. I am entitled to say that, both as an officer of the Supreme Court in this colony, and as the fully authorised representative of the whole body of debenture-holders, I am empowered to bind, for any purposes of settlement of the claim set up in this petition, those I represent. I may mention I was appointed Receiver for the New Zealand Midland Railway debenture-holders by virtue of an order of the Supreme Court on the 4th July, 1898. This order was made with the sanction of the English Court, and with the full approval of the company itself—the company, in fact, being a party to my appointment. To further ratify my authority in this matter, the committee, appointed at a meeting of the debenture-holders held in London under the direction of the High Court of Justice, consisting of Lord Avebury and other influential gentlemen in London, have sent me a petition, which is supplementary to my own, with instructions to act with full authority for them. This petition, I wish to make quite clear, differs in no way from my own, but has been presented merely as the best and most effective method of affirming and guaranteeing to Parliament that I act with full sanction and power of the whole body of debenture-holders. It is perhaps unnecessary to add that the Supreme Court here has by formal order declared that no person or officer except myself has any right to represent the debenture-holders in this colony. I now pass to a brief statement of the merits of the present claim. A Proclamation was issued by the Governor on the 23rd July last, by which the New Zealand Midland Railway, with all the rolling-stock, railway-stations, lands, and other appurtenances belonging to the railway were made the absolute property of the Crown. The situation of affairs is now therefore this : Practically the whole security covered by the debentures has passed away from me absolutely as Receiver, and by this Proclamation, and the decision of the Privy Council, the debenture-holders have been brought face to face with the fact that their security, which the Act of 1884 says “shall be a first charge on the entire assets of the company, including the railway and everything pertaining thereto,” has passed from them like a shadow. The important question now therefore arises, whether the Government have in honest fact paid for this valuable property they have so taken. If they have fully paid for it we plainly have no claim; but if, on the other hand, the Government, in exercise of a strict legal right, has obtained the proceeds of the debenture-holders' money without giving a fair equivalent, a moral and equitable claim surely exists, and an undeniable obligation rests upon the colony to pay for the property they have acquired. Shortly stated, £1,384,395 has been spent either on the railway itself or in connection with its promotion. The Crown, in accordance with its agreement to aid the enterprise, has given the company land-grants amounting to £260,243; but even if the value of these land-grants has to be treated as part payment—which it certainly was never intended to be—there is still a substantial balance in favour of the debenture-holders. In face of these figures, I respectfully submit to the Committee whether this colony can equitably refuse the redress prayed for in my petition. It is well to anticipate at once a somewhat common confusion of the debenture-holders with the company. Whatever the legal relationship between the company and the debenture-holders, there can be no manner of doubt that the debenture-holders are, in common-sense and in fact, in a wholly different position. The debenture-holders were and are mortgagees, advancing their money as ordinary lenders. They had no right to participate in the profits which might have been made, and which certainly were anticipated by the company. The best they

could expect was the most they could get—the payment of their interest, and the return of their principal. I therefore respectfully beg the Committee to carefully distinguish between shareholders and debenture-holders in considering my petition, and to refrain from treating the lenders as defaulting contractors who have failed to carry out their obligations. The debenture-holders were in no sense speculators, but chiefly of the class of persons who, with a limited amount of capital, desire a safe investment for their savings. In England debenture stock is looked upon both by the Courts and the public as one of the safest possible investments. Debenture-holders are by law given special rights, which are considered sacred above all others, and railway-debenture stock stands in the front rank in the estimation of the English people as a safe investment. It was somewhat natural, therefore, that English investors should conclude that debenture stock over railways in any British colony would be similarly safeguarded and protected as a security, and this is the reason for the blind faith with which the English lenders, many of them persons depending upon the income from a small capital, lent their money to the New Zealand Midland Railway Company. It is obvious that these lenders will not, and cannot, appreciate the technical and somewhat intricate reasons from which the Privy Council decided that their security was in effect worthless. Laymen can seldom understand the reasonableness of any legal decision which fails to follow the principles of natural justice, and unless such relief is given to them under this petition as an unbiassed consideration and an impartial judgment deem them entitled to, the conviction will remain in the mind of the English investor that a wrong has been done and an act of spoliation perpetrated by a British colony, under the protection of a legal but unconscionable defence. This whole business appears to the English people in this simple light: they lent their money on the faith and strength of a certain security, which has been taken from them under technical powers, contained in one of the colony's statutes, the existence of which it is plain they never dreamed of, and they are now left with principal and interest unpaid, with no remedy against the company, since it is insolvent, and with practically every shred of their security swept away from them. In this plight they appeal to the honour and generosity of this British colony. We rightly deprecate the action of any private individual who, by a rigorous and relentless insistence upon his strict legal rights, imposes oppression or hardship on others; and if the individual who so acts must encounter the condemnation of the community, still less should Parliament, which represents the enlightened conscience of the people, assert a strictly legal position at the expense of justice. I hasten to add that I anticipate no such treatment at the hands of this Committee. I recognise that while the legal rights were being tested by the debenture-holders under the orders of the High Court of Justice in England, the Government of this colony could prudently do nothing but continue the exercise of its strictly legal powers, until the highest Court of the Kingdom had declared that neither the company nor the debenture-holders had any rights against the Crown, and that in each step taken by the Government the Executive had acted with full statutory warrant and authority. We, of course, now admit, and declare, that the contest, so far as the Court is concerned, is now absolutely at an end. The contest now over, we feel that, coming here as suppliants, avowing that we are wholly without legal remedies, and dependent entirely upon the merits of our moral and equitable claim, we will get such redress as is consonant with justice and the honour of this colony. I therefore confidently appeal to you, not only for equitable treatment, but for just and generous consideration of the debenture-holders' claims on the colony. I have made these observations partly under a sense of duty to myself, and partly under a sense of courtesy to you, and now I ask you to hear my counsel, Dr. Findlay, who will submit somewhat more in detail the grounds and reasons upon which these petitions from the debenture-holders rest.

Dr. Findlay: I am taken somewhat by surprise. You will recollect that when last the Committee met it was suggested, and I think agreed to by the Premier, that a copy of the departmental report should be furnished to us, so that we might have an opportunity of replying to it when next the Committee met. For reasons which no doubt the department consider sufficient we have not received a copy of the report, and much that is said there is new to me. There are also admissions of the statements in some of the paragraphs of our petition. I think I am entitled to ask for an adjournment until I have an opportunity of seeing the report of the department. It will also shorten time, for the report reduces the questions between us to three or four.

Mr. Bell: You agreed that the report should first be presented to the House.

The Chairman: I am not certain, Dr. Findlay, whether the Premier made any statement that you would be furnished with a copy of the departmental report.

Members of the Committee: Yes.

The Chairman: Upon reflection I am sure members of the Committee will see that if the petitioners are supplied with copies of all documents it may make the proceedings interminable.

Hon. Mr. Ward: I think it is only right that Dr. Findlay should be furnished with a copy of the departmental report.

The Committee adjourned.

TUESDAY, 28TH AUGUST, 1900.

Dr. Findlay, counsel for petitioners: Mr. Chairman and gentlemen,—I do not propose to occupy your attention for any length of time. The petition which has been placed before you, and the subsequent statement which Mr. Coates made when last here, set out perhaps as fully as necessary the broad grounds upon which this petition rests. I am concerned chiefly, however, with the spirit and the way in which the Committee should approach the consideration of those facts and grounds. I think it prudent at this earliest moment to say that we have not a vestige of

legal right now left us—that we are wholly without any legal grounds on which to base a claim, and we approach you in the faith and trust that you will recognise that you must hear this petition as a Court of equity and justice, and not in any sense as a Court of law. We put forth a moral claim, and we respectively invite an impartial and equitable hearing from you. In order to assist the Committee, and also to make our position clear, I would ask you to bear with me for a short time while I explain to you how it was that the debenture-holders came to lend their money on this Midland Railway security; secondly, why that security failed; thirdly, to show what the Government has gained by the confiscation of that security; and, lastly, to emphasize briefly the difference between the position of the debenture-holders and that of the shareholders of the company. It may assist some members of the Committee—I cannot hope that it will assist all of them, for many of you have had the matter before you for so long a period that you must be fully familiar with the history of this matter—but it may assist some of you if I briefly state some of the facts connected with the first inception of the company's undertaking and with its progress up to the 3rd August, 1888. A consideration of some preliminary steps taken prior to that date will help us. They began as far back as 1882, when a Railway League was formed in Canterbury and Westland, through whose co-operation and industrious efforts the East and West Coast (Middle Island) and Nelson Railways Construction Act was passed. You are aware that there was a Railways Construction Act passed in 1881, which empowered the Crown to enter into a contract for the construction of this railway, but it was found that that Act did not afford sufficient inducements for any private person to carry out the work. Hence the League directed its attention to the passage of a Bill through Parliament which would give a company substantially larger inducements to carry out the railway. The Act of 1884 was passed, and its preamble says it was intended to give further facilities to private companies to carry out this work. These "further facilities" were a "first charge" on the railway and land grants, and I shall show that it was these so-called "further facilities" in the Act of 1884 which led the debenture-holders into a sense of false security. Dealing as we are with an equitable consideration of this matter, it is well to bear in mind that a body of gentlemen entered into what was known as the "Chrystal contract." In July, 1885, they went to England to endeavour to induce the people there to enter into this undertaking. It was not a case of a company coming to this colony in order to seek an outlet for its capital, but delegates were sent to England to induce people there to invest their money in the enterprise. The first negotiations were with the Messrs. Meiggs. They demanded a guarantee from the colony, and it is significant, as you will see in a moment, that these people did demand a guarantee from the Crown. They had been impressed with the belief that this colony was in a sense sponsors for the statements of the delegates, and Messrs. Meiggs turned round to the delegates and said, "Let us have a substantial assurance of the colony's faith in this security offered for our investment." I will refer to a speech of the Hon. Mr. Richardson, who was then Minister for Public Works, to show that this is how the Government viewed the Meiggs proposals. These proposals were rejected, and in 1886 the promoters of the present company agreed to take over the "Chrystal contract." Negotiations took place between the Government of the day and the promoters, by which it was proposed and agreed that certain alterations should be made in the terms of the contract as soon as Parliament met. This is important because it shows that the promoters were in direct correspondence with the Government through the Agent-General, and that the Government of the day undertook to get statutory powers to carry out their arrangement with the company. It is also of importance because one of these alterations was a provision that on the sum of money raised for the construction of the line there was to be paid by the Crown, if it acquired the line, interest to the extent of £400,000, so that if the Government purchased the line, as they could do under their statutory powers, they would have to pay £400,000 in addition to the actual cost of construction for the railway. Another alteration was that provision was made for an extension of the contract time. There were only six years and a half of the original term of ten years left in 1885 to complete the line. That was found to be insufficient, and it was insisted that there should be power in the Governor and Government to extend the time unless it should be shown that there was wilful delay on the part of the company. These demands were made and acceded to. I may say at once here that I am not urging all this as a ground in favour of the company's present petition, for I do not represent the company; but I want to point out that any inducement which at that time would appeal to the company would also appeal to the debenture-holders, because if the venture promised to turn out prosperous they have a greater inducement to lend their money. I wish to point how Mr. Blow meets this in his report, and no doubt he is right from the legal point of view. He, in effect, says, "You are business-men; you have invested your money in this venture, and if you have lost it you should not come on us; you have spilt your milk, and you should not ask us to restore it." That is quite right from the strictly legal point of view, but we may fairly ask here how far was this colony, I do not say improperly, but by some mistake, a party to the misrepresentations upon which this undertaking arose. In this connection I submit to you that the Government, in the years 1885, 1886, and 1887, were far too sanguine of the future prospects of this railway. This was shown by their publicly expressed estimates and anticipations, and these estimates and anticipations were used in England when the company came to raise from the petitioners the capital required for this work. No doubt there were other inducements. There were the land grants, and there were the coal and the timber freights, and the royalties from the coal and timber, besides other inducements. Now, looking at these matters in an equitable way, I submit the colony is to a great extent morally, though not legally, responsible for the mistake which the company made in its estimate of the value of the railway. Let us see how Ministers of the Crown spoke of the value of this railway. In August, 1885, Sir Julius Vogel, then Colonial Treasurer of the colony, said, in his place in the House, "This railway will ultimately prove one of the best paying railways in the colony," and the Public Works Statement of 1885 contained

remarks to the same effect. In February, 1886, Mr. Richardson, the Minister for Public Works, makes the same statement. He says, "The population is at the two ends of the line, and the traffic would nearly all be that which pays best of all to a railway—namely, with long carriage. I estimated last session that the traffic would return a net profit from the opening of the line of at least 2 per cent., and I feel sure that I am within the mark." That is from the Minister for Public Works in February, 1886. In the same month the Colonial Treasurer adopts the statement of Mr. Bowen, and says, "The advocates of the East and West Coast and Nelson Railway are satisfied that it will pay better than any other railway projected in New Zealand." But still further to strengthen this ground the Public Works Minister, in his place in the House, in dealing with the Meiggs proposals, and taking as his basis the figures furnished by the Public Works Department, says that the railway must pay 2 per cent. from the start. He says, after giving full details of his grounds, "I am not prepared to say that the colony should undertake the construction of these lines under the proposals as telegraphed from Home"—the Meiggs proposals—"without very fully considering them. I look upon it myself that the request for a guarantee was more to ascertain whether we had any *bona fides* in the value of the line or not. The asking of a guarantee like this would, of course, be a safeguard to them, and I believe it was asked really to ascertain whether we believed the line would or would not pay. For my part, I have shown to-night that there is every reason to believe that the line will from its very commencement pay as well as any line that we have yet constructed in the colony. These statements going Home impressed the people there with the fact that the Government of the colony were sponsors for the assurances which had been given to them, and they accepted the figures which the Public Works Minister said were substantially correct. Mr. Richardson said, in the same speech, that he was relying upon reports made by public officers after taking all the evidence they could get on both sides of the Island, and that his own department had gone into the figures and thought the estimates fair. I do not wish to weary the Committee with further quotations, but it will be apparent that these statements were sent Home, and that they lost nothing in the colouring, which was given to them by the promoters, who used them as their principal authority for the statement that the line would be a paying one, and it was largely upon those statements that the persons solicited for capital—the debenture-holders—advanced their money. In *Hansard*, Volume 58, 1887, page 606, it will be found that Sir Julius Vogel, the Colonial Treasurer, says,—

"It is not to be supposed for a moment you can induce persons to bring three millions of money into the country and spend it in an undertaking of this kind without giving them the prospect of large profits. Surely we are not so selfish as to wish the company to spend its money and not reap any adequate returns. The country is there, and will be shut up for generations unless there is a railway made. The company come down and undertake to construct the railway, which is of a speculative nature, but they are induced to undertake it on account of the prospect of considerable profits."

Now, it is quite plain that Sir Julius Vogel, speaking thus, no doubt with a full sense of the responsibility of his position, anticipated that this railway would be a profitable concern—speculative as such concerns must necessarily be, but, still, that it would be a profitable undertaking. It seems only natural that people in England, living so many thousand of miles away from the place where the work was to be undertaken, should take as correct a statement made by the Ministers of Her Majesty's Government. I do not say more than that the Government were oversanguine of the results, but the sanguine view which the Government took had a powerful influence in the promotion of the company. The whole of the variations in the original contract were brought about by direct correspondence between the Government and the company, and I submit, from the whole surrounding circumstances, from the statements of Ministers of the Crown, and of the course of the negotiations, the people at Home were led to believe strongly that the Government of the colony would treat them with the greatest generosity, and that every help would be given to them to carry out the work which the colony needed. Of course, business is business, and we may be met by my friend Mr. Bell by saying that we should not have expected more than a strictly legal interpretation of our contract. That answer would be quite right in a Court of law, but I submit it is not so here, where we come as suppliants only. I say that these statements of Ministers here were really largely the means of enabling the promoters to borrow the money they did to carry on the work. They raised £250,000 by shares, and they obtained about £750,000 or more by the issue of debentures. The shares were fully paid up. I ask, therefore, whether, in view of the early circumstances of the undertaking, and the spirit and tone of the encouragement which the Government gave them, the company were not justified in the representations they in turn made to the debenture-holders, expecting as they did the most helpful treatment from the colony? I submit that where there was under the contract a discretionary power in the Governor or the Government of the colony the company was led to believe that that discretionary power would be exercised in the most favourable way towards this enterprising company. Of course, I do not now say for a moment that their belief was prudent, for, of course, the strict maxim of business must be Shylock's: "It is not so written in the bond." We cannot now complain at the Government saying, "We were dealing with you at the extreme length of the arm of our legal rights and demanded our full pound of flesh." That day has passed, and we are now meeting the Crown in a different way and on a different platform. I submit, then, that largely on these sanguine expectations which were put forth by the Government the company raised its shares and obtained the debenture-capital which it required, and the disappointment of these expectations was largely the cause of the company's failure. Let me turn now to other disappointments. It will also be remembered that at the time this company was floated there was no graduated land-tax in the colony. That came in afterwards. It was anticipated by the company that the line would open large tracts of land, and that there would be a great increase in the traffic on the line; that settlement would be promoted, and the lands granted to the

company by the Crown would thereby be enhanced in value. To obtain this enhanced value, however, the company would have to hold the grants perhaps for years, and although the lands so held would be unremunerative, still it would pay to hold them, because there would be no tax on them. The graduated tax Act was introduced in 1891, and was directed against large holdings, and the company found it was impossible to continue to hold large areas from the increment which was expected from the carrying-out of the railway-work. I am dealing now with the difficulties which the company met when they went to borrow more money to carry out their work. They were met with the question, "What about this graduated tax? That is really a charge on the property, and then there is the risk that it may be further increased." "You cannot," said financiers, "hold your lands with the prospect of the increment which you were led to expect three or four years ago. We do not like such a security." That was how the company was met when they attempted to raise further money. I do not blame the Government; they were naturally trying to get more taxation; but I say that was one of the clauses which operated and operated powerfully against the company getting the money. Then there was the Debenture-tax Act, also introduced in 1891. It put a double tax on the debenture-holders. The company had not only to deduct income-tax from its debenture-holders, but also to pay the land- and income-tax itself on the property which the debenture-holders' money had treated. The debenture-holders looked at that fact, and there is no doubt that, too, was some obstacle to the raising of more money. I pass over the great difficulties with regard to the mining reserves, and will only refer to one matter in connection with them. It is said by Mr. Blow, in his answer, that we were mistaken in our interpretation of the contract, and it has been so said elsewhere. We acknowledge it; but we say, with regard both to these mining reserves and to the nature of our first charge, that we submitted the questions to some of the most eminent lawyers here and also at Home, and acted on their advice; and I have reason for saying that my friend Mr. Bell has said that the Government was not right in its interpretation of the statute. However, the Premier, by that inspiration which so often seems to strike him, took the proper legal view of the matter, and we cannot now complain. The matter was brought before the Arbitrator, Mr. Blake, and we recognise, although the debenture-holders were no parties to that arbitration, that the view taken by the Premier was the legal view. We say we made a mistake in our view of these rights, and we discovered afterwards that the whole of the Grey Valley could be taken and was taken by the Government for mining purposes, and the lenders of the money were astounded to find this possible. I repeat that we should not be charged with recklessly making a mistake in the interpretation of the contract, since such eminent lawyers as Mr. Bell and others shared our view of the matter. Another feature which affected our security was that in regard to the extension of time for the completion of the contract. We had six years and a half in which to complete the contract. Long before the term of the contract expired an application for extension of time was made, and, I suppose for reasons which they deemed good enough, the Crown would not grant the concession. We had not made sufficient advance with the work, and although every pressure was brought upon the Government they would not give further time. The contract was to finish in January, 1895, and three months afterwards the line was seized. The line and all the property of the company were seized, although the Government could grant a further extension of time unless the delay was caused by the wilful neglect of the company. As a matter of strict law they were no doubt right; but I will put it in this way: I undertake to build a great work for you, and I find when I have got a half or a third way through that I am embarrassed in my finances and ask you for an extension of time. You are entitled to say that in strict law that that is wilful neglect, and on that ground you seize and confiscate all the work I have done. That is the strictly legal view of the matter, and no doubt the Crown, acting on the advice of its lawyers, took the legal course; but I say that coming now as we do to the Committee as suppliants we are entitled to different treatment. I am sure you will remember reviewing the causes of the company's failure, and I submit to you that all these circumstances were powerful agents in stopping the work. It was the desire of the company to see the work through, and the East and West Coast Railway would have been pushed through if the concessions asked for had been granted in 1892. One suggestion after another was made by which the company might have gone on, but no concession was granted. It is true, and we are grateful to the Premier for the attitude which he took up, that the Government submitted a Bill to Parliament in 1896, which, if it had passed, would have put an end to this difficulty, but it did not find favour with the House. Now, if I have satisfied you that there were circumstances in the early stage of the enterprise for which we were not responsible I have attained my present object. I do not say they were the only circumstances which led to the failure of the work, but they powerfully contributed to the position in which we now find ourselves. I now pass on to another matter. I beg you to recognise the distinction between the debenture-holders and the shareholders of the company. You have a petition from the shareholders, which you were told the other day was merely a formal petition, presented because it was thought right that you should have all the parties before you; but there is a great distinction between the two parties—the debenture-holders and the shareholders. The debenture-holders embarked their money in the enterprise expecting that, if the enterprise were prosperous, they would get their capital and interest back. There can be no doubt that, after the company was formed, and after the capital of £250,000 was paid up, the present debenture-holders were approached as ordinary lenders of money, and were offered a first charge over the railway; and the result was that something over £750,000 was then advanced. It is by no means an unusual thing for the money for such enterprises to be advanced on such security. There is the Manawatu Railway Company, for instance. I believe they have a share-capital of £100,000, and all the rest of the money required for the construction of the line was raised by means of debentures. Mr. Blow has put the matter in a nutshell when he says, in effect, that the debenture-holders did not assume that they were getting a first charge on the line, for he asks whether

any intelligent person could believe that such was the case. I am dealing now with paragraph 6 of the petition, which says,—

“It is obvious that there would have been no subscriptions to the issue had it been known that, if by chance differences should arise between the Government and the company, it might result in the total loss of the debenture-holders' security. Those who subscribed to the debenture issue never for a moment supposed that the Government of New Zealand could, under any circumstances, have the right to confiscate the lien held by the debenture-holders on the railway, whatever they might be able to do as regards the interest which the company retained in the undertaking after satisfying the debenture-holders' claims.”

In reply to that, Mr. Blow says,—

“It is impossible that the views set forth in this paragraph could have been held at the time, or can be held now, by any intelligent person perusing the debenture-prospectus and other documents submitted to the investors by the company when inviting offers for the debentures. The debenture-prospectus stated that a copy of the Midland Railway contract could be seen at the offices of the company, and the contract states that it is made under the Act of 1881, and refers to that Act as ‘the principal Act,’ and, as I have already stated, a reference to that Act would have disclosed the powers of seizure. Moreover, the contract itself distinctly refers to there being a power in the Governor to ‘take possession of the railway.’”

These are very vague statements, necessarily perhaps to put an answer in few words, but if you will look at the Act and at the contract itself, you will find that there is not one word in either the Act or the contract which says the Governor or Government shall have the power to seize the lien. They can seize the railway in certain cases, but that is one thing; but to seize the lien which the debenture-holders have over the line is a totally different thing. I desire to emphasize this point. It is well recognised that there may be one or more charges on a property—a first and second mortgage. The second mortgagee may come in and seize that property, but he would not have a right to seize property and shut out the interests over which some other person had a lien. I am not now arguing the law point, but am endeavouring to show that intelligent people may make such mistakes as have been made in this case. Mr. Blow says that a reference to the Act of 1881 would have disclosed the powers of seizure. Well, section 123 of the Act of 1881 provides—

“The Governor shall have and may exercise the powers hereinafter set forth in the cases therein provided for—(1) In the event of any unreasonable or inexcusable delay by the company in the prosecution of the works connected with any railway, or in the event of the company, after the completion of the said works, in whole or in part, so that the whole or any complete part or section of such railway may be used for the purposes of traffic, failing or neglecting for the space of twenty-one days, without reasonable excuse, to run trains at the times and in the manner fixed and determined by or in any regulation to be made by the Governor under this Act; or (2) If the company shall, in the opinion of the Governor, commit or suffer a wilful breach of any contract made with the Governor in Council or Governor under this Act.”

It will be observed that these are all defaults of the company. If the company fails to do such-and-such things, then the Government can step in and seize the line—that is to say, whatever interest the company had in the railway could be seized by the Crown. What is the logical result of the strict legal view? Supposing that the line were finished, and that the cost of it was £3,000,000, and that £2,500,000 of that was borrowed money, and the company failed for twenty-one days to run the trains, the Government could seize the line. I invite my friends Mr. Bell and Mr. Blow to say whether if there was a failure to run the trains for twenty-one days, of which default the debenture-holders knew nothing, the Government could not come in and seize the line and work it to the crack of doom without the debenture-holders having any chance of getting back their security. The Privy Council has placed this security at the mercy of the Government, but can it be supposed for one moment that the debenture-holders would have lent their money if they thought that in any case of failure by the company to complete the line its seizure by the Government would absolutely destroy their security? They considered that they had an effectual and valid security in this case, a real first charge, but it now appears that the Crown can always step in before them, as they have done, and confiscate the line without any legal obligation to pay anything. I do not wish to reargue the legal point, but when Mr. Blow says that no intelligent person could have made the mistake which we have done he is making a statement which is not borne out by facts. The debenture-holders had the advice of some of the most eminent lawyers, both in London and in this colony. They consulted Mr. Swinten Eddy, and also, I believe, Mr. Kirby, and both those gentlemen held that the rights of the Crown were not paramount to those of the debenture-holders. I think that the same view was taken by my friend Mr. Bell at one stage of the proceedings, for when he was before the Committee on a previous occasion he said that the Crown could not confiscate the railway. But if now the construction is that no part of the railway can be taken as security for the debenture-holders unless the whole of the undertaking is carried out, then we have no security. When, then, Mr. Blow says no intelligent person could think as we did, he is scarcely fair to Mr. Bell and other eminent lawyers, who held that the rights of the Crown were not as paramount as the Privy Council has declared them to be on appeal. You know that this line was seized in 1895, and immediately the Government proceeded with great energy to carry out its construction. Now, what is the position? If, after the seizure of the line, the debenture-holders had no rights, surely there was no reason why they should go on paying the demands made on them by the Government for the construction of the line; and yet, after the line was actually in the hands of the Government, the debenture-holders found £38,000 and paid it to the Crown for the construction of the line. If the views held by the Privy Council had been held by them they would not have contributed that £38,000 to the construction of the line. Whether they made a mistake or not, I appeal to that fact to show the

bona fides of their belief that their security was good. And, in addition to the £38,000, they also really contributed a sum of £12,000, which was coming to them from the railway and was put into the line, making a sum of £50,000 contributed by them. In further illustration of the fairness of the view taken by the debenture-holders, the contract itself provides for the Crown acquiring the line in case of failure by the company to carry out the work. I ask you to bear with me for a moment while I read section 43 of the contract. This is what the Crown should do as a matter of right :—

“ If under the provisions of the principal Act or the said Act, or under or by virtue of these presents, the Governor shall be entitled to take possession of the said railway or any part thereof, then in lieu of taking such possession he may, if he think fit, exercise the right to purchase the said railway, although the said period of ten years may not have expired, or the said railway may not have been wholly constructed, and such right shall be deemed to arise on his giving six months' notice to the company of his intention to exercise this right, and thereupon, and without any further notice as prescribed in the principal Act, the price to be paid for the said railway shall be ascertained and determined as provided by the principal Act, except that section 118 thereof shall not apply.”

That section plainly shows what should be done in case of the company finding itself in difficulties and the Crown stepping in and seizing the railway. The Crown does not here pay 5 per cent. on the cost of construction. If the company had constructed the line the Crown would have had to pay that £5 per cent. extra, but if the Crown took the line under section 43 of the contract they would not have to pay it. Looking at that clause, the debenture-holders might very well say, “ If the company fails to complete the line the Crown can only get rid of us by buying the line of us at the bare cost price. Then only they get our security, which cannot be taken from us without paying us a penny, as has happened in this case.” I now come to the last branch of what I have to say—the value of the property to the Crown. There were eighty-three miles of line completed when the line was seized, and there have been £50,000 of money contributed by the debenture-holders since then. It is said by Mr. Blow that about £7,000 was the cost of the portion constructed, and that that is less than the average cost of the Government railways. If you add this £50,000 to the construction it should make seven miles of railway, which would give ninety miles of railway constructed by the debenture-holders. That, as you know, is considerably more than the whole length of the Manawatu Railway. To show that the line was well constructed, we have the evidence of Mr. Young, an eminent engineer, who, comparing it with the other railways in the colony, said it was better constructed than the existing Government railways. Mr. Blow has reported that it is not so well constructed as our railways now are, but that is because the manner in which railways are constructed has improved since the Midland Railway was made, for, comparing the line with those in existence at the time, we are entitled to say that it is as good as the best in the colony. Mr. Dalston will give you figures to show that its actual cost was £750,000 or more. That is the actual amount expended on the line, and that is the cost of the eight-three miles of railway. The estimate made by Mr. Blair and Mr. Napier Bell was £605,685, or, roundly, £606,000, so that there is a difference between the estimate and the actual cost; but I think every one who is familiar with public works knows that these estimates are exceeded when the work comes to be done. We say that £750,000 has been spent on the line, and that is without adding anything for interest. As a matter of principle, it seems to me to appeal to one's common-sense that interest should be added, for if the Crown went to the London market and borrowed a million for, say, five or ten years for the construction of a line they must add the interest paid on the loan to the cost of the line. I understand that in England the interest on the money borrowed is always charged to the cost of construction, and appears on the assets side of the ledger. The Crown, too, recognise the fairness of this, because they provide that £400,000 might be added for interest. I submit the fair way is this: take £750,000 as the total cost of the line made and give us the proportion which our outlay bears to the total estimated cost, and we should get £85,000 added to our £750,000 as interest during the course of construction. That would make £835,000 for the total line. I submit that is the lowest sum at which the cost of this line should be estimated. We have added nothing for other charges which might fairly be included. Directors' fees, money paid in connection with raising the loan in London, and other outlay would all be treated in the company's books as expended on the line, and yet not one halfpenny of such charges has been added to our statement of £750,000 as the cost of constructing the line. That is wholly and solely made up of the money actually expended on the construction of the line without any charge for cost of floating the loan, for directors' fees, or other necessary expenses in London. I submit £830,000 is the lowest sum at which the value of the line should be estimated for this purpose. In addition to the ninety miles of line that have been constructed there are many other expenses. There was £30,000 for rolling-stock and all the other appliances which are necessary in order to work a railway in an efficient manner. All this property the Crown has confiscated; and what does the Crown tell us? “ Oh, you have your land grants.” The Privy Council says they are “ a grant in aid of the construction of the line,” and I submit no deduction should be made from the £830,000 for the land grants. Assuming that the whole line were completed, the Crown would be entitled to purchase it by paying the cost and adding a certain amount (£5 per cent.), but the land grants would not be taken into consideration. They were given as an inducement to the English investor to put his money in the undertaking. Therefore they were not to be treated as part of that which the Crown had power to seize on account of the non-completion of the line. It may be said, “ You have not finished the line: only ninety miles of it,” but it is a fair observation to make that the grants were to be made on certain sections being completed, and I put it that if the line were finished from, say, A to B the colony should grant, and agreed to grant, land in respect to that completed portion, because it was useful to the colony, and therefore entitled the

company to a land grant in respect of it. I say that the benefit of the land grants should not be made contingent on the completion of the whole line, but you should ask how much of the land grants should be given as a premium for the carrying-out of the ninety miles of railway. Those gentlemen who are acquainted with the West Coast know that this line has been of substantial service to the whole colony. In 1894 33,000 passengers were carried on it, and since then there has been an enormous increase in the traffic. Therefore the land grants should not be taken as part payment by the Crown to us. Mr. Blow says we got more for the land than £260,000, at which it was valued nominally, and I understand it was actually sold for £300,000, or £40,000 more than the nominal value. But how did we manage to get that amount? It was through the expenditure on the railway. It was the expenditure on the railway which gave all the land of Canterbury a prospective value. It has been forcibly put by Mr. Bell himself when he says that the whole of the land on that line would be substantially increased in value by the construction of the line, and while these lands were not near the railway. I submit the increased value of £40,000 on these lands is due to the line being constructed, and that it would be unfair to say that that £40,000 is a gift from the colony to us. In dealing with this matter you should consider what the value of the land was at the time the line began, and not what is the value of the land now. But if in dealing with the matter on broad and equitable grounds you consider that this £40,000 of increased value of the land should be deducted, then you should remember that we have £750,000 in railway for which we get nothing at all.

Right Hon. R. J. Seddon: I should like to hear you on this position, Dr. Findlay: Supposing the Government steps in and buys the line before completion. Section 43 of the contract provides that the Government can come in and buy a portion of the line at bare cost.

Dr. Findlay: There is nothing said about the land grants already given being taken into account. It is, of course, a matter of law; but my opinion is that the company could retain the land grants without deduction even if the line was not completed. Then, it is said that large areas of land were shut up. We regret that very much, but we are not responsible. We had no interest in having the land locked up, and we fostered and tried to promote settlement so that better prices might be got for our own land. I appeal to Mr. Blow, who has had considerable experience in the matter, to say whether throughout the correspondence the company has not shown itself desirous to sell the land. There would have been no difficulty in selling any portion of this land which it is suggested was locked up. We were ready to sell the land at any time, the proceeds being held contingently on the completion of the line, and put into a suspense account. Now, Mr. Blow takes a view of the value of the line which is somewhat startling to me, as I think it will be to you. In paragraph 20 of his report on our petition he says,—

“The sections of the line mentioned in this paragraph include the sections constructed by the Government since taking possession. On these latter sections the Government has expended a sum of over £200,000, of which amount only £37,876 15s. 1d. has been repaid by the company, but in addition to this £12,293 has been derived as profit from the working of the railway; still, however, leaving the Government an unsatisfied claim against the company amounting to more than £150,000.”

It is not asserted, as I understand, that this claim is against us for the ninety miles of line we have completed. Part may be, but the balance is to carry out additional work on the railway. Then he proceeds:—

“The line is not more substantially built than Government railways constructed during recent years. In some respects, indeed, it is below the present Government standard. The rails are lighter than those now being laid in Government lines, there are fewer sleepers to the mile than the present Government standard, and at the time of the seizure the ballast on the railway was very deficient, and the rolling-stock in poor condition. Its value as an asset, from a business point of view, is merely the capital sum upon which it will earn interest; and the Government experience of the railway, extending now over five years, is that the receipts exceed the working-expenses by about £2,500 per annum on an average. If, however, the expenditure on new wagons (which might have been charged to Capital Account, had such an account been available) and rates to local bodies (which will not be payable under Government management) is deducted from the total expenditure the receipts would then have exceeded the expenditure by about £4,000 per annum. This, on a 3-per-cent. basis, would make the capital value of the railway about £135,000.”

I understand that about twelve miles of railway have been constructed since the Government took possession of it. The Government have expended £200,000 on the line, and assuming that that has been expended on railway construction, you get a total cost per mile of £16,666. If it be fair to put the whole capital value of the line at £135,000 as suggested by Mr. Blow, then those portions which the Government have constructed are naturally worth only a fraction of the £135,000—only one-seventh or one-eighth—and yet they have expended £200,000 on it. They have expended £200,000 on a piece of the line which, on Mr. Blow's method of valuation, is worth about £30,000. It is absurd, and it simply shows how unfair it would be to value the whole line by capitalising the income. That is never done, and it should not be done here. We have in the statutes and in the contract the proper measure laid down for arriving at the value, and I am sure the method of arriving at the value suggested by Mr. Blow will not appeal to the sense of fairness of the Committee. I say, in conclusion, that if last year we were entitled to any consideration at your hands, and if we had any claim upon the Government before the case was decided, we are equally entitled to the same now, and for this reason: no greater service was ever rendered to the colony than our appeal to the Privy Council. Before that the Government were uncertain as to their position. The Government of the day have had the justification of the highest tribunal in the Kingdom, and they are, therefore, now free from any sense of uncertainty, which they must have had if they had gone on with the construction of the line without that

appeal to the Privy Council. They might have gone on spending thousands of pounds on the line, and they could not have any certainty as to whether they were wasting the public money or not. By taking the matter Home we did good service to the colony. We need not have appealed so promptly; we could have hung it up, perhaps, for years; and I urge that instead of the appeal to the Privy Council being taken as against us now it should be a factor in our favour. We had to pay the costs of the appeal, and therefore I put it that if we were entitled to consideration last year we are equally entitled to it now. I desire to emphasize now that in the absence of all legal claim on our part any sum of money you may give us will come more handsomely from the colony than it could before this case was decided. It might have been said before that it was but an attempt to get a compromise of our legal agreement, but here we come without legal claim, and we say if you give us a fair sum now you will be doing so more handsomely and with greater credit to the colony than would have been the case before the appeal. I leave the matter there. In this case, as in any case in connection with a Government, it is an appeal from Cæsar to Cæsar's conscience. I have tried to "nothing extenuate naught set down in malice." We feel that the colony cannot keep this line of the debenture-holders without some return to them. If the Committee will deal with us in a spirit of fairness, Mr. Coates has the fullest power from the debenture-holders to accept the compensation in settlement of this troublesome business. I do not desire to make any threat, but I say if we are entitled to consideration, if we have a moral claim, that moral claim must continue to exist, and I put it to the Committee to deal with this matter now, to settle this claim if there is a claim on the colony, and have done with it. We feel we shall get from you such fair compensation as will silence all critics of the Government in future.

Right Hon. R. J. Seddon: I wish to ask you a question, but I do not want you to answer it if it will prejudice your position. Supposing there were no Government in the matter and it was a company which had exhausted its capital. There are two positions which it might take. One is that it might work the line as far as it was made, and the other is to put it into the market. What would be the value of the property then?

Dr. Findlay: Naturally we should work the line. You will recollect we were anxious to get that opportunity, and would gladly have embraced it. I hope you will not fail to appreciate that we did not ask for the full amount the line has cost us. We merely put down these figures as showing what it cost us, and ask you to say to what we are entitled.

The Chairman: What course does the Committee wish to take? Shall we take the evidence now, or shall we hear Mr. Bell?

Right Hon. R. J. Seddon: My view of the matter is that we should hear counsel. Subsequently, if we want the figures in connection with the case—in relation to construction or interest, or anything of that sort in order to verify the figures which have been given—we can get them. I think we should settle the principle on which we intend to go. It would depend afterwards upon whether we wanted the figures what course we should take. If we decide subsequently, independent of the legal position, and even of the equitable position, we could go into the figures. I would ask Mr. Dalston to say whether he has anything to say in addition to what is in his petition.

Mr. J. Allen: I submit the only question we have to consider is the possible equities, and we should have the evidence before us, but I do not object to hearing counsel.

The Chairman: I thought it would be better, if Mr. Bell is ready, that he should address the Committee now.

Mr. Bell: In one sense I am ready, and if the Right Hon. the Premier himself proposes to address the Committee I can deal with the matters raised by Dr. Findlay at once, but if my address is to be the defence of the colony to the allegations of the petitioners as well as to Dr. Findlay's contentions I must ask for further time. In the course of the important duty I have to perform I may say there is only one point of law to which I shall have to refer—that is, the point which was decided by the Privy Council in the case of the Newfoundland Railway Company, which is on all-fours with the case which we are now considering. It was there held that the Government had the same rights against the debenture-holders as they had against the company, so far as concerned the moneys due by the Government to the contractors and claimed by the debenture-holders under their lien. I will read an extract in reference to that case which has been quoted by the Chief Justice of this colony. I wish to call Dr. Findlay's attention to it, because he has assumed that the position of the debenture-holders is entirely different from that of the company.

Dr. Findlay: The term "equity" as used by Mr Bell is equity in the legal sense, while we admit we have no legal rights, and I have been dealing with moral rights.

Mr. Bell: I will read the extract. It is referred to in a judgment of the Chief Justice of the colony, Sir James Prendergast. He says,—

"In the Government of Newfoundland v. The Newfoundland Railway Company, L.R., 13 A.C., 199, though it was held that by the terms of the charter the contractors and the trustees for the bondholders were entitled to receive portions of the stipulated subsidy and land grants in proportion to the completed sections notwithstanding that the contractors had failed to complete the whole line, and had abandoned further performance of the contract, having, as in the present case, completed only the part most advantageous to the contractors, yet that in an action in which the trustees of the bondholders were parties to enforce payments of the portions of subsidy and land grants the Government would on general principles set off as against the bondholders' claim for such portions of the subsidy and land grants damages for injuries sustained by the Government by reason of the non-completion by the contractors of other portions of the line not assigned to the trustees."

That is exactly the present case. Dr. Findlay says that the debenture-holders were mere mortgagees, and that they are not to be treated as defaulting contractors, and the colony cannot claim against them. But that is the very point which was before the Privy Council in the Newfoundland case—a case between the Government and railway contractors and the bondholders, relating to the construction of a railway. I call Dr. Findlay's attention to it because he omits to consider whether, supposing the value of the railway is to be calculated, and supposing there is to be deducted from that value the money which they actually received from the land grants of the colony, there is not a further deduction to be made, in justice as well as in law, by the colony against the bondholders for the great loss and damage which the colony has sustained by the failure to carry out the contract. That is the only matter of law with which I shall have to deal. Dr. Findlay has referred once more to the initiation of the contract as the foundation of some moral claim against the colony. The facts in connection with the initiation of the contract must already be well known to many members of the Committee, but it will be necessary to repeat them, and I cannot do so now with that detail which is essential if my reply is to be taken as on behalf of the Government.

Right Hon. R. J. Seddon : I am sitting here as a Judge and not as representing the Government, and therefore Mr. Bell's reply will be on behalf of the Government.

The Chairman : Does the Committee adopt Mr. Bell's view ?

Hon. Members : Yes.

Dr. Findlay : Are you going to hear evidence of any kind, or is Mr. Bell's speech to close the evidence. Mr. Dalston might like to give evidence, and so might Mr. Coates, and Mr. Bell might find something in that evidence which he would like to answer.

The Chairman : I think it is the wish of the Committee that the petitioners and Dr. Findlay should make their case as complete as possible first.

Dr. Findlay : If the right of giving evidence is given us.

Mr. Bell : I prefer that the evidence should be given first, and then Dr. Findlay will reply.

The Chairman : What does the Committee say ?

Hon. Members : Aye.

Mr. Guinness : I should like to ask Dr. Findlay if he can produce the prospectus issued by the company to induce the debenture-holders to lend their money ?

Dr. Findlay : I can get a copy of it.

Mr. Bell : It will be found in the Appendix to the Journals of 1896.

Dr. Findlay : The evidence which I shall give will be entirely documentary. I do not know that there is anything else which Mr. Bell wants.

The Chairman : You will undertake to supply Mr. Bell with copies of anything you put in to the Committee ?

Dr. Findlay : Yes. I have here a statement by Mr. Coates, which can be put in at once, showing how the figures I quoted were arrived at. I also put in a complete statement by Mr. Dalston of how all the moneys have been spent, and how the land has been sold, the amount received from it, and so on. I shall ask the Committee to permit me to call further evidence, if necessary, if Mr. Bell contests any of the statements made here.

Mr. Bell : On behalf of the Government I do not object to Mr. Dalston or Mr. Coates putting before the Committee at any time matter which they consider essential, provided we have a fair opportunity of seeing and criticizing it.

TUESDAY, 4TH SEPTEMBER, 1900.

Mr. H. D. Bell : Mr. Chairman and Gentlemen,—The Committee will remember that at its last sitting the question was raised by Dr. Findlay as to the mileage of railway constructed by the Government, and the cost of the sections constructed by the Government. I now hand in a document which I hope will appear in the Appendix to the proceedings, and which will show that the length of line completed by the Government is twenty-six miles. Upon two sections platelaying and ballasting has been done, and the remainder has been completed. Two of these sections are the most expensive on the whole line. On the section between the Otira Gorge and Jackson's Creek large sums have been expended ; but under the company's valuation they are expensive portions of the railway. We have also completed one portion of the line from Spooner's to the range, a distance of 4 miles 25 chains. That is an average section, about as difficult as those which the company has constructed upon the level line. That portion has been constructed at a cost of £5,850 a mile, or far less than the average cost which the company's expenditure shows.

Many members of the Committee must be familiar with the circumstances of the formation of the New Zealand Midland Railway Company, and with the nature of the claims which both the company and its debenture-holders have at various times made against the colony, but if I did not begin by a short sketch of the history of the case from the beginning to the present date, I could not make clear to the Committee how complete an answer there is to the attack on the good faith of the colony.

Mr. Dalston : I suppose Mr. Bell is only answering the petition of the debenture-holders ?

Mr. Bell : I am doing nothing of the kind. I am answering not only the questions which have been raised in both petitions, but also the statements which have been made in the Stock Exchange in London, and to the debenture-holders in London ; and for this reason, that the words "so-called"

and "illusory," which are used in this petition, suggest representations by the Government, and really raise points which have been emphasized in London. It is impossible for the Government to pretend that they do not understand what is meant by these words "so-called" and "illusory" in this petition; and, if I were confined to a mere answer to the allegations in the petitions, the Government would not have the opportunity which the petitions afford them of answering the attack which has been made upon them in London and repeated here.

Dr. Findlay: I should like to say that the word "illusory" was certainly not used as meaning any misrepresentation on the part of the Government of the colony. It was used by us as meaning that the debenture-holders had been led into a mistake in determining their legal rights. I can give the Committee an assurance that that is what was meant by the word, and I can say so with certainty, because the petition was drawn up by us in this colony and approved of by the Supreme Court. There was no intention to cast any reflection on the good faith of the colony.

The Chairman: I think, seeing that the words "so-called" and "illusory" have been used, however used, by whomsoever used, and at what time used, Mr. Bell is entitled to cover all the ground in any allegations, whether made in this colony or elsewhere, in putting the case of the Government in answer to the petitions.

Dr. Findlay: I quite recognise Mr. Bell's right to touch on any phrases used by Mr. Coates himself, but I do not think he should refer to statements for which we are not responsible. Mr. Bell may accept my assurance that the use of the words "so-called" and "illusory" was not intended to signify anything except that the debenture-holders were misled as to their position, but not as anything against the Government. I think I am entitled to take that position.

Mr. Bell: I think Dr. Findlay will find he has no cause for complaint if he will hear me, as I desire to be heard on behalf of the Government of this colony in reply to the attacks which have been made upon them at Home, and which are in effect repeated in this petition—without the sting, which Dr. Findlay says is not intended.

The Chairman: I think the Committee is entitled to hear from Mr. Bell anything he has to say on behalf of the colony on broad and general grounds, and not to be confined to the allegations in the petitions alone.

Mr. C. H. Mills: I think such should be the case; but Mr. Dalston wants to lay before the Committee his sequence of facts, and also to back up the statements which have been made in his petition, and he is afraid that if Mr. Bell makes his statement he will be shut out.

The Chairman: I think I may say on behalf of the Committee that it will exclude nothing that has to be said in relation to the petitions; but I think I am not wrong in saying that we met here this morning to hear Mr. Bell.

Mr. Dalston: All I want to say is that I think I should have a right to speak in regard to my petition, seeing that I am not represented by counsel.

The Chairman: You will not be excluded.

Mr. Bell: If he speaks after me he will reply to me, and I should have an opportunity of answering him.

Mr. J. Allen: I understood that Mr. Dalston put in all his evidence the other day.

Right Hon. R. J. Seddon: I hope the usual course will be pursued, and then if Mr. Dalston opens up new matter as against the Government we shall hear Mr. Bell in reply.

Mr. J. Allen: Why not hear Mr. Dalston now?

Right Hon. R. J. Seddon: We have heard Dr. Findlay on behalf of the petitioners, and it was clearly understood that we were to hear Mr. Bell in reply, and we are here this morning to hear Mr. Bell.

Mr. W. Fraser: You said that if Mr. Dalston opened up new matter then Mr. Bell should have a right to reply. Surely the same may be said with regard to Mr. Bell: that if he opens up fresh matter Mr. Dalston should have a right to reply to him. In fact, each side should understand that if fresh matter is introduced by one side the other side will have a right to reply.

Mr. J. Allen: I understood Mr. Bell was to reply on behalf of the colony. I do not see how he can do that without hearing Mr. Dalston.

Mr. Bell: I am entirely in the hands of the Committee. I do not anticipate Mr. Dalston can say anything which I cannot meet in advance.

The Chairman: I do not care to say so, for, naturally and properly, one would not like to say one single word which might appear to bear against the petitions; but I do not see how anything Mr. Dalston can say will materially affect the ultimate result.

Right Hon. R. J. Seddon: To put the matter clearly, I will move that Mr. Dalston be heard, and then Mr. Bell can reply. We will take it as though the petitioners were plaintiffs and the Government defendants, and Mr. Bell will reply on their behalf.

Mr. Fraser: Then Mr. Dalston will reply to Mr. Bell.

Right Hon. R. J. Seddon: Certainly not.

Mr. W. Fraser: We are here to consider this matter as one of equity. I want to see fair-play, and, if Dr. Findlay is to be entitled to reply to Mr. Bell, why should not Mr. Dalston?

The Chairman: As you mention fair-play, I may say that every party to these petitions shall have a right to plead his cause, and no one shall be able to complain that he has not had fair-play. Mr. Dalston, the Committee agrees to hear you. What have you to say?

Mr. Dalston: Mr. Chairman and gentlemen of this Committee,—I am here as General Manager of and Petitioner on behalf of the shareholders of the New Zealand Midland Railway Company, and, with your permission, I will read a copy of a resolution which I have lately received from the secretary of the company, and which was passed in London on the 14th June last:—

The Board having been informed by Mr. W. Chamberlain that Mr. Coates is about to enter into negotiations with the Government of New Zealand on behalf of the Committee appointed by the debenture-holders, hereby agree to support the Committee in every way in obtaining their object, whilst safeguarding, as far as may be, the interests of the shareholders of the company, of whom the Board are the sole representatives.

CHARLES T. DYNE BURCHELL,
Secretary of the New Zealand Midland Railway Company (Limited).

You will remember, Sir, that last October, the Right Hon. the Premier, in referring to the Midland Railway Company, stated in the House that after the slate had been cleaned of legal technicalities "then it would be for the debenture-holders and shareholders to decide whether they would lose the whole of the money that they had put into it, or whether they would approach Government, and submit a scheme for the further prosecution of the works; or there was the alternative of coming to Parliament and throwing themselves on the generosity of Parliament." Well, Sir, acting on this invitation, we are now "throwing ourselves on the generosity of Parliament." The early history of this company is so well known to members of the Committee that I do not propose to go deeply into it. I would like to refer to the rejoinder of Mr. Blow to clause 2 of my petition, in which he says: "The term 'accredited delegates' does not mean delegates in the service of, or sent on behalf of, the Government." We cannot, and do not, say they were sent on behalf of the Government. We say they were envoys with credentials from the people of Canterbury, Westland, and Nelson. You will remember that the delegates were Mr. Alan Scott, Mr. Dobson, C.E.; and Mr. Fell, then Crown Solicitor of Nelson. They were the accredited delegates who went Home in January, 1885, and the day after their arrival in London they went to the Agent-General's office, and he was good enough to introduce them to the then Government Financial Adviser, Sir Penrose Julian. They found great difficulty in disposing of their contract. They first of all met with the Messrs. Meiggs; however, you know the history of that scheme. Eventually they got into touch with the gentlemen who subsequently became directors of the Midland Railway Company. Dr. Findlay read some extracts from the remarks of the members of the then Government of the colony, but there is one here which I should like to refer to, and which is quoted in a book called "The East and West Coast Railway League," published in Christchurch in 1886, by the members of the League, giving a history of the various efforts of the people of the provinces to construct this railway:—

He would say this, that the more he had learned about this railway the more he was convinced of the justice of the view which he took concerning it, and he was glad to say that the same also was the case with his colleagues. The Premier, Mr. Stout, and the Minister of Mines, Mr. Larnach, had been on a long visit to the West Coast, and it was greatly pleasing to him to know that they had returned as enthusiastic about the matter as he was himself. He thought that he could quote their opinions in half a dozen words, by saying that they had come back impressed with the idea that it would be sinful to neglect the development of that great district, whose development, once achieved, would be of great benefit to the colony, as well as to the Coast itself. It was not necessary for him to point out what the effect upon Christchurch would be when the railway between the east and west coasts should be finished, or even when it should be begun. It would be the bringing of a vast trade to Christchurch, and would not alone benefit the city, but also the coast on each side, and the whole of what they knew as the east coast of the Middle Island. It would be pleasing to them to know that yesterday he telegraphed to the Agent-General, asking him to say what the delegates were doing at Home in regard to this railway. He had received a reply which he thought they would consider fairly satisfactory, and he would read it to them: "Delegates working discreetly, safely. Tentative steps necessary at present. Please inform Canterbury and Nelson." He considered that telegram satisfactory, and it showed that the delegates were working harmoniously and, to a certain extent, with the Agent-General, who had knowledge of what they were doing, and that they were not leaving the matter idle. He was convinced that it was best for every one that this railway should be carried out by private enterprise. At the same time, if it were not carried out by private enterprise, it was a railway the colony would have to construct itself.

That speech was delivered by Sir Julius Vogel, the then Treasurer, in Christchurch, on the 12th March, 1885. I was about to give some dates, but Mr. Bell has already prepared a statement showing the dates of the assignment of the original contract, and of the passing of certain measures before the final contract was entered into. The reason why I was going to give these dates was because Mr. Blow says the delay in signing the contract of 1888 and the extension of time was entirely attributable to the company. I think, Sir, that is hardly a fair statement to make. This was a colonial undertaking. The parties to the contract were not cheek-by-jowl with one another. It was not a contract for the building of a four-roomed cottage. The contract involved the expenditure of about three millions of money, and the parties were separated from each other by a distance of some fifteen thousand miles. A great deal of correspondence for modifications and alterations of the syndicate contract necessarily took place between the directors and the Government before the present contract could be signed, and it was only natural that the directors, as business men, would consider that, in a gigantic undertaking of this kind, both parties would meet each other in a generous spirit. Then we have the statement of Mr. Blow:—

"It was not, however, entered into on the representations of the 'accredited delegates' mentioned in the second paragraph of the petition, nor on the 'reports and reiterated public and official statements of members of the then Government,' referred to in the paragraph now under review. The Deputy-Chairman of the company visited the colony prior to the contract being signed, and remained here some months, and the shape the contract ultimately took was largely due to representations made by him."

I will refer to the question of the "reports and reiterated statements" later on. It is quite true that the Deputy-Chairman, Mr. Brodie Hoare, did come to the colony. He was impressed, no doubt, as anybody visiting this colony must be impressed, by its magnificent possibilities. But he is a banker, and though bankers are shrewd men of business, endowed with plenty of common-sense, they cannot be expected to be engineers. We know, also, that engineers came out with Mr. Brodie Hoare. They foresaw, no doubt, great engineering difficulties in the construction of such a line. Do not men of all professions, who are worth their salt, glory in undertaking a difficult business? The greater those difficulties are, the greater will be the credit to them for overcoming

them. Is it not the men who foresee those difficulties, and then have the courage and ability to overcome them, who attain the highest positions? I would ask the Right Hon. Mr. Seddon,—Would you have held the high position which you have held for so many years if the word "impossible" had been in your dictionary? I say the engineers in this case were impressed with the difficulties of the situation, and they foresaw there was fame to be attained in constructing this railway.

Right Hon. R. J. Seddon: Was there not considerable emolument attaching to it too?

Mr. Dalston: Certainly there was. Well, Sir, the company borrowed its share capital, £250,000, in 1886, and started work; and in 1889 it raised debenture capital to the extent of £745,000. Matters progressed favourably until the passing of certain measures in 1891, which the company found bore rather harshly on them. The company then decided, as you know, to petition the House, in 1892, for an alteration of the contract, and in that petition are set forth the reasons why they asked for an alteration. The Committee to which the petition was referred were of opinion, with regard to the extension of time, that the full time allowed in the original contract—that is, the contract taken Home by the delegates—was sufficient; but owing to the delays consequent upon the negotiations for modifications of the contract, and to so many difficulties under which the company had laboured, it was evident the work could not be completed in the contract time, and they recommended that the Government should grant a reasonable extension of time, and also that any negotiations between the company and the Government should be submitted to Parliament next session. The company submitted many proposals to the Government between the sessions of 1892 and 1893. In 1893 these proposals were considered by the Public Accounts Committee, and they reported that they could not accept the proposals of the company as embodied in the draft contract submitted; but they recommended that in lieu of land-grants Government debentures should be issued, bearing interest at $3\frac{1}{2}$ per cent., but with an addition of 15 per cent. to the value of the land the company would earn on the completion of the line, on condition that the company surrendered its right of selection to land within the reserved area. They also recommended an extension of the contract time for five years. When these proposals came before the House they were rejected, and the Right Hon. the Premier then moved certain other proposals pretty well on the same lines, but omitting the granting of the 15 per cent. increase in the value of the land. The House carried these proposals, leaving it for the company to further negotiate with the Government on the basis of these proposals for the purpose of obtaining a new contract. Between 1893 and 1894 the company sent in further proposals for a new contract, and in May of 1894 the company arranged finance to carry on the works. (See cable from the Agent-General, and letter from the company, page 9, D.-3, 1894.) In 1894 those proposals came before the Public Accounts Committee. That Committee recommended that the present contract be rescinded, and a new contract be entered into; that the company complete the Belgrove Section to Norris Gully, and that when completed it should hand that section to the colony free of all claims; that the making of that portion of the line from Norris Gully to Reefton be left over for future negotiations; and that Government $3\frac{1}{2}$ per cent. debentures to the amount of £618,250 be given to the company in lieu of land-grants; that the company should release from reservation all the reserved Crown lands, and that the time for completing the line from Patterson's Creek to Jackson's should be four years from the date of the new contract. What I wish to point out, Sir, is this: each Committee has recommended that there should be an extension of time. How was it possible for the directors of the company to borrow money for the further construction of this railway in view of these various recommendations of the Committee, but without our being able to come to any arrangement with the Government for a new contract. The company was running short of its funds in 1892, and in that year appealed to the House, and a Committee of the House said, "Very well, it is evident that under the existing contract you have not had time to complete the line. We think we should extend your contract time, and in the meantime you can go on negotiating with the Government for consideration of the terms for a new contract." The directors could not have gone on the London money-market asking to borrow money when the condition of affairs was such that they had not the extension of time which the Committee recommended, nor the accepted proposals for a new contract. They could not have applied to financiers, and say, "Lend us this money," because the reply would have at once been "You have not enough time to complete the line. This is 1893, and the contract ends in 1895, and it will take at least five years from now to complete it." The directors could only reply, "We have practically a promise of an extension of time, and it only requires the passing of an Act to give us that and a fresh contract." No financiers would lend money under those circumstances.

Mr. Bell: Before Mr. Dalston comes to that, I wish to call attention to one point. It did not require an Act of Parliament to extend the time. The Governor had power by the contract to extend the time; so that, if all the company required was an extension of time, the papers are full of evidence showing that they could get it at any time; but they wanted something more.

Mr. Dalston: It is news to me that the Government agreed to an extension of time.

Mr. Bell: That is not what I said. I said if that was all they wanted they could have had it at any time.

Mr. Dalston: Well, I say it was no use going on the London money-market to borrow money until there was an agreement with the Government for an extension of time, and for the acceptance of proposals for a new contract. In 1894 we arranged terms with the Government. We then completed financial arrangements to go on with the works, but the House would not pass the Bill authorising the new contract. I would like quote one or two remarks made to the

House by the Right Hon. the Premier upon the subject of the extension of time. He says, in *Hansard*, on the 2nd October, 1894 :—

I say that with the company as it now exists, and under the present contract, you are bound to give a reasonable extension of time. I say, Sir, that the original contract under which the company was working was only signed in 1888. Ten years was the original time of the contract; but then the House, subsequently to the signing of the original contract, agreed to a deviation from it; but the 10 years started from the time the contract was made with the first company and when its promoters went home to the Old Country.

Again,—

Having by our legislation allowed that deviation, knowing as we did that it was a material alteration of the contract, knowing also that when the question of the Abt system *versus* the tunnel system was settled all this was done with the sanction of Parliament, and that these were material alterations, and that power was given under the original contract to give the extension of time, I say you cannot resist the claim of the company for an extension of time. Last year the Public Accounts Committee reported and advised the House and the Government that if applications were made for an extension of time it should be granted. Having done that, and the House having adopted it, how can the Government, when the time expires and the company asks for a reasonable extension, refuse to grant it. I say we are almost bound to grant it. I say the honour of the colony is involved, so far as giving an extension of time is concerned.

In the House on the 16th October, 1894, the right honourable gentleman says,—

But what I urged then, and what I urge now, is this : that the breaking of the original contract then over that deviation gives the company some justification, in my opinion, to claim an extension of time, because Parliament knew that it would require to be surveyed, and in the laying-off and surveying of the old line everything was prepared, and the work could have gone on. Now, Parliament having said that a deviation was to be granted, and the deviation having been made, I am of opinion that the company has a reasonable claim to an extension of time, owing to Parliament having sanctioned the deviation to which I refer.

Further, he says, in referring to the report of Mr. Maxwell and Mr. Higginson on the question of constructing the line over the hill or through it,—

In this great delay took place on account of the company having to make new surveys, which took a very considerable time. However, this was done; but having made the change from the tunnel and from the original plans to the Abt system, the question comes in as to whether or not the company could on these grounds claim an extension of time.

It is plain that we could not be in a worse position, if clause 42 of the contract stated, "There shall be no extension of time allowed." The clause says: If the company shall not be able to construct and finish the railway within the period provided, the Governor may, if satisfied that the delay has not been caused by the wilful default or neglect of the company, extend such period. Sir, there is no man in the colony who can truthfully say that the company, without regard to reason, obstinately refrained from completing the contract. That is the meaning of "wilful default and neglect." I maintain we have done our best under the circumstances. We are worse off—infinately worse off—than the contractor for the construction of the Helensville Railway, in regard to whom the Right Hon. the Premier, in 1894, said,—

It may be asked, What has the Government got to do with the condition of the contractor who has got the Helensville Railway, who has met with unforeseen difficulties in the work of piercing a tunnel through? Am I to say to him and his sureties, "Because unforeseen difficulties have occurred I will stand on the contract. Away you go, bring forward your securities"? I am not called upon to do that.

And, Sir, it cannot be denied that unforeseen difficulties have arisen with regard to the construction of the Midland Railway. I say that if it had been possible to raise the money for the completion of this railway we have connected with this company names which would have enabled us to do so without any difficulty. We have Sir Thomas Salt, the chairman of some of the most important financial institutions in England; Mr. Brodie Hoare, a director of Lloyd's Bank (Limited); Mr. Walter Chamberlain, brother of the Right Hon. Joseph Chamberlain, Secretary of State for the Colonies; Lord Avebury (better known as Sir John Lubbock), a most eminent financier; Lord Eustace Cecil, son of Lord Salisbury; Mr. Trotter, the trustee and general manager of the London Stock Exchange; and many other influential gentlemen. In the rejoinder to clause 8 of my petition Mr. Blow says, again, that the accredited delegates were not sent Home on behalf of the Government, and I repeat we do not, and cannot say they were; but I should like to refer to what the Right Hon. the Premier has to say to that. On 16th October, 1894, he says,—

A Commission was appointed, and that Commission reported upon this work as to its payable character and other details, and an Act was passed giving power for a contract to be made. A contract was made, and representatives of the syndicate were sent to the Old Country. A company was formed upon their representation, supported as it was by the documentary evidence and by the report of the Commissioners, and the other information which had been collected by the representatives of the syndicate who were sent Home.

I say, Sir, that the company, under the circumstances, has done its best. That question was asked by the Right Hon. the Premier, and was answered by himself in 1894, when he said,—

Has the company, so far as it has gone, done its best in regard to the construction of this line? I say it has. Hence, I ask, why should we insist upon the company doing that which we know it is impossible for them to do? Shall we, as prudent men, take what the company can do? Under the circumstances, which are extraordinary, I say in doing that we should be reflecting credit upon ourselves as an Administration.

We have done our best, there is no doubt about that; but we have been unfortunate. Sir, the Right Hon. the Premier, in the House in 1894, when introducing the Midland Railway Contract Bill, made an eloquent appeal to members to pass the measure and do justice to the company. I will now take the liberty of quoting from that speech, altering the words (as inserted in brackets) in one or two places to meet the present conditions: "Under all the circumstances I say to members representing each and every part of New Zealand, if you carry these proposals [deal fairly

and equitably with these petitioners] you will find that they will be in the interests of the colony, you will remove a serious difficulty, you will leave untarnished the honour of the colony, and you will prevent litigation. Otherwise you will have the position of matters brought before the world by our friends at Home who, instead of being our friends and assisting us to maintain our credit in the future, will say that they cannot trust us, for when the opportunity was given us we failed to do what was right in the case of this company. I say that justice should be done, and if justice is done this Bill will be read a second time." [and if justice is done the colony will give fair and reasonable compensation to those who have sunk their money in the New Zealand Midland Railway Company (Limited).]

I.—HISTORY OF THE STATUTES AND THE CONTRACTS NOW IN QUESTION.

Mr. Bell: Before the Committee decided to first hear Mr. Dalston I had stated that it would be necessary to give a short history of this contract and the differences between the company and the debenture holders and the Government.

(a). *The Act of 1881.*

The Railways Construction and Lands Act of 1881 must first be referred to. The Committee will remember that in 1881 the Hall Government decided to encourage the construction of certain lines of railway by private enterprise. The District Railways Acts had not led to satisfactory results, and a new method was sanctioned by Parliament. "The Railways Construction and Lands Act, 1881," may be summarised thus: The Governor was empowered to contract with a company for the construction of a railway which must connect with some other railway constructed by the Government. The company was to receive in addition to its ownership of the railway—(1) a free grant of all Crown land necessary for the railway itself; (2) grants of land in aid; and (3) rating powers, subject to certain conditions. The grants of land in aid were to be provided as follows: (a.) When the company was formed, the Governor was to set aside an area of Crown lands for a distance not exceeding fifteen miles on each side of the railway. (b.) When the contract was made the area so set apart was to be surveyed into rectangular blocks, none having a frontage to the railway exceeding one mile. (c.) The cost of the railway was to be estimated for the purposes of the contract, and the value of the land set aside was to be estimated at the same time, without any regard to any prospective addition, or the construction of the railway. The railway was to be divided into sections with a proportion of the estimated cost set against each, and upon the completion of each section the company might select in alternate but not in consecutive blocks an area of land equivalent to 30 per cent. of the estimated cost of the section completed. (d.) If coal was found in any land so granted the company was to pay a royalty per ton on all coal raised therefrom. Provisions empowering the Governor to purchase the railway on certain terms are contained in sections 114 to 120. Part III. of "The Railways Construction and Lands Act, 1881," comprising sections 52 to 76, relates to borrowing by the company. The provisions of those sections in the Act of 1881 are identical in effect, though not in language, with the sections that replace them in the later Act of 1884. I have to ask the indulgence of the Committee while I refer to three of the borrowing sections of the Act of 1881.

Section 52 provides that "Any company may . . . borrow and take up at interest . . . sums of money; and for the purpose of securing payment thereof, with interest in the meantime, may convey, assign, or otherwise charge the railway and the whole or any portion of the lands granted, or to be granted, to it under Part V. of this Act, or such part thereof as may be agreed upon, with all usual and necessary powers and remedies to the mortgagee, including a power of sale in case of default . . . 'Mortgage' includes mortgage-debentures and coupons . . . 'Mortgagee' includes the holder of any mortgage-debenture." Thus, the Act of 1881 empowered a company to assign its railway, with power of sale in case of default, giving full remedies to its mortgagees and debenture-holders.

Section 53 required that every mortgage-debenture issued should be in the form in the Third Schedule, or to the effect thereof, and in that form any liability of the colony is expressly negatived.

By section 58 it was provided that "The principal and interest secured by any mortgage over a railway shall be a charge not only over the railway, but over everything pertaining thereto, or upon such part or parts thereof as shall be expressed in the mortgage, and, subject to any special provision in that behalf to the contrary, every such mortgage shall be a charge upon the prospective grants of the fee-simple of and in the land upon which the railway is constructed, and to which the company may be entitled under this Act or any contract made thereunder."

Section 62 provides that "No claim of any mortgagee, or of any creditor of any company, shall attach to or be paid out of the public revenues of New Zealand or by the Government thereof."

Sections 67 to 72 conferred on the mortgagees power to apply to a Judge of the Supreme Court for the appointment of a Receiver, and for an order for sale in case the company made default in payment of principal and interest.

Up to that point the Act had given ample powers and great concessions to the contracting company and its mortgagees, subject only to the requirement that the mortgagees must be expressly notified that their debentures gave them no claim upon the colony. Any one would then expect to find the usual provisions for the protection of the contractee in case the company made default. These are contained in sections 123, 125, and 126 of the Act. Section 123 provides,—

The Governor shall have and may exercise the powers hereinafter set forth in the cases therein provided for:—

- (1.) In the event of any unreasonable or inexcusable delay by the company in the prosecution of the works connected with any railway, or in the event of the company, after the completion of the said works in whole or in part, so that the whole or any complete part or section of such railway may be used for the purposes of traffic, failing or neglecting for the space of twenty-one clear days, without reasonable excuse, to run trains at the times and in the manner fixed and determined by or in any regulation to be made by the Governor under this Act; or
- (2.) If the company shall, in the opinion of the Governor, commit or suffer a wilful breach of any contract made with the Governor in Council or the Governor under this Act:

The Governor may take possession and assume the management of such railway, and, if he think fit, complete the same, and conduct the traffic thereon, charging the company with all outlay and expenditure which may be entailed, and crediting the company with all earnings and receipts.

In such event, there shall be paid by the company to the Governor, and by the Governor to the company, the balance which shall thereafter be found to be due from the one to the other of them from time to time, the accounts being computed and rendered at intervals of not less than six calendar months, or the Governor may restore possession of the railway to the company, or waive any breach in any contract as aforesaid, upon such terms and conditions as he may think fit.

Any action taken under this provision shall not prejudice any security taken for the due performance of a contract by any company, as hereinbefore provided.

Section 125 provides,—

If the company, for the space of one year after the Governor has taken possession as aforesaid, shall fail to repay all sums of public money which have been expended in or towards completing the said railway and the equipment thereof, and all sums of public money which shall have been expended on the repair or management of the railway or in connection therewith in excess of the receipts therefrom, it shall be lawful for the Governor, at any time after the expiration of the one year, to give three months' notice to the company that he intends to retain the railway as Government property.

Section 126 provides,—

On the publication of an Order in Council at any time after the expiration of the said three months, to the effect that possession has been taken as aforesaid and will be permanently retained by the Government, the said railway and stations, and all plant, equipments, and appurtenances belonging thereto, shall, unless a satisfactory arrangement be in the meantime made between the Government and the company, become and be absolutely vested in Her Majesty the Queen, without any conveyance or transfer whatsoever.

Having thus put before the Committee the scheme and provisions of the Act of 1881, I venture to ask whether any ordinary man of business would not expect that some provisions to the effect of those contained in sections 123 to 126 would be contained in any such statute and govern any contract made under it. Suppose a railway company contracts under the Act to construct a line from point A (which must connect with a Government line) to point D, passing through points B and C. The company finds that the railway from B to C can be easily constructed on the level, but that from A to B and from C to D there are expensive engineering difficulties. Further, it finds that the railway from B to C will, when constructed, be run at little working expenses, while between A and B and C and D the working expenses will be abnormally high; and that the line from B to C will pay some interest without the connections, and a high rate if the connections are made. It therefore constructs only the section of the railway from B to C, gets a free grant of the land on which it so constructs it, and takes its full land-grants in aid on the estimated cost of that section, selecting of course the best of all the land set aside, and then turns to the Government and says "We have finished, and shall do no more. The line from B to C is ours; and you can go on and finish from A to B and from C to D at your own expense, and provide traffic for our line. The railway from A to D will be broken into three parts, of which we own the middle, and you must pay us toll at both ends." That is precisely and exactly the position which the petitioners assert they are entitled to maintain. Is it not manifest that every person who gave a moment's consideration to such a position, including the company and every person dealing with the company, would expect that such a method would be prevented by some provisions of the statute which gave the company its running powers? But the same Act which confers the necessary powers on the Governor contains the borrowing powers to which I have referred, and confers all necessary powers on debenture-holders of the company. Could any one reasonably suppose that mortgagees could prevent the Governor from exercising the powers conferred for the protection of the colony, and for enforcement of the contract? If that were so, then a company could, by simply issuing debentures, defeat all the provisions inserted for the protection of the colony, and under cover of its debenture-holders hold safely the line from B to C and laugh at the power of the Governor. And if such a company had but a small share capital, and that paid up in full, so that it could not suffer in any action for damages since there was no liability on its shares, and its property was mortgaged to its full value, then its position would be unassailable. Yet, again, that is precisely and exactly the position which the present petitioners assert to be equitable; which they contend they had every reason to believe would be theirs, and which it is morally wrong of the colony to deny them. I by no means ignore the fact that they specially rely on the provisions of the Act of 1884, which I shall next examine. But they must be forced to admit that if my present contention is correct—namely, that any reasonable man would expect to find, and no reasonable Parliament could omit, such provisions as are contained in sections 123 to 126 of the Act of 1881—then they cannot assert any equity founded on their own carelessness, if they ever read the Act of 1884, in ignoring the facts that the Act of 1881 is referred to in the Act of 1884 as "the principal Act," and that a power of the Governor to take possession, and a liability of the company to forfeiture of its rights are referred to in the contract, and in their own debenture trust deed, and on the back of their own debentures.

The Act of 1881 required that any contract must be laid before Parliament before ratification, except—section 15—certain lines mentioned in the First Schedule. One of those is Belgrove to Nelson Creek, and the other is the East and West Coast Middle Island line. Both are mentioned as complete lines from point to point, though the second is by a different route from that ultimately adopted.

(b.) *The Act of 1884.*

After the passing of the Act of 1881 a Railway League was formed by the people of Canterbury and Nelson and the West Coast for the purpose of promoting the construction of railways connecting the coast with Nelson and Christchurch; and when the Stout Government came into power in 1884 they brought down the Bill which passed as "The East and West Coast (Middle Island) and Nelson Railways and Railways Construction Act, 1884." That Act from beginning to end refers to and declares its provisions to be subject to those of the Act of 1881, and it purports *only* to authorise construction under the Act of 1881. I must trouble the Committee with proof, by references to various provisions of the Act. The title is "An Act to authorise the construction of the East and West Coast (Middle Island) Railway under 'The Railways Construction and Land Act, 1881,' with certain modifications and extensions of the said Act; also of a Railway to connect Nelson with the said East and West Coast Railway, and to authorise the construction of the Pataruru and Rotorua Railway."

I pause here, Sir, to state to the Committee that they will find hereafter the debenture-holders saying that the Act of 1881 is what they call a "General Act," and that the Act of 1884 was passed only to specially authorise the railway they contracted to construct. That is incorrect. The Act of 1884 was passed primarily with reference to the line to connect Canterbury with the West Coast, and has no more special relation to the other part of the contract work—namely, that from Nelson to Lyell—than it has with the line from Putaruru to Rotorua. There is no such distinction between the Acts of 1881 and 1884. Both are public general statutes, and the second expressly purports to amend and extend the first. As a fact, the Act of 1884 does not treat as one, but as two, the railway which they undertook to construct, that from Springfield to Nelson; and it has no more to do with railways specified in the contract than it has with the construction of the line from Putaruru to Rotorua. And, further, the contract actually made with the company contains provisions not authorised by the Act of 1884, but sanctioned by subsequent legislation. On every ground, therefore, it seems absurd for any shareholder or debenture-holder to contend that he was entitled to shut his eyes to everything not set out at length in the Act of 1884.

But, as I have already said, any such person reading the Act of 1884 would find in its title a reference to the Act of 1881 as the empowering and principal Act. In section 2 he would find this definition: "'The Principal Act' means 'The Railways Construction and Land Act, 1881,' and all its amendments, including this Act, unless where special reference is made to any particular section when it shall mean the Act of 1881 only.'" Section 3 is an amendment of section 118 of the principal Act, by omitting the word "seven" and substituting "ten." Section 4 begins, "Notwithstanding anything contained in 'The Railways Construction and Land Act, 1881,' the Governor in Council may . . . contract under the provisions of the principal Act with any company," &c. And later in the same section 4 there are three separate references in three distinct paragraphs to "the principal Act." Section 6 confers upon the company its powers to construct the railway, not by setting out those powers, but by incorporating by reference Part II. of "the principal Act."

The petitioners cannot point to any power under the Act of 1884 alone enabling them to purchase land for the construction of the railway, to construct the railway, or to work the railway when constructed; they are forced to go to the Act of 1881 to ascertain their powers and duties. I do not wish to weary the Committee by going too minutely into these provisions, but I must point out that sections 17, 18, and 22 of the Act of 1884 also refer to the Act of 1881 as the principal Act. But the petitioners reply that all the borrowing clauses of the Act of 1881 were repealed, and new ones provided. Section 18 makes this provision, and is in the following terms:—

For the purposes of the foregoing provisions of this Act, sections fifty-two to one hundred and six, both inclusive, and sections one hundred and twelve and one hundred and thirteen of the principal Act relating respectively to the borrowing of money, the rating of lands, and the concession of land to a company, shall be deemed to be repealed, but otherwise the principal Act shall have full force and effect in respect of the railway to be constructed under the authority of this Act, and the company constructing the same, except as herein is specially provided in modification thereof.

Well, Sir, if the petitioners did not read the Act in which section 18 appears, then they cannot rely upon the Act to support their claim that they were misled by it; and if they did read it, then they could not fail to know that the application of the whole of the unrepealed provisions of the Act of 1881 was specially emphasized, and that certain privileges were conferred and certain duties exacted by it. It is true the borrowing clauses of the Act of 1881 were repealed, and replaced by the borrowing clauses of the Act of 1884, but the replacing clauses were very much to the same effect, if not in the same language, as those repealed. The words "first charge" are used in section 13 in lieu of the word "charge" in section 58 of the Act of 1881. But that constitutes no difference between the two. A charge first in order of time is a first charge. A first charge is a charge having priority to other charges. I quote here from the recent judgment of the Privy Council in the Midland Railway case. Their Lordships say: "But the main argument was rested on the declaration that the debentures should be a 'first charge' on the railway. It was contended that these words made the claim of the debenture-holders paramount to the rights of the Government. But the answer is that the right of the Government under sections 125 and 126 of the Act of 1881 is not a charge on the railway, and does not interfere with the priority of the charge in

favour of the debenture-holders over other creditors of the company. The right of the Government is the right, in case of default on the part of the company, to take possession of the railway or retain it as Government property."

There are one or two variations from the provisions of the Act of 1881, as to debentures and the rights of debenture-holders, which should be noted. Firstly, section 9 of the Act of 1884 authorises only the borrowing of money *necessary for completing the construction of the railway*, and only for that purpose authorizes the issue of debentures. Secondly, section 12 of the Act of 1884 allows the debenture to be in any form, but expressly requires that on its face it should state the provisions of section 11—that is, that no debenture-holder should have any claim upon the colony. I think I had better read section 11 and the provisions with regard to it in section 12. Section 11 provides—

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.

Then, section 12 provides,—

Every debenture issued under this Act shall be in such form as the company or the agents aforesaid may from time to time approve, and shall be numbered consecutively so that no two debentures shall at any time bear the same number, and shall be for a sum of not less than one hundred pounds each.

The provisions of the last-preceding section shall be stated on the face of each debenture and coupon respectively issued under this Act.

The Committee will find later that the debentures which this company have issued, at all events of its first and only important issue, do not comply with the provisions of the Act of 1884, and this fact enforces the argument I have used, that either the holders did not read the Act upon the provisions of which they now contend they relied, or they did read it, and in that case they accepted debentures in a form prohibited by the provisions of the Act. The company also either never read the Act, or deliberately issued securities in defiance of its provisions. In either aspect the debenture-holders have been offered and have accepted such security as the company had to offer them, and no more.

Dr. Findlay: That point has never been raised by the Crown either in the Supreme Court or in the Privy Council.

Mr. Bell: It was referred to in the Supreme Court by *Dr. Findlay* himself, but it was a matter of no importance to the legal argument. The question I am now dealing with is whether the company or its assignees have any ground for founding arguments upon phrases in a statute whose provisions they deliberately—and I think I can show that their action in this was deliberate—refused to comply with. I have been led into comments upon this matter in anticipation of the more detailed argument I shall have to present later on; but I wish the Committee to understand, whenever a charge of want of good faith on the part of the colony appears, the nature of the proposed reply to it. I have dealt with two of the variations in the Act of 1884 from the Act of 1881. The third is that while section 52 of the Act of 1881 might be understood as authorising a mortgage of a portion of the line, section 13 of the Act of 1884 expressly provides that all debentures shall be a first charge upon the entire assets of the company, including the railway and everything pertaining thereto. The security of the debentures is to be on the whole assets of the company, and no issue of debentures is authorised by this Act which profess to give security on a part or parts of the railway, or other property of the company; yet the debentures which they issued purported to give a security over specific parts of the railway. The Committee will find that this further defiance of the statute is one circumstance upon which the petitioners have relied in support of their claim to hold a part of the railway without performing the contract.

(c.) *The Contracts and the Formation of the Company.*

Under the Act of 1881, as modified by the Act of 1884, gentlemen resident in Christchurch and Nelson entered into a contract with the Government. This contract was dated the 17th January, 1885, and will be found set out at length in the First Schedule to the amendment Act of 1886. It had attached to it maps marked A and B. Plan B is identical with the subsequent plan B 1. I have had a copy of map B 1 prepared, as the B 1 values are so often referred to, and I should like to explain what is meant by it, so that members of the Committee can understand it. The land tinted blue is the land which was reserved for the contract of 1885, and remained reserved under the contract of 1888, and has been reserved ever since. The area marked red is the land which the company has selected. I think *Dr. Findlay*, in the course of his speech, said the land selected was increased in value by the construction of the railway; but the Committee will notice that the company have carefully avoided choosing land alongside the railway, and have taken it along the slopes of the Canterbury hills. The B 1 plan is thus explained: The Committee will recollect that the Act of 1881 required that when a company is formed a reservation shall be made of large areas of land within which the company may select alternate blocks with the Government. The provision that the Government should have an alternate right of selection is contained in the first contract, and remained until 1887, when the present contract was being negotiated for. That particular right of the colony was eventually given up. It was a concession which this company asked for and obtained, that it might take its land in blocks, not alternate but consecutive. The land was estimated, as the Act required, at its bare prairie value, and the contract authorised the syndicate to select at that price 50 per cent. of the estimated cost of each section completed, as provided by the Act of 1884, in lieu of 30 per cent. as had been previously provided by the Act of 1881. Further, the company was to be entitled to any coal found on its land without paying any royalty. The estimate of cost made for the contract of 1888 was as follows:—

STATEMENT showing the Proportion which the Estimated Cost of Construction of the several Sections of the said Railway bears towards the Sum of £2,500,000. (To be further detailed, with all convenient speed, as regards Sections 1 to 10 and 25 to 35 inclusive.)

No. of Section.	From-To	From	To	Length of Section.	Estimated Cost.	Proportionate Cost.
1-10	Springfield-Jackson's	M. ch. 0 00	M. ch. 64 20	M. ch. 64 20	£ 1,296,500	£ 1,296,500
11	Jackson's-Paeroa	64 20	67 50	3 30	34,100	34,100
12	Paeroa-Laketown	67 50	72 50	5 00	21,300	21,300
13	Laketown-Hohonu	72 50	77 30	4 60	33,500	33,500
14	Hohonu-Summit	77 30	80 70	3 40	26,400	26,400
15	Summit-Tunnel	80 70	85 45	4 55	32,300	32,300
16	Tunnel-Kokiri	85 45	88 10	2 45	18,200	18,200
17	Kokiri-Brunnerton	88 10	94 17	6 07	37,700	37,700
	Total—Springfield to Brunnerton	..	..	94 17	1,500,000	1,500,000
18	Stillwater-Nelson Creek	0 00	7 15	7 15	63,000	47,400
19	Nelson Creek-Ahaura	7 15	12 55	5 40	35,000	26,300
20	Ahaura-Totara Flat	12 55	17 55	5 00	26,000	19,600
21	Totara Flat-Ikamatua	17 55	22 15	4 40	33,000	24,800
22	Ikamatua-Mawheraiti	22 15	28 35	6 20	37,000	27,800
23	Mawheraiti-Slab Hut	28 35	33 05	4 50	24,000	18,000
24	Slab Hut-Reefton	33 05	38 35	5 30	57,000	42,900
25-35	Reefton-Belgrove	38 35	140 63	102 28	1,055,000	793,200
	Total—Stillwater to Belgrove ..	..	..	140 63	1,330,000	1,000,000
	Grand total—Springfield to Belgrove	..	..	235 00	2,830,000	2,500,000

Agreed in accordance with clause 24 of contract entered into between Her Majesty the Queen and the New Zealand Midland Railway Company (Limited).
Dated 3rd August, 1898.

WM. F. D. JERVOIS,
Governor of New Zealand (on behalf of Her Majesty the Queen).

H. ALAN SCOTT,
General Manager, New Zealand Midland Railway Company, Limited
(on behalf of the company).

Early in 1887 certain gentlemen, called in the company's petition "accredited delegates," went to London to obtain capital to carry out the contract. I do not understand that it is contended by Mr. Dalston that they were accredited by the Government, or in any sense by the colony.

Throughout the time I am speaking of, and for some time previously, the questions of the construction of the lines, and of the modifications which it might be fair to make in the contract, were the subject of frequent discussion in Parliament and on the platform, and many public men expressed their belief that the railway, if completed, would prove profitable. Some of those men are now dead, but those who survive are, I believe, of the same opinion now, and many agree with them. The correctness of their view has never been tested, the lines have never been constructed, the connections of coast to coast have never been made, there has been no through traffic of any kind. The conditions of trade and traffic remain exactly the same as they were before the contract was made, except that all settlement has been prevented by the reservation of land for the benefit of the contractors. I only refer to the speeches of public men because Dr. Findlay has done so. Obviously the colony is not responsible for the accuracy of such opinions if they could be proved to be wrong. But it will be made manifest later on: firstly, that no such matter forms or can form the ground of the present complaint of either the company or the debenture-holders; secondly, that the company acted on reports of its own officers, and was entirely satisfied with its prospects from the beginning; and, thirdly, that at the time of the first debenture issue, three years had elapsed since the formation of the company, and three sections of the line had been completed by the company at a cost of over £200,000, and, therefore, that the company which issued the debenture prospectus was in the fullest possession of all information as to its position and prospects.

Early in 1886 the New Zealand Midland Company was formed with a capital of £500,000, a first issue of shares to the amount of £250,000 being made. Of course the company had the usual power to increase its capital from time to time. Considering that the contract work was estimated to cost £2,830,000, it is obvious that in its initiation the company made no proper provision of capital, and the Committee will find that that non-provision of sufficient capital by the company, beginning then and continued afterwards, is the reason, and the only reason, why the contract work has not been carried out. They contracted to find the money to complete the railway. They did not find it; and they have sought, and are seeking, to make the colony answerable for the consequences of their default.

By deed, dated the 14th May, 1886, Messrs. Chrystal and others assigned to the company just formed the benefit of the contract of the 17th January, 1885. The company asked for certain modifications of the contract. Part of the correspondence on the point will be found in the Second Schedule to the Amendment Act of 1886. In compliance with the company's request Parliament agreed to modify the provisions of the contract, and to empower the Governor to enter into a new contract so modified. Accordingly "The East and West Coast Railway Amendment Act, 1886," was passed. It is not necessary to refer specially to the provisions of that Act.

The company let contracts for three sections of the line in England without public tender, in the year 1886, and the construction of the railway was commenced by the contractors on the 24th January, 1887, and progressed steadily. I ask the Committee to observe the facts, that the company commenced its work on the 24th January, 1887, and that their contract was signed in 1888, and that at the time they signed the contract three sections of the railway were nearly completed. How, then, is it possible for the company to suggest that they did not know every circumstance of their position and prospects when they signed the contract? The Committee will observe that until August, 1888, no contract with the company had been signed. The company were the assignees of the Chrystal contract, with special provisions in their favour under the Act of 1886, and under that they expended large sums in construction. They had their own officers and servants in the colony superintending the works. Mr. D'Avigdor, one of the English contractors for construction, and a large shareholder in the company, came out to the colony. They had ample, and more than ample, opportunity for estimating the cost of the work they had undertaken and their prospects.

The contract which was finally entered into directly between the company and the colony bears date the 3rd August, 1888. The draft of the contract was considered by both Houses in the session of 1887. It was approved by "The Midland Railway Contract Act, 1887," and executed in August, 1888. At that time they had long finished the first three sections of the line, and they had other sections in process of construction. I here refer to an extract from the report of their first annual meeting. I may say the company have been good enough to give me access to their reports and balance-sheets, and I have had printed any portions that I wish to refer to. Of course, if they desire to have them printed in full, that will be done. This is the report of the meeting held on the 25th November, 1887, in which it is stated,—

Extract from First Report of the Midland Railway Company, dated 16th November, 1887, presented at General Meeting of the Shareholders held 25th November, 1887.

The construction of the railway was commenced on the 24th January, 1887, and the works have been making steady and satisfactory progress.

Since the last general meeting the Deputy-Chairman, Mr. E. Brodie Hoare, has visited New Zealand, and has inspected the country through which the line will pass, in company with members of the committee of advice in New Zealand, the engineers, Mr. H. Alan Scott (the manager), and others, and was well satisfied with the progress of the railway as an undertaking, and also with the value of the land to be granted to the company.

To this report and balance-sheet is appended a report by Mr. Wilson, dated London, 15th November, 1887, referring to the three contracts then in progress:—

Contract No. 1, Stillwater to Teremakau; length, 7 miles 41.25 chains: The report states that this will be completed in December, 1887.

Contract No. 2, Brunnerton to Stillwater: length, 1 mile 16 chains: This section was finished on the 15th September, with the exception of the wrought-iron girders over the Stillwater Creek, but these would be in place by the end of October, 1887, and the line ready for opening.

Contract No. 3, Stillwater Junction to Nelson Creek: length, 6 miles 67 chains; Report anticipates that this contract would be completed by the end of February, 1888.

And yet, Sir, it is still suggested that this company entered into the contract relying upon what they had read in the newspapers, and what public men had stated in the colony. The Committee thus finds that the company took the assignment of the Chrystal contract in May, 1886; then raised £250,000 of share capital; then entered into negotiations with the Government of the colony, and asked for and obtained concessions; then, in 1887 and 1888, spent £200,000 on construction; and, in August, 1888—more than two years after the assignment of the Chrystal contract—the company entered into the contract with the Government which is the subject of the present dispute, they having in the meantime had officers and servants in the colony, and full reports from them. Surely they cannot say they did not know what they were doing.

(d.) *The First Debenture Issue.*

I pass now to the issue of debentures. The company had begun work in the beginning of the year 1887, and in 1889 the first £250,000 of share capital was coming to an end, and it was necessary for the company to finance further. In addition to their share capital they had moneys coming from the proceeds of the land-grants, which they had obtained in respect of completed sections of the railway, and which land they had sold. But that also was at an end; and you will see from the reports that they had a very difficult task before them in raising money. They attributed their difficulty to the fact that New Zealand was not just then in favour on the London Stock Exchange. They issued a prospectus for the issue of debentures to the amount of £750,000, and raised the money at a heavy discount. This is, I repeat, nearly three years after the first assignment of the contract to the company, more than two years after the work of construction had been commenced, more than two years after Mr. Brodie Hoare's official visit, and some time after over £200,000 had been spent on the line. Further, they had obtained land-grants for a large area. In the year 1888 they had sold lands to the amount of £20,000; and in 1889 they sold 15,000 acres at a price realising 41 per cent. above the value at which they took it. Can it be said that they issued the debenture prospectus without knowing what their prospects were? I shall later on in my specific answer to the petitions have to refer in detail to the debenture issue, and the debenture trust deed executed at the same time, and I therefore pass from them in this narrative.

(e.) *The Work between 1889 and 1892, and the Commencement of Disputes.*

From 1889 on to 1892 the company proceeded fairly steadily with the work of construction on the portion of the lines between Jackson's and Reefton—all level and easily constructed portions. They asked for various concessions: a deviation to the eastern side of Brunner Lake; the substitution of the Abt incline for a tunnel at Arthur's Pass; and an extension of time for completion. The first two were conceded; the third was never formally granted, but it was always made clear that if due diligence were used and some guarantee given of ability to complete there would be no

difficulty in obtaining a fair extension of the contract time. I did not anticipate that could have been disputed, so I am not now prepared with the necessary references to documents to prove that such was the case; as far as my hearing went, the passage which Mr. Dalston read from *Hansard* from one of the Premier's speeches, shows that the Government never refused the company an extension of time if that was all they wanted; but when they were asked if that would be sufficient, the answer was it would be no good to them without a Government guarantee to help them out of their money difficulties.

In 1892 the company had exhausted the £250,000 share capital and the proceeds of the debenture issue of £745,000, and it found it could not raise more. The difficulty was a money difficulty pure and simple. They had not, and could not raise, money to go on. They approached Parliament by petition in 1892 asking for a Government guarantee for a further issue of debentures. They then contended that the action of the Government in respect of certain matters, which the Committee will find detailed in my speech on behalf of the company in the Appendices of 1892, had so damaged their prospects as to prevent them getting money on reasonable terms in the London market. Those contentions were disposed of by the arbitration. Mr. Blake decided upon them against the company, and, of course, Mr. Blake's decision is final in equity. Nothing was done by Parliament in 1892, and the company slowly proceeded with small portions of the work during 1892 and 1893, as far as its small balance of funds would permit. A further petition was presented to Parliament in 1893, asking for a Government guarantee of debentures in exchange for a surrender by the company of its land-grants, so as to set free the reserved area for settlement; but again without result, though the Committee recommended the modification upon condition that the company satisfied the Government that it was in a position to raise the money necessary to complete the contract. In 1894 a special Committee was set up by the House to consider the matter, and that Committee made the report which will be found set out in A.—8, 1894. (I may say here that I think the reports of the Committees of 1892, 1893, 1894, and 1896 should be printed in the appendix to the report of this Committee). A Bill was introduced into the House by the Government in the session of 1894 to give effect to this report, but was thrown out on the second reading.

(f.) *The Arbitration Proceedings and Possession of the Line taken by the Governor.*

The company then gave notice requiring that its differences with the Government should be submitted to arbitration under clause 47 of the contract of 1888, and appointed the late Chief Justice of Ceylon their arbitrator. In March, 1895, the Government appointed the late Chief Justice of Queensland its arbitrator. The two arbitrators appointed as their umpire Mr. E. Blake, Q.C., a member of the English House of Commons. The arbitrators differed as to the terms of the reference, and the whole matter was left to Mr. Blake, who made his two awards in December, 1895. Before I read the part of the awards material to this history, I must go back to the events which had happened in 1894 and 1895 relating to the railway itself, and I can do this best by reading the statement sworn to by Mr. Blow in his affidavit filed in the late proceedings in the Supreme Court:—

Extract from Mr. Blow's Affidavit, sworn 10th December, 1898, and filed in the Supreme Court.

5. Early in the year 1894 the company practically ceased all work of construction.
6. The position of the railway was then—
 - (a.) The company had actually constructed only 75 miles out of the 235 which it contracted to construct.
 - (b.) The sections of the line which the company had constructed—viz., from Brunnerton to Jackson's and Brunnerton to Reefton—were the least expensive portions, and the portions left untouched were by far the most expensive portions, of the work, the line constructed being over comparatively level land, whereas the portions between Springfield and the southern end of the constructed line and between Belgrove and the northern end of the constructed line were extremely mountainous, and railway-construction there consequently extremely costly.
 - (c.) According to the valuation made for the purposes of the contract the estimated total cost of the whole line was £2,830,000, and the valued total cost of the portion actually constructed by the company was £470,300. According to the statements of the company's officers the actual cost of that portion had amounted to over £700,000.
 - (d.) The company had declared its intention of refusing to construct the portion of the line from Belgrove to Reefton unless considerable further concessions were made to it, on the ground that such portion of the line could not be profitable when constructed, and the cost thereof would be excessive. For example, in 1895 (see Parliamentary Paper L.—8, page 13) the general manager and engineer-in-chief of the company, after making certain proposals for modification with regard to the line from Belgrove to Reefton, said, "If the Government cannot accept these modifications the alternative is to leave the works at Belgrove in their present unfinished state"; and at page 14: "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."
 - (e.) The company had either received land-grants or authorities for the issue of land-grants had been executed pursuant to the contract in respect of the constructed sections of the railway, and had sold and disposed of all or nearly all the land comprised in such grants and authorities.
 - (f.) The company alleged that by reason of matters which they claimed to have referred to arbitration they were entitled to various concessions, to compensation, and to an extension of the time for completion.
8. In the month of May, 1895, His Excellency the Governor, in exercise of the powers conferred by "The Railways Construction and Land Act, 1881," and especially of section 123 thereof, took possession of and assumed the management of the constructed portion of the company's line, and since then has conducted the traffic thereon, and has continued the construction of various sections thereof towards the process of completion of the line, and the Governor has from time to time rendered accounts to the company showing the amounts expended and received by him, and until recently the company has paid the sums claimed in the said accounts. The company has recently made default in payment of the sums claimed by the Governor, but no such default has yet been continued for the period of one year.
10. The Governor is now in possession of the constructed portion of the railway, pursuant to and in exercise of the powers conferred upon him as aforesaid. The railway-line from Springfield to Belgrove is a railway which has been recognised by several statutes of the colony as necessary for the public interests of the colony; for instance, the portion of it between Springfield and Reefton is included in the First Schedule to "The Railways Construction and Land Act, 1881."

11. The Governor has proceeded and is proceeding with the completion of the railway-line pursuant to the powers conferred upon him by "The Railways Construction and Land Act, 1881."

12. The Government of the colony has decided, so far as the matter is one for the determination of the Executive, that, on behalf of Her Majesty, they refuse to consent to the transfer of a small but integral part of a main colonial line of railway to the permanent control and possession of private individuals, leaving the remainder of the line to be constructed, worked, and controlled by the Government.

Reverting to the arbitration before Mr. Blake, the nature of the claims made by the company in two several references to him appears from his awards, which are as follows:—

The company claims as follows:—

1. That the undertaking of the company being work to be remunerated in part by land, as provided by clause 16 of the contract, the Queen, contrary to the provisions of the said contract, refused and prevented the exercise by the company of its rights of selection over large areas of land within the authorised area.

2. That if any lands were properly reserved under subclause (c) of clause 16, then the company was hindered and prevented in the exercise of its rights under clause 18 by being refused the right to the timber on such lands.

3. That the Queen has, in contravention of the contract, permitted and authorised the destruction and the removal of timber on lands available for selection, and thereby depreciated the value of such lands.

4. That the Queen, in contravention of the contract, refused to give effect to the requests of the company under clause 33 to sell or let lands within the authorised area in the Nelson and Westland Land Districts, on the western side of the main range of mountains.

5. That, the remuneration of the company being to the extent of £1,250,000 "B 1 value" in land (as the work of construction should proceed), the Queen (by and through the Parliament of the colony), by greatly increased and graduated taxation on land, imposed subsequent to the date of the contract and without any exception in favour of the lands over which the company had the right of selection, materially reduced the consideration of the contract and destroyed confidence in the undertaking of the company as a commercial enterprise.

6. That the Queen, by withholding for an unreasonable time consent to the deviation of the railway-line from the western to the eastern side of Lake Brunner, and to the substitution of the incline for the tunnel line at Arthur's Pass, delayed and prevented the company from proceeding with the works under the contract.

7. That the Queen, by further withholding for an unreasonable time consideration of the application of the company for an extension of time under clause 42 of the contract, prevented the company from raising the capital necessary to complete the railway and to perform its other obligations, and to realise the benefits and rights conferred on it by the contract.

8. That the Queen, in derogation of the contract, by and through the Executive of the colony, and particularly by the false and defamatory statements by the Minister for Public Works in October, 1892, before a Select Committee of the House of Representatives (which statements became a part of the public records of the colony), made it impossible for the company to raise the capital necessary to complete the railway and to perform its other obligations, and to realise the benefits and rights conferred on it by the contract.

9. That the company, being formed for the purpose of constructing a railway on the system of land-grants as provided by "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884," and as expressed in the contract between the parties, and being thus known to the Queen as a company which would have to raise money from time to time by share or debenture capital, or both, to enable it to carry out the contract, was by reason of the premisses prejudiced and prevented from raising the capital necessary to complete the railway and to perform its other obligations, and from realising the benefits and rights conferred on it by the contract.

That by and in relation to the foregoing matters the credit of the company has been destroyed, and consequently it has been prevented from completing the railway, and that thereby it has lost the whole of the share capital subscribed, together with the profits reasonably to be expected thereon, and has lost the whole of the debenture capital raised and expended with interest thereon, and also other moneys and credits, amounting to the sum of £1,584,900, which sum the company accordingly claims to recover from the Queen.

And whereas the said arbitrators disagreed finally respecting the matters comprised in the first reference, and on the 29th November, 1895, notified to me such disagreement, whereby the matters so comprised came before me as umpire for award and determination:

Now know ye that I, the said Edward Blake, having taken upon myself the burden of the first reference as umpire, and having been attended by the parties and their witnesses, and heard and considered the allegations and proofs of the parties, do make this my award and determination in writing of and concerning the premisses in manner following, that is to say:—

(a) I find and award that the company has not any claim against the Crown, or any right to recover any sum of money from the Crown in respect of the premisses:

(b) I award that each of the parties shall bear and pay their own costs of the reference, and that as between themselves each of the parties shall bear and pay the fees and expenses of the arbitrator nominated by such party (which fees and expenses are included in the costs and charges of my umpirage and award); and that as between themselves each of the parties shall bear and pay one half of the remaining costs and charges of my umpirage and award.

As witness my hand at Wellington, New Zealand, this 24th day of December, A.D. 1895.

EDWARD BLAKE.

Signed and published on the day and year last above mentioned, in the presence of—S. O. Blake.

The company claims as follows:—

1. That, the undertaking of the company being work to be remunerated in part by land, as provided by clause 16 of the contract, the Queen, contrary to the provisions of the said contract, refused and prevented the exercise by the company of its rights of selection over large areas of land within the authorised area.

2. That the Queen has, in contravention of the contract, permitted and authorised the destruction and removal of timber on lands available for selection, and thereby depreciated the value of such lands.

3. That, the company being entitled to select, under the provisions of the contract, land to the amount of £19,304, and having given notice in that behalf, the Queen, by the Minister for Public Works, on or about the 20th day of April, 1895, refused to allow the company to exercise its rights.

4. That, the company being entitled to select lands, the Queen, under agreement with the company, having sold certain such lands, being those described in the B1 map as "Nelson Towns, Reefton" (196 sections in number), and having received the proceeds thereof (the particulars of which have been refused to the company), has, in contravention of the contract, refused to pay over the same to the company.

5. That the Queen, on the 25th day of May, 1895, in contravention of the contract, and without any due or proper cause, took possession and assumed the management of the railway, then in the possession of the company and wrongfully converted the same to her own use.

That by and in relation to the foregoing matters the company has lost the entire benefit of the contract and all the expenditure thereunder. Whereof the company claims to recover from the Queen the sum of £1,817,900, together with interest at 5 per cent. per annum upon £845,000 debenture capital from the 14th day of January, 1895, till the date of award.

And whereas the said arbitrators disagreed finally respecting the matters comprised in the second reference, and on the 29th day of November, 1895, notified to me such disagreement, whereby the matters so comprised came before me as umpire for award and determination: And whereas I did, on the 2nd day of December, 1895, by writing signed by me, duly enlarge the time for making my award under the second reference until the 30th day of January, 1896: Now know ye that I, the said Edward Blake, having taken upon myself the burden of the second reference as

umpire, and having been attended by the parties and their witnesses, and having heard and considered the allegations and proofs of the parties, do make this my award and determination in writing of and concerning the premisses in manner following, that is to say:—

- (a.) As to the claims numbered 1 and 2, I find and award that the company has not any claim against the Crown, or any right to recover any sum of money from the Crown in respect of the said claims:
- (b.) As to the claims numbered 3 and 4, I certify that the parties have consented and agreed before me, and I find and award, that the company is entitled to exercise the right of selecting under the provisions of the contract blocks of land up to the B1 value of £21,066, and is entitled in *pro tanto* satisfaction of the exercise of such right of selection to take the proceeds of the sales which have been made by the Queen of Nelson Towns, Reefton, lands now in Suspense Account, the lands sold being charged to the company at the B1 value thereof:
- (c.) As to the claim numbered 5, I certify that it was declared and agreed by the company during the second reference that my powers under the arbitration clause were limited to and were in fact those which would have been vested in a Judge of the Supreme Court on an application under the 124th section of the Act of New Zealand, 45 Victoria, number 37 (1881), and that no claim for damages could be maintained in the premisses; and I find and award that there was such unreasonable and inexcusable delay by the company in the prosecution of the works connected with the railway, and also that there was on the part of the company such a wilful breach of the contract between the company and the Queen, as on either ground to justify the exercise of the power of the Governor to take possession and assume the management of the railways; and that, in my opinion, the power conferred by the 123rd section of the said Act was rightly exercised; and I find that the company has not any claim against the Crown, or any right to recover any sum of money from the Crown in respect of the said claim numbered 5:
- (d.) And I certify that each of my findings hereinbefore stated, and lettered (a), (b), and (c), is a separate and distinct finding upon the matters therein comprised, and is in no way dependent on any other of such findings:
- (e.) I award that each of the parties shall bear and pay their own costs of the reference, and that, as between themselves, each of the parties shall bear and pay the fees and expenses of the arbitrator nominated by such party (which fees and expenses are included in the costs and charges of my umpirage and award); and that, as between themselves, each of the parties shall bear and pay one-half of the remaining costs and charges of my umpirage and award.

As witness my hand at Wellington, New Zealand, this 24th day of December, A.D. 1895.

EDWARD BLAKE.

Signed and published on the day and year last above mentioned, in the presence of—S. O. Blake.

(g.) *The Possession by the Governor, and Expenditure towards Completion of the Railway.*

From the year 1895 on, the Governor under his powers worked the railway so far as it was constructed, and proceeded with work in completion of the railway, and delivered half-yearly demands to the company for payment of the outlay and expenditure entailed as required by the statute, giving credit for the net results of the working. The company or the debenture-holders met the first four of such half-yearly payments, viz.:—

Amount.			Demanded.	Paid.
£	s.	d.		
4,463	17	0	28th May, 1896	1st October, 1896.
12,845	5	6	16th October, 1896	27th January, 1897.
6,954	8	0	21st April, 1897	27th August, 1897.
13,613	4	7	22nd October, 1897	26th January, 1898.

Neither the company nor the debenture-holders have repaid to the Governor any part of the expenditure incurred by him in completing the railway since October, 1897, amounting to over £160,000.

(h.) *The Debenture-holders' Petition to Parliament.*

The company's grievances having been disposed of by Mr. Blake's award, the debenture-holders, who were not parties to that award, next come on the scene. Mr. Blake's award had disposed of the company's claims, one being that the Governor was not justified in taking possession of the railway. Mr. Blake found the Governor to be justified in the action he took, the company having been guilty of wilful default, and of gross breaches of the contract. Then the debenture-holders began to make claims upon the Government. Mr. G. B. Parker, who had been appointed Receiver by the trustees of the debenture trust deed, came out to the colony in 1896 and presented a petition to Parliament, Mr. F. Chapman appearing for him. The debenture-holders then raised several matters, which I shall endeavour later on to define and specifically meet. The company presented a petition at the same time. (See I.—7 and I.—7A, 1896.) Mr. Parker declined to admit that the debenture-holders had no redress at law, and Parliament declined to interfere. In 1898 the debenture-holders commenced proceedings in the Supreme Court of New Zealand, and obtained the appointment of Mr. Coates as Receiver. Through him they claimed to put the Governor out of possession, and to sell the portion of the railway constructed by the company, and also the rolling-stock and plant. The Supreme Court held that they were not entitled to anything of the kind. The Court of Appeal of New Zealand affirmed the decision of the Supreme Court, and in February of the present year the Judicial Committee of the Privy Council affirmed both judgments, and indorsed the reasons given by New Zealand Judges.

In 1899, in the interval between the judgments of the Supreme Court and of the Privy Council, and while the litigation was still pending, a violent campaign against the colony, impugning its credit and good faith, was carried on by the debenture-holders and their solicitors, both in the public Press and in their petition to the Stock Exchange. That I shall deal with later on.

II. DIVISION OF THE CLAIMS PUT FORWARD BY THE PETITIONERS INTO TWO SEPARATE CLASSES.

Such, sir, is the history of the case, and I now wish to state the grounds on which we understand the claims of the petitioners are founded. The Committee will find that the "equitable and moral" grounds upon which the petitioners found their claim can be classified under two heads. It is important that the two classes of claims should be kept separate and distinct before the Committee and the public. Under the first class they claim relief as persons injured by acts and conduct of the Parliament and Government of the colony, and by innocent reliance upon representations made to and acted on by them, the representations being made under circum-

stances such as to render the colony morally liable. Under the second class they claim that with their money a part of a large public work has been constructed, which part has passed to the possession of the Crown, and that the Crown ought therefore, in fairness, to pay the value of the work. The two classes are essentially different. If the petitioners could establish the contentions they advance and the alleged facts upon which they rely in support of the first class, every one would feel that their injuries must be recompensed. Whether it be put as a legal demand or as a moral and equitable right, the several allegations of the petitioners necessarily involve an attack upon the honour and good faith of the colony, and must be dealt with and refuted specifically, and, I trust, finally. The second class of claim is of an entirely different kind. Assuming that in its nature it forms a fair subject for equitable consideration by the Committee, two questions will arise which will have to be dealt with: First, what is the true value of the constructed portion of the railway for this purpose—whether (a) the market value, or (b) the assumed value to the colony as part of a main line of railway; and, secondly, must there not be deducted from such value, however estimated, (a) the moneys received by the petitioners from land-grants, and (b) the damages suffered by the colony by the conduct and default of the contractors.

When I come to deal with the latter branch I am sure the Committee will be surprised at the amount of settlement which it can be proved by the number of applications which have been refused would have taken place, and of the valuable land and timber which has been tied up for fifteen years through the default of this company. We have a claim also for damages against the company in that they did not confer upon Nelson, and upon the Coast, and upon Christchurch, the benefits which they had contracted to supply. But I must first deal with the first class of claim. I shall endeavour to be as brief as possible, but it is a very serious matter—serious for this reason: that it has always been difficult to meet this class of claim on fair and level ground. The ground is constantly shifted. The Government may meet a particular charge or claim they make, and demolish it, and yet years afterwards it may come up again. I will give an instance which will show how necessary it is to try to define the claims first, and then to reply to and meet them one by one. In 1896, when Mr. Parker, for the debenture-holders, first presented his claim to Parliament, he felt, and his counsel Mr. Chapman also felt, extreme difficulty in asserting that the colony had any responsibility for the debentures which were issued in 1889. They, however, asserted that the sanguine prospectus was issued with the approval of the Government of New Zealand, through their Agent-General; that the then Agent-General had seen and approved of the prospectus and debentures; and that he had expressly or impliedly agreed to the omission from the debentures of the declaration required by the statute that no liability was incurred by the colony. They said that the Agent-General at first proposed to be a trustee, and that the reason why the debentures were not in the form required by the statute was that the Agent-General approved of them in their issued form. Later on Mr. Blow, who conducted the case for the Government in 1896, produced documentary evidence proving incontestably that the Agent-General had not approved either the debentures, the prospectus, or the debenture trust deed; and Mr. Chapman formally and fully withdrew his contention before the Committee of 1896. And yet last month we hear by cable that the same contention has been repeated by the debenture-holders in the public Press, and the present Agent-General is again engaged in rebutting that charge. That is only an illustration, but it is a forcible illustration of the difficulty we have in disposing of such charges. I hope now to be able to collect all the charges and meet them once and for all.

(a.) *Illustration of a Charge made, refuted, and withdrawn Four Years ago, and now repeated.*

The following is the recent cablegram from the Agent-General:—"London, 21st May, 1900.—Premier, Wellington.—Letter published in *Times* states that Bell, as Agent-General, personally approved debenture prospectus, and trust deed Midland Railway Company." The following extracts from the Appendix I.—7, 1896, show how the same statement was made and refuted in the year 1896:—

Mr. Chapman: For some reason, I cannot say why, Sir Francis Bell did not act as trustee. The deed was actually drawn putting his name in as trustee; his name was, I am told, in the draft prospectus, but he did not act so far as I know. But he contemplated acting; he consented to act, and the Government of the day gave their consent to his acting; he perused the trust deed and also the prospectus. That subject was mentioned by Mr. Salt in his evidence before the arbitrator, and, it would seem, showing that any trustee would have to approve the prospectus. [*Vide Arbitration Evidence, page 178, D.—4B, 1896, Questions 574 to 579.*] It was also referred to in Mr. Hutchison's opening address (page 22); it does not appear to be a matter disputed. [NOTE.—After hearing the correspondence read which Mr. Blow produced, Mr. Chapman admitted that the Agent-General had not approved the prospectus and trust deed.] This is the most important part of the prospectus: "The present issue of debentures is made (1) to extend and equip the line to Reefton, about forty miles, in all about sixty-four miles of railway." [See Exhibit B.] I call particular attention to the statement that the railway is already constructed out of the first issue of capital, including rolling-stock; that the railway is to be equipped and constructed, according to contract, out of the proceeds of this issue, and they are specifically stated to be the security of the debenture-holders for this issue.

Mr. T. Mackenzie: That was approved by the Agent-General.

The Chairman: That two million acres was not to be selected necessarily in alternate blocks, but might be taken anywhere?—Anywhere within the area.

Mr. Button: Was that adopted, and did it become a State paper; was it transmitted and published among the State papers of the colony?—I understand not.

Have you any spare copies of it?—We have another copy, I think.

The Chairman: That emanates from the company?—It emanates from the company. In the raising of the money by the debenture-holders we do not say the Government is a party; but we point out that the prospectus which the company issued and the trust deed, as drafted, contained the name of the Agent-General; that it was contemplated the Agent-General should himself become trustee; that the trust deed was approved by the Agent-General at the time; that the Government consented to his becoming a trustee if that arrangement had been carried out; that the trust deed and the prospectus were both approved by the Agent-General; that the prospectus specifically stated what the security for the debentures was to be.

The Chairman: The Bill was ear-marked before the Agent-General consented?

Mr. McGowan: Where is the evidence of consent by the Agent-General?

The Chairman: You think we will be able to go into that later on?

[At this stage of the proceedings the Chairman was asked to allow Mr. Dalston to be present.]

Mr. Chapman: We do not make any objection. [Mr. Dalston was admitted.]

Mr. Chapman: It is in the company's prospectus, "Not in alternate blocks."

Mr. T. Mackenzie: It was stated that Sir Harry Atkinson claimed the right to reserve a certain area.

Mr. Blow (Under-Secretary for Public Works): We had the right to reserve 700,000 acres where required.

Mr. Chapman: Now the debenture-capital, £745,000, was raised. I must call your attention to these circumstances. The deed was settled by the Agent-General. He refers to it in this correspondence. The trust deed is dated 2nd August, 1889; the actual issue was of a somewhat earlier date—upon the prospectus, April, 1889. The trust deed sets out the form of debenture which has actually been issued; so that any one perusing the draft would have seen it set out in the schedule to the draft, and would have before him the actual debenture as already issued when the deed was executed. No doubt the deed, the debenture, and the prospectus were prepared at the same time. They would, no doubt, be prepared by the company's solicitor. The second schedule to the trust deed sets out the security. That is very much in the same terms as the prospectus itself. But the prospectus is what actually goes before those persons who ultimately subscribe the capital when taking up the debentures. It is put before intending subscribers when they put their money into the debentures; the security is shown—namely, the portion of the line already constructed out of the share capital, and the line to be constructed out of their capital. But that hardly conveys to the mind the whole of the transaction; taking the opinion of lawyers and financiers would show a different conclusion from that of the ordinary citizen going into the market to invest his money. He relies on the prospectus; he sees what he deems to be sufficient security; he hands in his money and takes his debenture, as he supposes, on the security of this prospectus. If the person who subscribes to the debenture capital had any cognisance of the history of the company, and had before him the prospectus of a company, he would be naturally led to the conclusion that this was a colonial work, a work in which the colonial Government is largely interested; so that it is really on the faith of the prospectus, and the circumstances, the situation, and the history of the railway, that any one taking up the debentures would rely.

The Chairman: What about the signatures—the names that are on the prospectus. No doubt the Committee would like to hear in respect to them how you would connect the colony with the names on the prospectus?—The Agent-General approved the trust deed in April, a trust of which he himself contemplated being one of the trustees. The petitioners do not say there is any direct connection between the colony and these four gentlemen whose names appear.

You have said that the subscribers were led to invest their money by having felt that the colony was in some way liable?—I do not make a distinct point of that. I refer back to this point only to say that if the subscribers to the debentures happened to be shareholders, and took an interest in the formation of the company, they would fall back upon their recollection of the company's prospectus and say that the colony was greatly interested in this work. But it does not follow that there was any direct connection between the debenture-holders and the shareholders; it may be that some of them were identical, and they might point to the fact of their personal identity as showing that the prospectus and trust deed had the sanction of the Agent-General. Now the debenture-holders find themselves, somewhat late in the day, disappointed, for they are told that they have not a specific security in these constructed lines, but that they have a security over what I may term the bargain between the company and the Government, and that if the bargain fails their security may be forfeited by the Government. That is not stated in the prospectus.

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 1866 (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 analogous 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.

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.

The Chairman.] Are you aware whether the Agent-General's attention was drawn to the form of the debenture in the trust deed?—We find that he did peruse the deed; the debenture is set out in the trust deed.

Have you any other evidence?—It is a question what the Committee requires. We have alleged the cost of construction. Does the Committee require proof as to that?

Mr. T. Mackenzie.] Do you consider that the Government is, to a certain extent, responsible to the debenture-holders, inasmuch as the Agent-General approved of the prospectus; and he did not see the important omission provided for in the Act of 1884, was it not so?—I do not wish to say anything implying the least imputation on the Agent-General; what I pointed out was this: he approved of the trust deed; the debenture is set out in the trust deed. The trust deed refers to a specific security over the railway constructed and to be constructed. This does not say you are getting a lien on the company's bargain, but on the company's railway; there is all the difference, coupled with the circumstance that the asset is there, as you say, to profit.

You said it was rather a glowing prospectus?—I was speaking of the share prospectus.

Let us come to the debenture prospectus—to the timber, valued at £7 an acre?—I think the item "timber" has gone: I do not think it has turned out a source of profit.

To that extent the prospectus was too glowing?—I should not rely too much on a subject like that, which is local, and necessarily speculative.

Mr. Button.] In regard to the Agent-General, your argument comes to this: that he may be said to have assented to the prospectus in the way the proposers took it, to set out that such debenture-holders were excluded from making a prior claim in the event of the contract not being carried out?—They would rely on the prospectus.

You say the Government was a party to blinding their eyes?—They appeal to the statement that it was a specific security.

Because he saw the draft, and was willing to be trustee. The Government did not see the draft?—No; only the Agent-General.

If there was any neglect attaching to the Agent-General, for not pointing out the defective statements, that would equally attach to the gentlemen who signed the prospectus?—No doubt; but others who signed the prospectus were actually parties interested in the company.

It was not on the faith of what the Agent-General had done: it was not in consequence of any action of the public; the public did not see the draft?—The Agent-General saw the debenture in the trust deed, which he had perused and approved. What the public saw was the prospectus put forward by the promoters or directors. To the general public they would perhaps be unknown, considering the way they were taken up. They are usually taken up through parties. It would almost certainly be known that the prospectus would come through the office of the Agent-General.

Mr. Hogg.] Am I to understand that you mainly relied on the overtures that were made to the Agent-General to become a trustee, to connect the Government indirectly with the issue of these debentures?—That, and the fact that the Agent-General officially approved of the trust deed and the prospectus.

Is there any proof that this prospectus was the one he approved?—I refer to Mr. Salt's evidence before the arbitrator. It is scarcely conceivable that he would go to London intending to become a trustee if he did not approve the deed, or that he would have approved the deed without knowing the contents. Even without Mr. Salt's evidence it would be almost a certain inference.

Is there any reason to assume that any of these debentures were disposed of on account of the alleged action of the Agent-General?—Yes; I think so.

You think that the purchasers of debentures, or some of them, at all events, were influenced by being informed that the Agent-General contemplated becoming trustee?—I think that is certain.

Would it not occur to them as something strange that, having approved of the prospectus, his name should be omitted?—The directors of the company were aware of the fact; they were anxious that the Agent-General should be a trustee. They held among them a hundred thousand pounds' worth of debentures.

Assuming that intending purchasers were aware of the fact that the Agent-General approved of this prospectus—that he had been asked, and intended to become trustee; would it not occur to them as something strange that the name of the Agent-General did not appear in the prospectus?—That is an abstract question of human nature. It is a matter for argument. Some people would no doubt reason in that way, others would not.

But there is nothing in this prospectus to indicate that the Agent-General sanctioned or approved of its issue in any shape or form?—It is not stated in the prospectus.

I am asking your opinion on this matter. Do you not think that any capitalist, having been made aware that the Agent-General contemplated being a trustee, and afterwards finding the prospectus without his name upon it, would think it somewhat strange?—I hardly think that would be the course the history of the matter would take: people who wish for an investment for their money usually go to brokers or agents, who are of various kinds; at the same time brokers and agents are employed in putting out debentures of this description, they would show the prospectus to any one, attaching importance to the circumstance of the Agent-General having approved of it. If he knew that, he would be likely to mention it, as one of the inducements to subscribe; he would not say so much as that it had been approved in the office of the Agent-General, or that he represented the New Zealand Company.

Do you not think it reasonable to assume that if he had intended to become a trustee, and that his name did not appear in the prospectus, that it would occur to an intending investor as something strange that his name did not appear there; would it not be likely to create a difficulty?—No; when this prospectus was issued there was no question of the Agent-General being a trustee; not at that date when it was actually issued; the project of making him a trustee was then at an end.

What I want to know is, whether the omission of the name would or would not have a damaging effect if it had been previously known that he had been asked to become a trustee, and that afterwards his name was found not to be in the prospectus?—If a previous prospectus had been issued, and stated that he was to be the attorney, and if any new prospectus appeared without his name, then it might have appeared to be curious: it might have a damaging effect. It is not so much what has happened, in so far as people knew anything about it; what happened was, probably, that people may have talked about it, that it did not eventuate. I am not in a position to say positively that any one did subscribe on the faith of his having contemplated becoming a trustee. It might be the other way. But he might well subscribe with knowledge of the fact that both the prospectus and the trust deed had passed through the Agent-General's office, and that they had been officially approved. What you say is perfectly correct, that if the Agent-General was going to be trustee—at all events, he had not—the important fact is not so much that he should have contemplated becoming trustee as that he had approved the prospectus and the trust deed: that is the fact that leads up to the consequences—the approval of the documents.

Mr. Blow: As regards these misstatements in the debenture prospectus, of course no one contends that the debenture-holders are responsible for them. But neither is the colony. Mr. Chapman suggested that the Agent-General perused this prospectus and approved it. I submit that there is no evidence of anything of the kind. Mr. Chapman referred to Mr. Salt's evidence; but Mr. Salt did not profess to be at all sure of what he was talking about. Mr. Salt did not give positive evidence on the subject at all. He merely said that he "believed so," and his answer to Question 579 (Midland Railway Arbitration Proceedings—D.-4, 1896, page 178), shows that his memory is not to be trusted, because he says there that the Agent-General withdrew at the instance of the Government, whereas the Agent-General's own sense of propriety dictated his withdrawal, as I will show directly. I have referred to the misleading character of this prospectus; and I may safely ask the Committee to judge whether it is at all likely that a statesman of the well-known ability and standing of Sir Francis Dillon Bell would for one moment think of putting his name to any such document, or in any way approving it. In saying this, of course I do not mean to infer that the directors did not at the time believe every word in their statement to be true. The directors themselves had next to no acquaintance with New Zealand. They were acting no doubt on information supplied to them by their servants, and they may have believed honestly that every word stated in that prospectus was true. If so, they were very badly and very improperly advised. But, in any case, the onus of making these misstatements, or in any way approving of them, does not rest on the colony. Mr. Chapman has suggested that, as I have already mentioned, the Agent-General perused this prospectus. The prospectus bore date the 12th April, 1889, and the correspondence in reference to the acceptance of the trusteeship by the Agent-General—printed in D.-2c of 1889—shows that the telegram from the Government authorising him to accept the office of trustee only left the colony on that very day. Clearly, therefore, at the time that prospectus went to the printers, Sir Francis Dillon Bell had not agreed to act as a trustee, and hence the non-inclusion of his name. We have no occasion to search further as to the reason why the Agent-General's name is not there as a trustee. He had not received authority to act at the time that prospectus was determined upon. As a consequence, therefore, of course, no one was deceived by any reference, either official or otherwise, as to the connection of the Agent-General with the matter. Mr. Chapman further contended that it was only reasonable to suppose that the Agent-General would have perused the prospectus, because he must, of course, have noted and approved the trust deed and the draft of the debenture, inasmuch as he was to be one of the trustees. The reason given for supposing Sir Francis Dillon Bell approved this prospectus was that he was to be a trustee, and, of course, as trustee he must have seen the trust deed and the draft of the debenture, and, of course, all the proceedings would have been submitted to him in due course. But I am in a position to show that he had not seen the trust deed at the time, and he writes a letter to the Government saying it was particularly strange that he could not be shown the trust deed, as at this time it was supposed to be before the general public. Further, he had

no idea of the shape the trust deed was to take; and directly he saw it he withdrew from being a trustee. The last letter in print, which Mr. Chapman read yesterday, was written from Paris on the 17th May, 1889 (D.—2c). Another letter from the same place, dated the 30th May, 1889, was addressed to the Hon. the Minister for Public Works, Wellington, and ran thus:—

“SIR,—With further reference to the instructions contained in your telegram of the 15th instant, I beg leave to state that, on applying to the Midland Railway Company for a copy of the proposed trust deed, they replied (copy of letter enclosed) that the draft is not yet settled, but that a copy would be sent to me as soon as that is done. It is singular that the draft should be still unsettled, seeing that in the prospectus for their recent issue of £745,000 it was stated that a draft of the trust deed could be seen at their offices. I enclose a report of the company's meeting on the 24th instant.—I have, &c., F. D. BELL.”

The following is the enclosure:—

“The New Zealand Midland Railway Company (Limited), 79, Gracechurch Street, 28th May, 1889.—DEAR SIR,—I am in receipt of your letter of the 27th instant with reference to the trust deed of the 5-per-cent. first-mortgage debentures of this company, and I beg to inform you that, as soon as I am in possession of a proof of the document, I will forward it for the perusal of the Agent-General.—Yours, &c., AENEAS R. McDONNELL, Secretary.—Walter Kennaway, Esq., Secretary, Agent-General's Department.”

Another letter sent to the Minister for Public Works, dated London, 27th June, 1889, was as follows:—

“SIR,—Since writing to you on the 30th ultimo, I have again made application to the Midland Railway Company for a draft of the trust deed they propose to be executed by the trustees for their debenture-holders; but their secretary informs me that it is still before counsel. Under these circumstances, it seems to me that there is much inconvenience attending the appointment of any trustees at all, and, unless the draft is soon settled in a form that is approved by Messrs Mackrell, I think it will be better for my name to be withdrawn.—I have, &c., F. D. BELL.”

This was followed by a letter from the Agent-General to the Minister for Public Works, from 7, Westminster Chambers, London, dated 12th July, 1889, which ran:—

“SIR,—I have received to-day from the solicitor of the Midland Railway Company the draft of the trust deed, and also of the debenture they propose to issue. I enclose copies of these drafts, which I at once sent on to Messrs. Mackrell for examination. . . . [Remainder of letter on a totally different subject.]—I have, &c., F. D. BELL.”

The next letter is from the Agent-General to the Minister for Public Works, dated London, 26th July, 1889, and worded thus:—

“SIR,— [First part of letter on different subject.] The draft trust deed, of which I sent you copy by last mail, having now been carefully considered in conference between Messrs. Mackrell and myself, the result is that they cannot advise me to accept the trusteeship under the conditions there expressed; in which view I quite concur. I enclose a copy of their letter to me, and I have accordingly requested them to inform the company's solicitors that my name must be withdrawn as a trustee.—I have, &c., F. D. BELL.”

The enclosure was addressed to the Agent-General, and dated 26th July, 1889, from 21, Canon Street, London, E.C. It ran:—

“DEAR SIR FRANCIS,—*New Zealand Midland Railway*.—We have perused the draft of the proposed trust deed and form of debenture, and send herewith a copy of the letter dated the 22nd instant, which we received from Messrs. Paine, Son, and Pollock, and which we read to you at our last interview. It is not possible to foresee what questions may arise between the Government and the company in the future; and as the company propose to invest the trustees for the debenture-holders with rights, powers, and duties which, in the course of time, it may be necessary for the trustees in the interest of the debenture-holders to exercise and insist upon as against the company it may be (as has been the case under other contracts) that the trustees may be placed in a position in which their interests and duties may conflict with the powers and rights reserved to the Government under the contract with the company. In case it should become necessary for the Government to take any action in this country adverse to the company, or the interest of the debenture-holders, we presume that such action would be taken by the Agent-General; and in this view also, it seems to us, and we understood at our interview that you concurred in our opinion, inexpedient, to say the least, that the Agent-General should act as one of the trustees, unless indeed, after full consideration of the whole matter, the Government should desire that he should do so. You will, of course, not fail to remark that if the Agent-General accepted the office of trustee he would personally be bound to act to the best of his judgment, in concert with his colleagues, to protect the interest of the debenture-holders either as against the company (which the Government might wish to support) or against the Government if the company fell into difficulties, and the trustees were compelled to accept the responsibility of either carrying out the contract or making terms with the Government, which would secure as much as possible for the debenture-holders. Moreover, with an official representative as one of the trustees, the Government would be affected with notice of all that the trustees do or omit to do, and they might, thereby, in time of difficulty, be far less free to act independently under the contract than if they had no voice, even indirectly, in directing or assenting to the course of action or inaction adopted by the trustees. On these grounds, therefore, we would recommend that you authorise us to reply to Messrs. Paine, Son, and Pollock's letter in the terms of the draft letter which we send herewith for your approval, subject to such alterations as you may suggest.—We have, &c., MACKRELL, MATON, AND GODFREY.”

The enclosure referred to above is from Messrs. Paine and Co., of 14, St. Helen's Place, London, E.C., to Messrs. Mackrell, and is dated 22nd July, 1889. It runs:—

“DEAR SIR,—*Midland Railway of New Zealand*.—We are requested by Mr. Morgan and Sir Frederick Weld to summon a meeting of the trustees, to be held on Wednesday, at this office, at 3.30 o'clock. The object of the meeting is that Mr. Morgan and Sir Frederick Weld may settle with their colleagues the various details as to meetings of the trustees, certificate to be received from the company as to due payment of interest, &c., all being matters which are certainly well worth attention. We explained to Mr. Morgan that we thought it would be much better that he should summon the meeting, as we did not represent all parties concerned, but he replies that he would rather that we took his instructions to do so; accordingly, we have written the foregoing. We hope that you will be able to attend, in order that the regulations that the trustees may wish to lay down may receive your consideration.—PAINE AND CO.”

The draft letter which Messrs. Mackrell suggested should be sent as a reply to Messrs. Paine and Co.'s communication was as follows. It is dated 26th July, and reads:—

“DEAR SIR,—*New Zealand Midland Railway*.—We beg to acknowledge the receipt of your letter of the 22nd instant, upon which we have conferred with the Agent-General for New Zealand. After full consideration of the matter with us, the Agent-General instructs us to say that as at present advised, and in the absence of express instructions from his Government, he does not consider that he can properly and consistently with his position as the representative of the Government act as one of the trustees under the proposed deed. It will, we think, be evident to you, as it is to ourselves, that if the Agent-General were to act as a trustee, he might in certain events be placed in a position in which his duty as trustee and as Agent-General would conflict. Under these circumstances we shall not, of course, attend the proposed meeting; but the fact of our not doing so must not be regarded as an approval by the Agent-General or ourselves of the draft trust deed or any of its provisions, upon which we should have had something to say if we had been instructed to deal with the draft on behalf of the Government or the Agent-General. The Agent-General desires us also to say that, even if he had felt able to accept the duties of a trustee of the deed, he would not in his position have accepted any remuneration, as proposed in the draft.—We have, &c.”

Continuing, Mr. Blow said:—

“The Agent-General was not a trustee; he refused to agree to that trust deed the moment he saw it, and consequently there is no reason to suppose that he did anything under it. Instead of being reasonable to suppose that he perused and approved the debenture prospectus, I submit it is exceedingly unreasonable to think that he ever did any such thing.”

Mr. Chapman: I do not propose to go at length into anything like an exhaustive answer to Mr. Blow's observations. I shall point out that one or two portions of Mr. Blow's address are necessarily speculative, and he has not supported them by evidence. But that is a matter I shall come to presently. What I wish to draw the attention of the Committee to is the central fact with which I opened, and that is the substantial value of the assets, which is there in the shape of a railway. In that view I do not consider it necessary to go into those questions which are railway questions between the company and the colony. I wish, however, at the outset, before discussing what Mr. Blow has put before the Committee, to refer to the subject with which I opened—the Agent-General's supposed approval of the prospectus and trust deed. I was not aware of the existence of the correspondence which Mr. Blow has produced. I relied upon Mr. Salt's statement that such was the case. Moreover, to show that that was not a mere reliance upon a passing piece of evidence, not very material to the issue then before the arbitrator, I wish to say this: That the receiver cabled to London to ascertain more definitely what supported that evidence, but only received a reply that the Agent-General did approve of the prospectus, carrying the matter no further than Mr. Salt's evidence. But in face of the correspondence produced by Mr. Blow, it would not be right on our part to attempt to sustain the contention that the Agent-General did approve of the prospectus, and I wish now entirely to withdraw that contention, pointing out, however, that it was not made hastily; that we thought we had reason for making it, and reason for supporting it. That portion of the case I admit must go. That, however, I put forward as leading up to the contention that the debenture-holders in subscribing their money relied on having the security of that railway-line. Undoubtedly, they did rely on having the security of the railway-line already constructed, and to be constructed out of their money; and we contend that under all the circumstances ours is not a legal claim which we can enforce in the Courts of Law of the colony; but, as a claim which Government and Parliament ought to consider a valid claim against the colony, we claim it ought to be allowed. That inasmuch as their money can be traced substantially in this asset which the colony now has, that circumstance ought to receive recognition.

The Chairman: I might remind you, Mr. Chapman, that you referred to the colony as being responsible in a great measure in inducing the debenture-holders to lend their money. But I think you omitted to mention anything about the inducements held out to money-lenders in that prospectus.

Mr. Chapman: All I say about that prospectus is this: The first thing I did was to withdraw the suggestion that that prospectus had been officially approved by the Agent-General; I cannot carry that any further. The letters put in by Mr. Blow speak for themselves on that subject, and they displace the evidence given by Mr. Salt before the arbitrator. That the prospectus was sent to the Agent-General's Office is very probable, and that the prospectus was circulated, and that in some sense or other, I presume, it came to the knowledge of the Government of this country is, no doubt, matter of conjecture; but it is exceedingly probable that it did come to the knowledge of the Government. But I suppose the Government considered at the time that it was not their duty to go to London and repudiate an instrument with which they were not directly connected.

(b.) Summary of Claims of the First Class, as above divided.

I summarise the claims founded on want of good faith on the part of the colony thus: The debenture-holders allege—1. That the "so-called first charge" is "illusory." 2. That the debenture-holders believed, when lending their money to the Midland Railway Company, that, in respect of this public undertaking, their debentures conferred on them a right to sell any part of the railway as and when such part was constructed, and to deal with and disintegrate a railway as if it were a petty private concern, their own property, without regard to the rights of Parliament, which granted the concession and provided more than 50 per cent. of the cost, of the Government which was one of the parties to the contract for construction, or of the mercantile and travelling public. 3. That their belief was founded on the view adopted by the English Courts and English business-men of similar securities issued by English railway companies. 4. That such belief of the debenture-holders was fortified by the alleged fact that their subscription was for debentures issued under "The East and West Coast Railway Act, 1884," and that they then had before them and relied on the words "first charge," used in section 13 of that Act, and that the Act, to use their London solicitor's expression, has been a trap set for them. 5. That they had no knowledge of, and no reason to believe in, the existence of the provisions for the protection of the Government and the public which are contained in the principal Act of 1881, and therefore believed that provisions for the protection of the contractee of a nature such as are contained in every building contract had been wholly omitted by Parliament and the Government from this. 6. That the exercise by the Government of the statutory powers conferred by the Act of 1881 left them wholly without remedy or opportunity to retrieve their position, and deprived them of their security. 7. That they were induced to subscribe for debentures by speeches made by public men in the colony, expressing a confident belief in the prospects of the company. I now propose to meet these charges as specifically as I have defined them.

Refutation of Allegations 1, 2, and 3.

1, 2, and 3. The statements in the petition that the first charge provided by the statute is "so-called" and "illusory," and that it has proved something different to that which the debenture-holders ought reasonably to have understood it to be, are easily met. That contention means that if the same words were used in an English Act the debenture-holders could have obtained in an English Court the rights and powers they claimed in the Courts of New Zealand. Mr. Coates, in his statement to the Committee, emphasizes this. He says:—

"In England debenture stock is looked upon both by the Courts and the public as one of the safest possible investments. Debenture-holders are by law given special rights, which are considered sacred above all others, and railway-debenture stock stands in the front rank in the estimation of the English people as a safe investment. It was somewhat natural, therefore, that English investors should conclude that debenture stock over railways in any British colony would be similarly safeguarded and protected as a security, and this is the reason."

He goes on to refer to "the technical and somewhat intricate reasons from which the Privy Council decided that the security was in effect worthless." I propose to demonstrate that this is wholly erroneous, that the debenture-holders of Midland Railway stock have actually rights exceeding, and not less than, the rights which the holders of debenture stock in an English railway have, and that it has long been established in England that the statutory mortgagee of a public undertaking authorised by Parliament cannot interfere with the undertaking or assert a right to disintegrate it; further, that in no case can such a mortgagee assert a right higher than that of the mortgagor company; and, lastly, that the public interest is held in England, as here, to be paramount. This rule of English law is, I believe, perfectly understood by business-men and investors in England. It was first laid down in the year 1867, and has been consistently followed in numerous cases ever since. Many illustrations could be given of its application. For instance, if a Municipal Corporation borrows money for the construction of waterworks or tramways

and mortgages—as the Municipal Corporations Act requires—the waterworks or tramway as well as, or without, a special rate, has it ever been supposed that the debenture-holders could interfere with, or claim possession of, or sell, or break up the undertaking? Again, A undertakes with a Harbour Board to build a wharf for the use of the public, of which A is to be the lessee, and have the tolls. In the contract it is provided that if A does not complete the wharf the Harbour Board may step in and complete it, and charge A with the cost. A mortgages his rights to B, and builds a part of the wharf, not connected with the land, and fails. B then claims the part constructed, and contends that as mortgagee he is not subject to the powers reserved to the Harbour Board against A, and that if the Harbour Board complete the wharf it will consist of two separate parts, one of which, over which the traffic is first conducted, belongs to the Board, and the second to B, and that the public must pay a second toll on passing the dividing-line. Again, every building contract contains provisions empowering the contractee, if the contractor fails, to enter and complete the work at the contractor's cost. Could any reasonable man lending money to a builder believe that his security would not be imperilled if the builder failed? Mr. Blow suggested a very apt illustration when conducting the Government case before the Committee in 1896. A company contracting for the construction of a public railway holds a statutory concession, and is necessarily subject to statutory obligations, and to the exercise against it of statutory powers. Its ownership of the railway is more that of a lessee than of owner in fee. Could a lender to the lessee on leaseholds complain if the landlord exercised the power of re-entry and forfeiture conferred by the lease if the lessee made default? The lender's remedy is to see that the lessee does not make default, not to complain that the landlord re-enters when neither the lessee nor the lessee's mortgagee will pay the rent or perform the covenants. However, it seems unnecessary to consider further illustrations. The English Act which authorises railway companies to mortgage is far stronger in its terms than is the New Zealand Act of 1884. The English Companies Clauses Consolidation Act of 1845 provides that, "If a company be authorised by its special Act to borrow on mortgage it shall be lawful for the company, for securing the repayment of the money so borrowed, with interest, to mortgage the undertaking." By section 41 of the same Act it is enacted that, "Every mortgage for securing moneys borrowed by the company shall be by deed under the common seal of the company, and every such mortgage may be in the form in the Schedule C of this Act." Schedule C is in the following terms:—

Mortgage No. _____ £
 By virtue of (*Here name special Act*) we the _____ company, in consideration of the sum of £ _____ paid to us by A.B., do assign unto the said A.B., his executors, administrators, and assignees, the said undertaking, and all the estate, right, title, and interest of the company in the same, to hold unto the said A.B., his executors, administrators, and assignees until the said sum of £ _____ together with interest for the same be satisfied. The principal sum to be repaid at the end of _____ years from the date hereof.
 Given under our common seal, this _____ day of _____

This is an absolute assignment by way of mortgage, certainly not inferior to a "charge" or "first charge." And just as in our Act of 1884 the mortgage is required to be of the entire assets, including the railway, so by the English Act the mortgage is to be of the "undertaking." The effect of such a mortgage of a public undertaking has been perfectly understood in England since the year 1867, when the principles were laid down and explained by Lord Cairns and Lord Justice Turner in the English Court of Appeal in Chancery, in the case of *Gardner v. London, Chatham, and Dover Railway Company*. In that case the railway company was by statute empowered to borrow money, and issued mortgage debentures in the form provided in Schedule C to the Companies Clauses Consolidation Act. It failed to meet the interest on the debentures, and thereupon the plaintiffs, as holders of the mortgage debentures, claimed to be put in possession of the railway by a manager or receiver appointed by the Court. Lord Cairns said:—

Extracts from Judgments in Gardner v. London, Chatham, and Dover Railway Company (Chancery Appeal Cases, Vol. 2, 1867).

Sir H. M. CAIRNS, L.J.: . . . But in addition to the general principle that the Court of Chancery will not in any case assume the permanent management of a business or undertaking there is that peculiarity in the undertaking of a railway which would, in my opinion, make it improper for the Court of Chancery to assume the management of it at all. When Parliament, acting for the public interest, authorises the construction and maintenance of a railway both as a highway for the public and as a road on which the company may themselves become carriers of passengers and goods, it confers powers and imposes duties and responsibilities of the largest and most important kind, and it confers and imposes them upon the company which Parliament has before it, and upon no other body of persons. These powers must be executed and these duties discharged by the company. They cannot be delegated or transferred. The company will, of course, act by its servants, for a corporation cannot act otherwise, but the responsibility will be that of the company. The company could not by agreement hand over the management of the railway to the debenture-holders. It is impossible to suppose that the Court of Chancery can make itself, or its officer, without any parliamentary authority, the hand to execute these powers, and all the more impossible when it is obvious that there can be no real and correlative responsibility for the consequences of any imperfect management. It is said that the railway company did not object to the order for a manager. This may well be so. But in the view I take of the case the order would be improper, even if made on the express agreement and request of the company.

Now, it is beyond question that the great object which Parliament has in view when it grants to a railway company its compulsory and extraordinary powers over private property is to secure in return to the public the making and maintaining of a great and complete means of public communication; and yet, according to the necessary consequence of the plaintiff's argument, the moment the company borrowed money on debentures it would depend on the will or caprice of the debenture-holder whether the railway was made at all.

As regards the effect of the word "undertaking" in these securities, we gain but little information from the definition given in the Acts of Parliament. In the two public Acts—the Companies Clauses Act (2) and the Lands Clauses Act (3)—the "undertaking" is defined to be the "undertaking or works by the special Act authorised to be executed"; and in the private Acts the object appears to be, not so much to describe what is included in the word "undertaking," as to divide by metes and bounds, or otherwise, the various undertakings of the company from each other. The object and intention of Parliament, however, in the case of each of these various undertakings, was clearly to create a railway which was to be made and maintained, by which tolls and profits were to be earned, which was to be worked and managed by a company, according to certain rules of management and under a certain responsibility. The whole of this, when in operation, is the work contemplated by the Legislature, and it is to this that, in my opinion, the name of "undertaking" is given. Moneys are provided for, and various ingredients

go to make up the undertaking; but the term "undertaking" is the proper style, not for the ingredients, but for the completed work, and it is from the completed work that any return of moneys or earnings can arise. It is in this sense, in my opinion, that the "undertaking" is made the subject of a mortgage. Whatever may be the liability to which any of the property or effects connected with it may be subjected through the legal operation and consequences of a judgment recovered against it, the undertaking, so far as these contracts of mortgage are concerned, is, in my opinion, made over as a thing complete or to be completed, as a going concern, with internal and parliamentary powers of management not to be interfered with—as a fruit-bearing tree, the produce of which is the fund dedicated by the contract to secure and to pay the debt. The living and going concern thus created by the Legislature must not, under a contract pledging it as security, be destroyed, broken up, or annihilated. The tolls and sums of money *ejusdem generis*—that is to say, the earnings of the undertaking—must be made available to satisfy the mortgage; but, in my opinion, the mortgagees cannot, under their mortgages, or as mortgagees, by seizing, or calling on this Court to seize, the capital, or the lands, or the proceeds of sales of land, or the stock of the undertaking, either prevent its completion or reduce it into its original elements when it has been completed.

It cannot be denied by Dr. Findlay that Gardner's case is as nearly as possible in point, and is a well-known authority, and that its principle is thoroughly established in the English Courts and perfectly understood by English investors. I hope the petitioners will now see that no English statute would give them the right to seize a part of a public railway authorised by Parliament and disintegrate it, and hold a piece in the middle as against the public authority, which is entitled to require its completion. I have never been able to understand how the contention has been supported, or the suggestion made, that English investors were misled by the provisions of our statute. I have not the slightest doubt that the point is clear to every lawyer, and also to every business-man in England. They know what a railway-debenture is, and how far its security goes.

Refutation of Allegations 4 and 5.

No debenture, at all events of the main issue, that of 1889, was ever issued under the authority of "The East and West Coast Railway Act, 1884," or of "The Railways Construction and Land Act, 1881." Neither the prospectus nor the debentures refer to either of those Acts by date or title, and neither the prospectus nor the debentures make any pretence that the debentures are issued in pursuance of, or under, either Act specially. They are issued as first-mortgage debentures of a railway company, a designation in common use for all securities of the class. The reason why the Acts were not specifically referred to is plain to any reader who has knowledge of the circumstances and documents. Section 62 of the Act of 1881 contains the provision I have already referred to, but which it may be as well here to repeat,—

No claim of any mortgagee, or of any creditor of any company, shall attach to or be paid out of the public revenues of New Zealand, or by the Government thereof.

The form of debenture prescribed by the Fourth Schedule to the Act of 1881 is as follows:—

On presentation of this coupon at [State place of payment], on or after the day of , 18 , the bearer hereof will be entitled to receive £

The amount mentioned in this coupon is secured upon [State whether the whole railway, assets and uncalled capital; or if only a portion, specify it], as provided by section 58 of the above Act, which is as follows [Set forth section 58].

This coupon is subject to all the provisions of the above-mentioned Act.

The Act of 1884 does not prescribe any form of debenture, but section 11 of that Act replaces section 62 of the principal Act, and section 12 provides: "The provisions of the last preceding section shall be stated on the face of every debenture and coupon respectively issued under this Act." Secondly, the Act of 1884 provides that debentures issued under it shall be a first charge on the entire assets of the company, including the railway. It does not authorise a charge upon a portion of the assets or a fragment of the railway. No debenture issued to the petitioners bears a notification on its face or elsewhere that the colony is not liable, and it was, apparently, firstly, to avoid the necessity of putting that clear statement on the face of its debentures, and, secondly, to endeavour to create a mortgage of a part of the railway that the company did not refer to any "first charge" or to section 13 of the Act of 1884 in its prospectus or the debentures. How is it possible for the debenture-holders to contend that they relied on, or were misled by, the terms of an Act which they were not referred to as authorising their debentures, and which, in fact, does not authorise them. They never had, and have not now, any charge at all except such as the company could give them without statutory authority. This is no mere technicality. It is a plain, complete, and sufficient answer to their case. They took the company's, and not statutory, debentures. But it is not the only answer, nor is it the principal answer. I have only taken it first because it is the most apparent. Let me suppose for the purpose of what follows that the debentures were in due form, so as to create a first charge under the Act of 1884. Then the ordinary investor would not see a New Zealand Act, and would know nothing of the New Zealand laws. He would suppose he was buying the ordinary security of an ordinary railway debenture, and would understand the limits of his rights at law as defined in Gardner's case. But if he went further and made inquiries, as would be proper, he would first study the terms of the debenture itself, and the terms of the prospectus. The Committee will find those in Appendix, I.—7, 1896—the debentures at pages 39, 40, and 41; and the debenture prospectus at pages 41, 42. He would find in neither, as I have said, any separate reference to the Act of 1884. Indorsed on the debenture itself he would find a provision that "If the Company commit any breach of or incur any forfeiture or penalty under the contract of the 3rd August, 1888, or under the terms of the Acts of Parliament in the said indenture mentioned, or commit any breach of the covenant therein contained, then the principal moneys hereby secured shall immediately become payable." And that is all—a reference to forfeiture or penalties which might be incurred under the contract and "under the terms of the Acts of Parliament in the said indenture mentioned." The important point is that he is referred to "Acts of Parliament," not to any particular Act; and it must further be noted that only under the Act of 1881 is a penalty or forfeiture incurred. And not only is he referred to the Acts, but he is referred to the fact that under the provisions of some or one of those Acts forfeiture may be incurred by the contractor. Then, if he read his prospectus he would find in its explana-

tory paragraph a reference to the contract, "dated 17th January, 1885, entered into by the Governor of New Zealand on behalf of Her Majesty the Queen, under Acts of the New Zealand Parliament." And at the end he would find that "a draft copy of the trust deed securing the debentures and a copy of the contract can be seen at the office of the company." That is all from the prospectus. Then, if he inspected the contract and the trust deed, as he was invited to do, what would he find? In the contract he would find in the preamble, "The Act of 1881 is hereinafter referred to as 'the principal Act,' and the Act of 1884 as 'the said Act.'" In clause 1 he would find "the principal Act" defined, and also the "said Act." In clause 8 he would find an extension of the power conferred by section 48 of "the principal Act." In clause 43 he would find special reference to the power of the Governor under "the principal Act" to take possession of the railway—that is to say, to the very power under section 123 of which complaint is now made. In the debenture trust deed, the document which is for the protection of the debenture-holders, made and signed by their own trustees (the first trustee is Mr. Beaumont William Lubbock, Banker, and the first of the present petitioners is Sir John Lubbock, now Lord Avebury), he would find it expressly stated and recited that the contract was made "pursuant to the Act of 1881, hereinafter called 'the principal Act.'" I submit that the documentary evidence which I have brought forward establishes—first, that the company issued the prospectus and the debentures, and that the colony had nothing to do, directly or indirectly, with them; second, that so far from the subscribers relying on the terms of the Act of 1884, they could never have referred to it, for any such reference must have discovered that the debentures were not, and did not purport to be, issued under its authority, and, in fact, were issued in direct defiance of its provisions and requirements; thirdly, that they had at least the same notice, and, in fact, more notice, of the Act of 1881 than they had of the Act of 1884; fourthly, that their attention was, or should have been, drawn to the fact that the company might incur forfeiture, and that the colony expressly disclaimed liability to the debenture-holders; fifthly, that they had full notice in the prospectus of the contract and of the debenture trust deed, and were invited by the company to peruse them, and that if they had done so they must have discovered every point of which they have since declared themselves to be ignorant; sixthly, that, putting all such considerations aside, they must have known enough of ordinary business to be aware that the mortgagee of a public undertaking is always subject to restrictions on his powers, rather more so in England than in New Zealand; and, quite apart from the statutory provisions of the Act of 1881, they could never have supposed that they could, in consequence of the default of their mortgagor, break into fragments a public undertaking, or that by their intervention the right of the colony to complete the contract work could be defeated.

THURSDAY, 6TH SEPTEMBER, 1900.

(c.) *The Petition of the Debenture-holders to the Stock Exchange, repeating the same Charges.*

Mr. Bell: Mr. Chairman and Gentlemen,—At the rising of the Committee on Tuesday, I had endeavoured to define what I understood were the charges against the good faith of the colony, and the claims founded on those charges so far as the claims are stated in the present petitions either directly or by suggestion. I had also asked the Committee to distinguish carefully between that class of claim and the other class, founded on the circumstance that we have come into possession of a railway constructed not wholly with our money. I have still to deal with other allegations which have been made in support of the first class of claims, founded upon want of good faith on the part of the colony. I desire first to refer to the petition presented by the debenture-holders to the Stock Exchange—presented while litigation was still pending, and while the case between the Government and the debenture-holders was on its passage from the Supreme Court through the Court of Appeal of New Zealand to the Privy Council. The Committee will find that in the first paragraph they refer to the "Act of the Colony of New Zealand (hereinafter referred to as the 'colonial Act, 1884'), and which applied exclusively to this railway." I have already shown that that statement is not correct; but, passing from that point, you find that they go on to say,—

By the Act of 1884 it was declared desirable to give further facilities for the construction by private enterprise of this railway, and the company was authorised by section 9 to borrow from time to time, for the purpose of completing the construction of this railway, moneys upon the security of debentures repayable within twenty-five years from the issue thereof, with interest not exceeding 6 per cent. per annum, and being the coupons in respect thereof transferable by delivery; while by section 13 such debentures and the interest thereon were declared to be a first charge on the entire assets of the company, including the railway and everything pertaining thereto.

They then refer to section 14, which gave them authority, in case of default by the company, to apply to the Supreme Court of the colony for the appointment of a receiver. They next refer to the issue by the company of debentures and the calling for subscriptions in London:—

2. That in the year 1889 the company publicly offered for subscription in London £745,000 first mortgage 5-per-cent. debentures, repayable within twenty-five years, and otherwise in accordance with the conditions prescribed by section 9 above.

They carefully avoid informing the Committee of the Stock Exchange that the debentures were not "otherwise in accordance with" the conditions prescribed by sections 11 and 12, and by that careful omission they avoid informing the Stock Exchange of the fact that their debentures are not and do not purport to be authorised in any respect by the Act of 1884, and are issued in direct contravention of its provisions. Next they refer to the Act of 1881, calling special attention to sections 123, 125, and 126. They go on to say,—

That certain questions having arisen between the company and the Government, the matters in dispute were referred to arbitration in the month of November, 1895, but that the debenture-holders took no part in the arbitration proceedings.

That is correct. Then they go on,—

That in the year 1895 the Government took possession and assumed management of the railway of the company, and have continued the construction of the railway and demanded from the company from time to time payment of the moneys expended by them thereon, so far as the same exceeded the net receipts of the said railway, and from time to time have served notices of their intention to retain the railway as Government property.

That is quite correct. They go on,—

That in the year 1897 proceedings were taken under the said 14th section of the colonial Act by certain debenture-holders of the company, and an order was made by the colonial Courts appointing a Receiver.

That, notwithstanding the said order, the Government have retained possession of the railway and the assets of the company pertaining thereto, and continue to spend money on construction and to claim repayment of the amounts expended.

Now, Sir, both those statements are correct in their language, but they are utterly misleading. The order for the appointment was not opposed. It was made by arrangement in order that the matter in dispute might be brought before the Court, and be open to argument. The difficulty which those who conducted the matter on behalf of the debenture-holders, found themselves in was that they were without a plaintiff, and the Crown met them by agreeing not to oppose the appointment of a Receiver, his rights to be afterwards ascertained. The Government did this at the request of counsel for the debenture-holders, to prevent the debenture-holders being hampered by any technical difficulty, and the order was accordingly granted without opposition or argument; and yet the statement in the petition of the debenture-holders to the Stock Exchange is that, notwithstanding the order, the Government still retained possession of the railway. The order was rescinded afterwards.

Dr. Findlay: The order was not rescinded. It was varied.

Mr. Bell: Just so. It was varied by permitting Mr. Coates to continue as Receiver of any money or other such assets belonging to the company, but the railway was excluded. It was never suggested by the other side that the order for the appointment of a Receiver should of itself, and on the hearing of the motion to rescind, in any way alter the relative positions. On the contrary, it was part of the arrangement that the Crown was to retain possession pending the determination of the motion to rescind. That should have been, and, indeed, must have been known by the gentleman who drafted this petition to the Stock Exchange—as well known to him as it was to Dr. Findlay or myself. And yet they make this statement in London for purposes which you will see further on. The suggestion that the Government defied an order of the Supreme Court in the matter is totally without foundation. Then they go on to say,—

That such Receiver having applied to the Supreme Court of the said colony for an order for sale of the railway and undertaking of the company, such application was successfully opposed by the Government on the ground, *inter alia*, that, notwithstanding the provisions of the colonial Act, the debenture-holders had no better position than the shareholders of the company.

That the Government have resolutely opposed the attempt of the debenture-holders to expedite the decision of the questions raised, and the debenture-holders having applied for leave to appeal direct to the Privy Council, such application was successfully opposed by the Government.

Sir, the statement in the first part of the paragraph last quoted is utterly incapable of support by fact. It is true that they did ask for leave to appeal direct from the Supreme Court of the colony to the Privy Council, and that the Government opposed that application, contending that the decision of the Court of Appeal of the colony should be obtained in ordinary course. To have appealed from the Supreme Court here to the Privy Council would have been just the same as if a person in England were to appeal from the High Court to the House of Lords without going through the usual course of first appealing to the Court of Appeal. The statement that the Government opposed the attempt of the debenture-holders to expedite the decision of the questions raised is easily disposed of. So far from the Government opposing expedition in the matter, it was the Government who insisted upon expedition, as will appear later. The Government abstained from issuing an Order in Council, under section 126 of the Act of 1881, pending litigation, but insisted that the litigation must be proceeded with with due diligence. I ought to say, and should have said it at the beginning of this part of my address, that the Government do not desire that the debenture-holders or the shareholders should be in the least prejudiced before this Committee by the action which they thought fit to take in London. They desire that the Committee should not be affected in coming to its decision by the action which these gentlemen thought fit to take in London or elsewhere, and I am now only meeting the charges there made lest we should be accused of ignoring them, and am using them further as an illustration of the reckless nature of the charges which have been made against the good faith of the colony—charges which are not only without foundation, but are directly contrary to fact. Then they go on,—

That large sums have been raised by the debenture-holders and paid to the Government to meet its demands for expenditure on the railway, and that the intention of the Government, apparently, is to delay the hearing of the case before the Privy Council until the resources of the debenture-holders are exhausted, and then by publication of an Order in Council, under section 126 of the colonial Act of 1881, to put themselves into a position to contend that, whatever rights the debenture-holders may have had prior thereto, by virtue of such publication the Crown is entitled to permanently retain the railway and assets of the company pertaining thereto, and that the debenture-holders are thereby deprived of a first or any other charge thereon or equity therein, whether in respect of the original loan or the money paid to the Government.

Sir, I might appeal to Dr. Findlay to say whether there is any foundation whatever for that statement, but I prefer to disprove it in the most conclusive way. At the initiation of the proceedings the Government was asked by the Receiver not to issue an Order in Council till the close of the litigation. The Government consented, but stipulated that the Receiver must get to the end of the litigation in the Privy Council with all diligence. And yet the Stock Exchange is told that the intention of the Government was to delay the proceedings and exhaust the funds of the company, and then issue the Order in Council which they had undertaken not to issue until the litigation was finished; and the charge reckless, and without foundation, was launched under circumstances making speedy reply difficult. The answer of the Agent-General is conclusive, but it could not possibly be as complete as it would have been if the charges had been made where they could have

been refuted directly by the Government themselves, and but for the existence of the cable these statements made in London for the purpose of ruining the credit of the colony in the City must have remained for months without the contradiction they received. Then they go on to say,—

That the Government will no doubt seek from time to time to raise further loans in this country for the purpose of railway construction, and in that case would apply to the Stock Exchange, London, for an official quotation in respect of such loans.

Paragraph 12 of the petition to the Stock Exchange says,—

That the Government have permitted the provisions of the colonial Act to be used as representing that subscribers for debentures created by the company would have the benefit of a first charge upon the railway and everything pertaining thereto.

I have dealt with that already, and am not going to repeat what I said at the last meeting of the Committee. If I have failed to convince the Committee that the Government had nothing whatever to do with the issue of the debentures, and that the people who took them up must have known, or should have contemplated that the Government had the powers conferred by the Act of 1881, then I have, of course, failed in my defence. They must have known of the existence of that Act. They had notice of it from the company, and they had it in the prospectus, and they had it on the back of their own debentures and in their debenture deed. Dr. Findlay and Mr. Coates have before this Committee expressly repudiated any intention, by the use of the words "illusory" or "so-called" in the petitions, to suggest that the Government was a party to misleading the petitioners. I accept their statement as to their meaning and intention; but, in view of the language of paragraph 12 of the petition to the Stock Exchange, it is plain that their principals in England still make the charge.

Dr. Findlay: It is only fair to say that Mr. Young had been appointed Receiver, and he represented the whole body of debenture-holders; but we are not responsible for the statements in the petition to the Stock Exchange, and I do not know that Mr. Young is.

Mr. J. Allen: Who signed this petition? There are no signatures here.

Mr. Bell: I cannot answer that question. The gentlemen who presented the petition had not the courtesy to send the Agent-General a copy, nor did they send one to the Government of the colony, and I suppose the Committee of the Stock Exchange treated the matter as one so far from the scope of their ordinary duties that they did not think it necessary to send one.

Dr. Findlay: I may say we do not adopt all the statements made in that petition.

Mr. Bell: Then they go on to say,—

And that accordingly on the issue in London of the company's debentures they were described as first-mortgage debentures, and were officially quoted, and in the Official List of the Stock Exchange described and listed as such by your committee; but the Government, notwithstanding the appointment by the colonial Courts of Receiver on behalf of the debenture-holders, and the provisions of section 14 of the colonial Act regarding vesting as above mentioned in such Receiver of the company's railway and works on behalf of the debenture holders, are now contesting the claim of the debenture-holders to any mortgage on the railway, disputing the meaning of the colonial Act put upon it by the subscribers for the said debentures, and claiming to retain without compensation or payment of any kind to the debenture-holders the railway and works which have been constructed by means of money mainly provided by them.

There again is an attempt to confuse the two classes of claims which I have contended should be kept separate. And then they say,—

That it is inexpedient and impolitic in the interest of investors that any Government acting in the manner aforesaid should in the meantime be afforded facilities for raising public loans in the money-markets of this country, or that they should receive assistance in so doing from your committee, and your petitioners therefore respectfully urge that the advantage of an official quotation should be withheld from any loans which may be hereafter issued by the Government in this country.

I have already referred to the fact that this was while the case decided against the debenture-holders was in process of appeal from the Supreme Court of this colony through the Court of Appeal to the Privy Council. It was a direct attempt to coerce the Government. I shall show shortly that they not only misrepresented the case when they alleged that we were coercing them, but their solicitors actually wrote that it was not until after this petition was presented to the Stock Exchange that the Government did what their counsel considered necessary. So that they not only petitioned the Stock Exchange with a view of coercing the Government in the conduct of the litigation, but they openly boasted of having succeeded. Of course, they were mistaken. The Government was not likely to be coerced or to be affected in the proceedings in any such manner as they allege.

The Agent-General called the prayer of the petition an amazing proposal, and he declined to believe that the Committee of the Stock Exchange would for a moment contemplate perpetrating such a grave injustice. He added, "But it is not for me to anticipate that the Committee of the Stock Exchange will allow that body to be made a tool of by the plaintiffs in the action now pending against the Government of New Zealand." The Agent-General's spirited and effective letter to the *Times* was not accepted by the gentlemen who promoted the petition as conclusive, for the next thing that happened was that the debenture-holders, through their solicitors, wrote to the *Times*, on the 24th April, 1899, a letter which I shall now read to the Committee, and I propose to set the whole out, with my answer to the various allegations made by them. They say,—

It was hardly to be expected that the grave allegations contained in the petition presented by our clients, the debenture-holders of the New Zealand Midland Railway Company, to the Committee of the Stock Exchange, would be allowed to pass unchallenged by Mr. W. P. Reeves, the Agent-General of that Government; but it cannot be doubted that the defence of the action of his Government in his letter published in your issue of the 12th instant only strengthens the position of the debenture-holders, and condemns the attitude taken up by the Government of New Zealand.

The true issue between the Government and the debenture-holders, as raised by the position referred to by Mr. Reeves, and apart from any purely legal question, appears to us to be: Can the New Zealand Government equitably, without either compensation to the debenture-holders or the recognition of their mortgage, appropriate some eighty or ninety miles of railway in the colony, which has been constructed mainly out of money provided by the debenture-holders, and has been mortgaged by the company to the debenture-holders?

That is what I have called the second class of claim, founded upon the mere possession by us of the railway, quite apart from any question of good faith. In putting the issue thus they departed from all they had previously said. This issue has nothing to do with the debentures or misrepresentation. They go on to say,—

The legal and moral aspects of the question are quite distinct. Into the former it is impossible to enter, as the case is *sub judice*, but, to elucidate the latter, it is permissible to state the facts of the case. We venture to think the New Zealand Government itself would hardly contend that they are accurately presented in Mr. Reeves's letter.

They say that it would be improper to interfere in the legal contest, and yet they boast afterwards that they did coerce us in the course of that contest. I may say, on behalf of the Government, that the answer of the Agent-General in his letter to the *Times* is a conclusive answer to these charges, although it could not possibly be so full and explicit as it might have been if he had had the material at his disposal which would have been available if such statements had been made in the colony. Then they say,—

Mr. Reeves relies upon the fact of the Act of 1881 having been recited in the concession or contract with the company to justify the seizure. Regarding this point, we content ourselves with a statement of the facts. The Act of 1881 does undoubtedly contain powers enabling the Government to enter into possession of a railway as against a company. But the Act of 1884 expressly repealed in respect of this railway the provisions as to borrowing contained in the Act of 1881, and enacted that the company, for the purpose of constructing the railway, might raise or borrow money, and (section 13) that the debentures of the company issued under the Act of 1884 "be a first charge on the railway and everything appertaining thereto," and the prospectus offering the debentures for subscription was based on the giving of such charge.

I have already pointed out that that is directly contrary to fact. The prospectus offering the debentures did not purport to be based on the Act of 1884. They next say,—

It is true, as Mr. Reeves points out, that the Act of 1881, containing confiscatory powers in favour of the Government, is recited in the contract or concession entered into between the company and the Government; but it is equally true—although Mr. Reeves singularly omits to state it—that the contract or concession expressly reserved to the company the borrowing powers and the accompanying rights contained in the Act of 1884, and such reservation was in no way qualified or limited.

I do not quite understand the bearing of that. It may have some meaning, but, if so, it is a very abstruse one. Then,—

Even if some qualification had been introduced into the contract between the Government and the company, it is difficult to see how it could have deprived the debenture-holders of the security so plainly and unconditionally reserved to them by the special Act of 1884, which in no way restricted or qualified the borrowing powers and rights which formed the most important of the facilities conferred by the Act of 1884, declaring, as it did, that lenders of the money would have the security of the railway.

If, whenever any question arose between the Government and the company, the Government believed it had the right to take away the security set apart for the borrowed money, why did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884? In the entire absence thereof the Government need not be surprised at the result of their present attempt to deprive the debenture-holders of their security, which grew as the line grew; and in the face of such an attempt it may well be asked what becomes of the commercial morality so complacently referred to by Mr. Reeves in his letter already mentioned.

Mr. Reeves refers to that incidentally, and I wish to make the point plain to the Committee. I have already shown that the borrowing powers conferred by the Act of 1881 were replaced by the borrowing powers conferred by the Act of 1884, but that the powers are to all intents and purposes the same. The members of the Committee will know, being members of Parliament, that if you repeal certain provisions of an Act and replace them by others you leave in existence all the unrepealed provisions of the original Act, which is still the principal Act. The Interpretation Act and common-sense tell you that the other provisions of the original Act still remain in force. Therefore it was not necessary to do what was actually done in the Act of 1884. The mere repeal of certain sections of the original Act and the replacement of the same by other provisions would have been sufficient; but in this case the Parliament of New Zealand went a step further, and expressly called attention to the continued application of all other provisions of the Act of 1881. Let me again refer to section 18 :—

For the purposes of the foregoing provisions of this Act, sections fifty-two to one hundred and six, both inclusive, and sections one hundred and twelve and one hundred and thirteen of the principal Act, relating respectively to the borrowing of money, the rating of lands, and the concession of land to a company, shall be deemed to be repealed, but otherwise the principal Act shall have full force and effect in respect of the railway to be constructed under the authority of this Act, and the company constructing the same, except as herein is specially provided in modification thereof.

Messrs. Ashurst, Morris, Crisp, and Co., the solicitors of the debenture-holders, ask why did not Parliament put it plainly. My answer to that is that it is put plainly, and that any person who looked at the Act of 1884 would see that he was referred to the Act of 1881 as specially conferring powers on the company and correlative powers on the Government. They then refer to the arbitration proceedings and to the exercise by the Governor of his powers, and continue with a reference to a conversation between Mr. Seddon and Mr. Young in London. I think I had better read it, as Mr. Seddon may wish to answer it. The solicitors say,—

At a recent meeting of the debenture-holders, the Receiver, Mr. Alexander Young, appointed here by the Courts, spoke to the following effect: "When Mr. Seddon, the Premier, visited this city in Jubilee year I had several interviews with him. His chief cure for the situation was that I should present, on behalf of the debenture-holders, a petition *ad misericordiam* to the colonial Parliament. This, I had to state at once, was a course I could not adopt, seeing that it would in law give away the legal rights of the debenture-holders. Mr. Seddon then suggested that some day they might, perhaps, be giving us back the line, which, as I then remarked, would only have been giving us what we were entitled to; and, further, that some day, I believed, the railway would become of some considerable value, seeing that the colony would themselves complete it. Mr. Seddon did not agree with that suggestion, but, on the contrary, declared that neither in his time nor mine would that railway be completed by the colony." The debenture-holders allege that, notwithstanding the declaration of Mr. Seddon that the railway would never be completed, the policy of the Government has been to endeavour to exhaust the resources of the debenture-holders by continuously spending money for the extension of the line, and pressing for its repayment under threats that, if not repaid at due dates, the Government would issue the Order in Council already mentioned.

That seems obvious enough. I do not know what Mr. Seddon actually said, but if he said that no Government would complete the two sections connecting the two ends of this middle section with Christchurch and Nelson for the benefit of the contractors I do not think Mr. Young could have been greatly surprised. Then they say,—

Further, from information received from New Zealand, there are grounds for believing that the Government have refused to allow the issue of the certificates of title for some of the lands awarded to the company by the arbitrator, thus preventing the company using its securities to raise the very moneys which the Government have demanded.

That paragraph shows what ludicrous misrepresentations are possible. Mr. Parker had been appointed Receiver by the Court of Chancery on the first petition; then Mr. Young was appointed Receiver at Home, and we had Mr. Coates as Receiver in the colony. Before Mr. Coates was appointed applications were made by the company for land-grants, and they were told, "Settle amongst yourselves who is to be named in the grants, and they shall be issued." That went on until the Chief Justice of New Zealand decided that Mr. Coates was to have the grants. Yet they represent to the commercial world in London that we refused to give them the grants, in order to prevent them having money to carry on the contest. They were told, in letter after letter, that they could have the land if they would only settle amongst themselves who was entitled to it, but they could not settle that point. It was a purely technical difficulty, raised by the lawyers, and yet it is represented in the City in the manner I have stated. Then they say,—

These proceedings have been persisted in for a long time, to the great detriment of the debenture-holders, and yet Mr. Reeves tries to justify them by stating that the New Zealand Government have agreed not to issue an Order in Council until the decision of the Privy Council has been given; but an undertaking not to issue the Order in Council was not given until as late as February, 1899.

The undertaking was a verbal undertaking given in open Court by counsel for the Government. It arose in this way. As I have stated, there was a difficulty, which my friends on the opposite side felt, in getting a plaintiff, and we allowed Mr. Coates to be appointed Receiver. So they got their Receiver appointed, and in that way we helped them out of their initial difficulty. They were then faced by a second difficulty: that if the Government, as it had a legal right to do (and I submit a moral right as well), issued an Order in Council declaring the railway to be the property of the Crown, the position of the Government in the litigation would be greatly strengthened. We said that if they proceeded with due diligence with the litigation no Order in Council would be issued until after the final decision in the Privy Council. We did not want the blue mark on the map of New Zealand to continue there indefinitely. I will read a letter, dated the 15th April, 1899, from Stout, Findlay, and Co. to the Crown Solicitor. The Committee will observe later that in the second letter, dated 10th May, 1900, the solicitors to the debenture-holders refer to this correspondence as being the first undertaking satisfactory to their counsel in London.

Colonial Exchange Buildings, Lambton Quay, Wellington, 15th April, 1899.—DEAR SIRS,—*Re* Midland Railway and the Government: Referring to our Dr. Findlay's conversation with your Mr. Bell to-day, we have to say that the undertaking given by counsel for the Crown to counsel for the Receiver, when the summonses were before the Supreme Court, was as follows: That the Crown agrees, on condition that the Receiver presents his appeal to the New Zealand Court of Appeal and Privy Council with the utmost diligence, that all moneys due to the Crown under section 123 of "The Railways Construction and Land Act, 1881," on the date of the decision of the appeal in question by the Privy Council may be repaid to the Crown within one month from the date of such decision, and that upon repayment of such moneys within such month no notice under section 125 shall be given or proclamation under section 126 be published by the Crown for any previous default in non-payment of such moneys. If all the said moneys are repaid within such month this undertaking is at an end. We are advised from London that if the Crown will assist in expediting the appeal it is almost certain to be heard before next Christmas. We are in a position to give you our assurance that the appeal in England will be prosecuted with the utmost despatch, and that our representatives there are endeavouring to secure a fixture of the earliest possible date for the hearing. We shall be glad, in accordance with the arrangement made between your Mr. Bell and our Dr. Findlay, to have a written undertaking from the Government embodying the arrangement we have stated above.—Yours truly, STOUT, FINDLAY, AND CO.—Messrs. Bell, Gully, and Bell, Solicitors, Wellington.

The answer to that letter is signed by myself, and is to this effect:—

20th April, 1899.—DEAR SIRS,—We have to acknowledge receipt of your letter of the 15th instant, and to say: 1. That your letter correctly states the effect of the undertaking given by counsel for the Crown, except that you omit the following conditions, subject to which the undertaking was given: (a.) The appeal to the Privy Council must be heard during the present year, unless counsel for the Crown are absolutely satisfied that by no possibility could it have been so heard—that is to say, it is not for you to demonstrate the impossibility, but for us to be satisfied that the impossibility exists. So far as at present appears, this condition is not likely to be of much importance, as it seems that you anticipate no difficulty in having the appeal heard before the end of the present year. (b.) The moneys to be paid to the Crown are the moneys claimed by the Crown, not the moneys which you may or may not admit to be due—that is to say, that the Receiver must pay over to the Crown within the month the amount which appears by the account rendered by the Public Works Department to be due to the Crown. Such payment would be made on the usual terms in such cases that the person paying was entitled afterwards to challenge the accuracy of items in the account. 2. We have submitted your letter to the Government and are authorised to write this reply.—Yours faithfully, BELL, GULLY, AND BELL.—Messrs. Stout, Findlay, and Co., Solicitors, Wellington.

You will see the correspondence meets both points. First of all they say we were endeavouring to delay the debenture-holders in the proceedings, and, secondly, that we would not give an undertaking not to issue the Order in Council. The correspondence shows that it was quite the other way, and that we gave the undertaking, but insisted on expedition being used. Dr. Findlay told us the other day that they could have hung the matter up for three years, and yet they tell the Stock Exchange in their petition that it was the Government who were attempting to delay the proceedings, and that they compelled us to hold over the Order in Council until the matter had been decided by the Privy Council. The Privy Council says that the course taken by the Government was a very proper one. They recognise that the Government were not at all compelled to do what the debenture-holders asked of them, and they spoke in the highest terms of the action of the Government in holding over the Order in Council. Am I not then justified in saying that

these statements of the petitioners to the Stock Exchange were most reckless, particularly when they were made in a distant part of the world where they could not be readily answered. But Mr. Reeves answered them, and very effectually, by his letter of 27th April, 1900. On the 20th May Messrs. Ashurst and Co., the solicitors to the debenture-holders, again wrote to the *Times*. They began thus :—

Your issue of the 3rd instant contained a reply by Mr. W. P. Reeves, the Agent-General for New Zealand, to our letter of 19th April. May we crave the hospitality of your columns to point out that the reply entirely evades the true issue before the public? That issue, as already clearly stated, is contained in the following question: "Can the New Zealand Government equitably, without either compensation to the debenture-holders or recognition of their mortgage, appropriate some eighty or ninety miles of railway in the colony, which has been constructed mainly out of the money provided by the debenture-holders, and has been mortgaged by the company to the debenture-holders?"

Again stating the matter in such a manner as to confuse the issues, and not relying on that foundation, but proceeding to make allegations of want of good faith on the part of the colony. They go on to say,—

Nothing more significantly demonstrates the unjustifiable attitude of the present New Zealand Government than the way in which, in both of his letters to you on this subject, Mr. Reeves dwells almost exclusively on the alleged powers of seizure as settling the whole question in dispute. It is not thus that the investing public of this country regard it.

I have endeavoured to show that the investing public of England must have considered their rights as identical with those they would have in the case of English railways. They go on,—

He makes no attempt to answer our inquiry. Why, if the Government believed that they had this right of confiscation, did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884?

Mr. Reeves showed, and I think I have distinctly shown, that while the Act of 1884 repealed certain sections of the Act of 1881 it expressly stated that the remaining sections were still in force. They then say,—

It is obvious that Mr. Reeves found it very inconvenient to answer this question. The special Act of 1884 (which was passed by the New Zealand Parliament three years after the general Act) contains the new and unconditional borrowing powers and first charge upon the undertaking which we have previously described; and the New Zealand Government are bound to give effect thereto or to allow the public to assume that they intended the special Act of 1884 to be a trap for obtaining money for the construction of this railway from bondholders who at that time relied upon the good faith of New Zealand.

Again, you see, they state the issue to be the question of whether we should retain the railway or buy them out, and they bring up this old story of the passing of the Act of 1884, and using it as a trap for the debentures issued three years after the formation of the company, with which we had as much to do as we had with the issue of the share capital—that is, nothing whatever. Then, they go on,—

He endeavours to make much of the circumstance that the Government have given an undertaking not to confiscate the line before giving the debenture-holders a limited time in which to appeal to the Privy Council. He omits to mention that the Government have repeatedly demanded and received from the debenture-holders large sums of money under threats of confiscation; that the Government have prevented by their objections an earlier appeal to the Privy Council.

I have already explained that all we did was to insist that they should go to the Privy Council that year, but should take the regular course in doing so. They next say,—

And that the undertaking was only received in a form considered legally binding by counsel for the debenture-holders here after the petition to the Stock Exchange had been presented.

So you see they first changed their ground, and now they suggest that we were coerced into giving such an undertaking as their solicitors considered binding. The undertaking which we gave was in open Court, at the request of Dr. Findlay; and had I understood that counsel for the debenture-holders did not consider anything binding until it was in writing, I should have told him that we did things very differently in New Zealand, and would have declined to give the confirmatory letter Dr. Findlay asked for; and I am sure I should have had the support of the Premier in that. But I do not want to rely on this at all, and I only mention it as an illustration of the reckless charges which have been made against the good faith of the colony, and of the way in which they constantly shift their ground of complaint, so that it is next to impossible to meet them. When one charge is disposed of they abandon it for a time, and bring up a new one; and when that is disposed of, then the old one crops up again.

(d.) *The Allegation that the Seizure by the Government left the Company and the Debenture-holders without Remedy.*

The debenture-holders allege that the result of the taking possession by the Crown of the railway in 1895 was to leave them without remedy, except to appeal *ad misericordiam* to the Parliament of New Zealand. Sir, that is absolutely incorrect. There is no foundation whatever for that statement. They had a remedy, and a very complete remedy, as I shall show. May I ask the Committee to bear with me while I refer again to sections 123 to 126 of the Act of 1881, which are called the confiscation sections by the petitioners. They are nothing of the kind. The Governor may by section 123 seize the railway in case of default by the company. Sections 125 and 126 provide that if the company for a year fails to meet the half-yearly demands, then the Governor may, after the expiration of the year, give three months' notice of his intention to take the railway as Government property, and if after the expiration of that three months nothing has been done by the company he may declare the railway to be the property of the Crown. Under section 123 the Governor assumed management of the railway in May, 1895, and from that time he not only managed it but he also proceeded further to do the contract work, and spent money on it, but not large sums of money as has been suggested, for after all only some £200,000 have been expended in five years. That shows that the Governor did not expend such an extravagant

amount of money on the work as would prevent the company or its assignees from redeeming it. From time to time he made six-monthly demands upon the company and the Receiver. May I again refer to these sections, 123 to 126. By section 123 the Governor may go on to complete the railway. If he does so he renders half-yearly accounts of his expenditure on construction, less the net receipts from working. As each section is completed by the Governor the company or its mortgagees has the right to select land to the value of 50 per cent. of the estimated cost at the B 1 values. When the line is completed by the Governor it belongs to the company or its mortgagees if they pay the half-yearly accounts. Therefore when they are called upon to pay they pay not the actual cost of construction, but that actual cost less the net profits from the working. Then they immediately receive, and can sell, land representing nominally 50 per cent., but, in fact, much more than 50 per cent., of the agreed estimate. The Committee will remember that the lands selected and sold by the company have averaged more than 25 per cent. above B 1 value, so that the cost to them of completion by the Governor must be less than 50 per cent. of the moneys expended by the Governor in construction, and will probably not exceed 35 per cent. of that cost—certainly not more than 40 per cent. Then, by section 125 they have a full year to find each instalment. The Governor can do nothing unless default is made in payment and continues for a year. So far, therefore, from being powerless or without remedy, the debenture-holders might have provided funds, as they did from October, 1896, to January, 1898, to meet the half-yearly balances, and they would have finally owned the completed railway at a cost of from 30 to 40 per cent. of the actual moneys expended by the Crown in its construction. Yet they preferred to lose the part constructed by themselves rather than become owners at such a reduced cost of the whole of the railway, which was the security they had contracted with the company to obtain. Dr. Findlay tried here to confuse—or, rather, perhaps, I should say did confuse—the issue. He referred to the fact that if the Governor once took possession he might always continue the management, since there is no provision for turning him out compulsorily. Section 124 only provides for an appeal to the Supreme Court against his action in taking possession. It would be odd if the Governor refused to give up possession when the railway was completed, and still more strange if the company found the management by the Government disadvantageous. But, putting that aside, the profits of the railway would belong to the company, or the debenture-holders, whoever managed it. Besides, section 123 gives special power to the Governor to restore the railway, and, having that power, it is idle to contend that he would retain possession and management after completion. If the company and the debenture-holders, even upon such terms as I have referred to, refuse to pay the balances found due by them to the Government, and if they continue their refusal for a year, still they have another three months' notice under section 125, and if they still persist, then there is nothing left but that they must give up the part constructed by them. Their position is not altered. They never had any right to the ownership of part, except upon condition of completing the whole. If they definitely refuse to perform the condition, their right, which is based upon that condition, is necessarily determined. Every indulgence has been shown them. In lieu of one year's default there has been two years and a half before the final notice was given upon which the Order in Council is founded, for their last payment of January, 1898, was in respect of an account rendered in October, 1897. I think I have proved that their remedy was complete and ample; that the conditions were severe rather upon the colony than upon the debenture-holders, and that they have had the choice between buying a complete railway at 40 per cent. of its cost, and so performing the condition upon which their right to part depended, and losing that right; and that they, and not the Government, have chosen between the two courses, and that with their eyes open to the consequences they have refused to perform the condition.

(e.) *No. 6. The references to the Speeches of Public Men.*

I have dealt with this in my summary of the provisions of the Act of 1881.

(f.) *The alleged Embarrassment as to Time for Completion.*

There is one other matter I have to refer to, and that is the point as to the extension of time. I shall have, I am afraid, to ask your indulgence in this. I have had to wade through an immense mass of papers to pick out those which referred to a point which I had not anticipated would be raised. I am able to prove conclusively that, if an extension of time was all the company wanted, they could have had it at any time, if they showed that they could complete the work within the extended time. When Mr. Wilson was asked by the Committee, in 1893, how long it would take to complete the line, he said they could complete the line from Springfield to Brunnerton—which, by the way, is a very difficult part of the work—in three years and a half. We have stated in our answer to one paragraph of their petition that it was want of finance which caused the difficulty, and not pressure of time, and I shall show that that is absolutely the fact. Their finance was exhausted in 1892, and they went on with the work without any vigorous effort. When they came to Parliament in 1893 they said they only required three years and a half to complete the work, and six months of that would be required to arrange their finance in London. The evidence on this point will be found in the Appendix I.—6c of 1893, page 9. Mr. Wilson says,—

The first point has reference to the extension of time necessary for the completion of the line from Brunnerton to Springfield. We ask for such time as may be necessary. The intention is, of course, to push forward with the works as rapidly as possible. We in our proposed draft contract stated a certain time. I think it was five years; but of that we should probably take only three and half with good luck and good weather.

If they could complete the East and West Coast line in three years and a half, there was no reason to prevent them going on at the same time with the Nelson-Lyell line. It was a very difficult portion of the work on the East and West Coast line which they wanted three years and a half to complete.

IV.—CONSTITUTION OF THE COMPANY AND DIFFICULTY OF DISTINCTION BETWEEN SHAREHOLDERS AND DEBENTURE-HOLDERS.

That, I think, concludes all I have to say on the class of claim founded on the charges of the want of good faith; but I wish, with your permission, to point out how difficult it is for the debenture-holders to separate themselves from the company in this matter. I shall not take long in making this point.

The company is of a curious constitution, which has become common of late years. Companies are now sometimes formed with practically no capital. Seven shareholders sign the memorandum; fully paid shares are issued in exchange for the property acquired by the company, and its capital is provided by debentures charged on the property. The debenture-holders are, of course, not liable to calls, and if their security is sufficient they get their interest without risk. In general practice, however, debentures are only issued to the extent of the uncalled capital, so that the debenture-holder has not only a security on the property, but also the personal liability of the shareholders to satisfy his claims. A person lending money on debentures to a company of the latter class need not carefully scrutinise the nature of the property which is mortgaged to him. He has behind it the liability of the shareholders. But any person buying the debentures of a company of the class first described is bound to carefully consider what property the company has to mortgage to him. That is all he can get. The company's personal liability is non-existent. If this company had been like the Manawatu Railway Company with a large uncalled capital the present distinction between the claim of the debenture-holders and the company could not have arisen, for the debenture-holders would get their money from the company. It is only because they have no remedy against the company that they claim the contract work which is in process of completion in competition with the Government, whose right against the company is beyond question. How can the Government be liable to the debenture-holders? The Government did not issue the prospectus, or issue the debentures. Nor did the Government of the colony make any representations to the debenture-holders. The debenture-holders may have a grievance against the company and its directors. I dare say they have. But how can they and the company, in equity and morally, combine to remedy that grievance by depriving the colony of its rights? When the company issued the debentures it had not a shilling of uncalled capital, and it has never since raised any share-capital. So that it was a company of the class I have first described. When the company can raise no more money, cannot complete its contract, and becomes liable to the exercise of the powers of the Governor, then it turns to its mortgagees and says, "If you claim as yours the part constructed we will aid you, and that although 50 per cent. of the cost of it has been provided by the colony. We cannot claim that it is ours, but you, as our mortgagees, may be able to make out that it is yours." It is difficult to understand how any one could suppose that mortgagees, claiming under documents issued by the mortgagor, can have a higher right than the mortgagor. But the point was not one which could be misunderstood. The debentures were issued in 1889. In February, 1888, the Privy Council had decided in London the very point in a precisely similar case—a Government charter to a railway company, expressly giving the company the power to mortgage its railway-line. The case is reported in Appeal Court Cases, page 199, and at page 209 their Lordships say,—

Extract from Government of Newfoundland v. Newfoundland Railway Company. (XIII., A.C., p.p. 209-210.)

The assignees, indeed, contend that the Act of 1881 and the company's charter contain provisions which, in any controversy with the Government, place them in a better position than the company. The charter contemplates that the company will borrow money, and says that it may do so, and may issue bonds upon the faith of the corporate property. But their Lordships cannot find any indication throughout the whole of the documents which should lead a lender of money to think that the corporate property is anything more than what the company may justly claim, or that he is in any other way to stand on higher ground than the borrower.

This is the Newfoundland case, which, as I have already stated to the Committee, I shall refer to later on on another point relating to the liability of the mortgagees to a set-off of damages suffered by the Government. But my present point is different. The investors of the British public had invested their money in this undertaking on the representations of the directors of the company, and, as you can see by the dates, this judgment of the Privy Council could not have been unknown to them. I say that the assertion on the part of the Government in this matter is of the same right as that which was asserted by the Government of Newfoundland, and was determined in favour of that colony by the judgment of the Privy Council before the issue of these debentures, and that the contention now raised by the debenture-holders in respect of this railway—namely, that they, as assignees of the company, have a higher right than the company itself—is the very contention which was held to be untenable in that case.

V.—THE REPLY TO THE CLAIM THAT, WITH THE MONEY OF THE COMPANY AND OF THE DEBENTURE-HOLDERS, A PART OF A PUBLIC WORK HAS BEEN CONSTRUCTED WHICH HAS PASSED TO THE POSSESSION OF THE CROWN, AND THAT THE CROWN IN FAIRNESS OUGHT TO PAY THE VALUE OF IT.

I now turn to the other class of claim. This claim is founded, as I have already indicated, upon the assertion that we have the railway without cost to the colony. They say, "The company has failed to complete their contract, and the debenture-holders have lost their money, and the Government has the railway, and is going to complete it. Therefore you should pay us for the money which we have expended on the line." Assuming that to be a fair and equitable basis on which to found a claim, the question becomes one for a jury, apart altogether from the suggestion that the colony owes any duty of any kind to those people who constructed the line, or to their mortgagees. It is a question of how much this railway is worth to us, having regard to what we have already paid, and to the damage we have suffered through the non-completion of the line. The first question is, what is to be the measure of estimate? As I put it at the commencement of

my speech, is it the market-value of the railway, or the sum which it cost them to construct it, or the sum which it would have cost the Government to construct it. The measure is, no doubt, to be determined first. Supposing the Committee assume that it is necessary to approach the subject at all, since the colony has only exercised the powers given by the contract, then, no doubt, the Committee will proceed to determine under which of the three heads its estimate should be made. I will deal with each of them. And, first, the market-value appears to be the correct test, because Mr. Coates and the shareholders complain that they have been refused their motion for an order, which would have empowered him to sell the railway. Supposing he had proceeded to sell it, and the Government had chosen to stand by and look on, then there is for sale a line which, without the completion of the unconstructed part, is of very little value. Of course, it may be said in answer that a speculator might take it and be content to wait for a time in the expectation that the colony must complete the line or purchase his part. That may be so, but even taking that into consideration you have the estimate of the Public Works Department, through Mr. Blow in answer to the allegations in the petition, in which the department says that the outside capital value of the constructed railway on the market is about £135,000. That is the outside value, but the line is at present useless, unless some one will contract to construct the connections and provide the machinery to enable it to be worked at a profit. As I have pointed out before, there is no obligation on the part of the Government to continue the construction of the railway, and an ordinary individual would wait until the speculator was tired of running his line. The line from Springfield to Jackson's cannot possibly pay by itself. Considering the enormous capital expenses to be incurred, and the enormous working-expenses, it is not likely that the Government would construct it. The first way to approach the question is to ascertain the market-value. If that is the correct method, then the matter is at an end. We have paid these gentlemen out of the colonial funds over £300,000. Assuming, then, that the market-value is taken, obviously it is wiped out at once, for they have actually in their pockets over £300,000 out of the funds of the colony by the sale of their land grants, and that must not be treated as a mere technicality. I hope the Committee will bear in mind that unless the company had contracted to construct the railway from point to point they never would have had an acre of land grant, nor would they have had the immense reservation over which they could make their selection. So that you may take it that every acre of land they have had in respect to the small portion of the railway which they have constructed is, from the point of view of the colony, so much colonial property wasted. Upon the second head, let me meet the case as Dr. Findlay has put it—that the basis should be what it cost them to construct the line. I may say at once that is no measure of the value to the Government. The foundation of their claim is that "we have an asset which would have cost us something to construct," and that is a complete answer to the suggestion that you should proceed on the sum it cost the company unless you can assume that that is a sum which it would fairly have cost the Government. I will show conclusively that it is not; and I must ask the Committee to look at the report of the Committee in 1896. There were two petitions before that Committee, one from the company and one from the debenture-holders. In Exhibit L, I.—7A, 1896, you will find a payment of £12,500—paid to the English contractors for the first three sections to give up their contracts. The company found that their contracts had been made at such extravagant prices that they gave the contractors £12,500 to surrender them. I dare say the work was very well done, but it seems to have been a most extravagant expenditure. The Committee will find that the estimated cost of the works, for the purposes of the contract, was made out by Mr. Napier Bell on behalf of the company and Mr. Blair on behalf of the Government; and you will find that when the question was put to the Railway Commissioners in 1893, as to what Government could complete the contract for the East to West Coast Railway for, they gave a sum of £973,000, which, added to the estimated cost of the portion constructed by the company, very slightly exceeds £1,500,000. I have, as one example, to call attention to the expenditure on the first three sections let in England without tender. I refer the Committee to I.—7, 1896, page 53, where they will find this:—

EXHIBIT L.—STATEMENT showing Contracts let to Messrs. MCKEONE, ROBINSON, and D'AVIGDOR.

No. of Contract.	Particulars of Contract.	Amount of Contract.		Amount paid, including Additions to Contracts.		Amount paid to Contractors to forego Contracts.		Total.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1	7 miles 41.25 chains in length, commencing at a point marked on plan 12 miles 41.25 chains, near Stillwater Junction, to a point marked 5 miles 4 chains towards the Teremakau River. Completed 15th February, 1888	89,228	3 2	94,413	10 0	..	..	94,413	10 0
2	1 mile 16 chains in length, commencing at the end of the existing Government railway at Brunner-ton, and ending at a point marked on the plan 12 miles 45.25 chains. Completed 13th March, 1888	11,306	0 0	12,543	15 7	..	..	12,543	15 7
3	6 miles 67 chains in length, commencing at a point marked 1 mile 41 chains, near Stillwater Junction, and ending at a point marked 8 miles 28 chains, near Nelson Creek. Completed Nov., 1888	66,600	0 0	68,484	14 1	..	..	68,484	14 1
	Payment to contractors to forego contracts Nos. 1, 2, and 3	..	..	..	..	12,500	0 0	12,500	0 0
	Totals	167,134	3 2	175,441	19 8	12,500	0 0	187,941	19 8

E. and O. E.—Wellington, 4th August, 1896.

F. H. LABATT, Accountant to Receiver.

If the Committee will turn back to I.—7, Exhibit G, they will find that the estimate of cost for the Tunnel-Kokiri section, and the Kokiri-Brunnerton section (together 8 miles 52 chains) is £55,900. These sections are nearly identical with the first two in Exhibit L (together 8 miles 57.25 chains). Yet the total sum agreed to be paid to the English contractors was £106,957 5s. 7d., or very nearly double the estimated cost. There is no wonder, therefore, at the extraordinary payment of £12,500 by Mr. Wilson to the contractors to go away and to leave him to complete the contracts at the company's expense. I do not want to stir up such matters again, but am forced to adduce these facts to show how impossible it is to proceed on the basis of the cost to the company of constructing the railway. And that is only one item. I must take another example. There is the payment to Mr. Wilson, the Chief Engineer. That also came out before the Committee in 1896, and Mr. Dalston shows it in a separate account to have been £43,748 for commission and £14,048 for salary, or a total of £57,796 for six years. I assure the Committee that I am anxious to avoid matters which certainly are not pleasant to comment upon. Of course, the Government does not pay its officers commission, nor does it pay them such salaries as was paid to Mr. Wilson in addition to the commission. Nobody has been able to explain why such sums were paid. It is possible that the company may have thought that they must have a man of high eminence in the position, and paid him accordingly; but such considerations will not apply to the Government. The result is, I think, that you will find that throughout the position is clear that the cost to the Government would not have exceeded the estimated cost as fixed by Mr. Blair and Mr. Napier Bell. If the Committee wish for further evidence on this point, I shall be happy to go into it and take it item by item; but it is almost incontrovertible. You will see in paragraph 6 of their petition that they say that they have constructed various sections of the line at a cost of £1,338,000. Dr. Findlay and Mr. Dalston have been very candid about this, and they can only show that £750,000 has been expended on construction, including the salary and commission to Mr. Wilson. The Committee are not troubled to ascertain what has become of the balance, because the company and the debenture-holders do not now contend that they have a claim for more than the actual cost of construction, and the interest on that cost. Therefore, I am relieved, and the Committee is relieved of what would have been otherwise the very unpleasant duty of inquiring what constitutes the extraordinary difference between the statement in the petition and the statement we have here put in by Mr. Dalston—a difference between £1,338,000 and £750,000. Assuming that £605,000 is the amount which it would have cost us to construct the line—taking that amount, and it is slightly in their favour: it is a little more, as Mr. Blow points out, than it would have cost us, because there has been too much expended on the two portions at Springfield and Belgrove, which we have taken in at the actual cost to them—has nothing to be deducted from it? First of all, is it not manifest that the value of the land which they sold must be deducted from the moneys they have to receive. Dr. Findlay and Mr. Dalston argued that the land-grants were a grant-in-aid, and were not to be taken into account in considering the cost of the railway. That is true, but they were only entitled to the land-grants on condition of constructing the line from point to point, and, if they fail to do that, then we are entitled to deduct what they have received in consideration of the promise which they have not performed. I take from their own figures the amount of land they have sold. There have been 383,313 acres already sold. The B1 value of that land was £260,243. That is to say, it represented an expenditure by them of £520,000, and they realised from that land £302,551, and they have further the unsold land which, at B1 value, is £20,301. That makes a total of £322,852. Add to the £20,301 25 per cent.—it was 41 per cent. at one time, but it has come down from that—and you have a total of £328,000. I have not examined the question sufficiently to know whether they are entitled to further selection: if that claim is founded on the amounts which they have paid since the Governor took possession, then, inasmuch as they did not complete a section, I do not think they are entitled to a land-grant for it. So that you have, first of all, to make a deduction of £328,000 for moneys received by the company from sale of land-grants. Then, the Committee may say, That still leaves £275,000: how do you account for that? We account for it in this way: we say that, so far from owing the company anything, they owe us hundreds of thousands of pounds for the injury we have sustained. I have referred the Committee to a passage from the report of the judgment of the Privy Council in the Newfoundland case, and I will ask them now to listen to a few more passages from the report which deal with this point exactly, and it must be remembered that that judgment was delivered before the debentures were issued:—

Extract from "Government of Newfoundland v. Newfoundland Railway Company" (XIII., A.C. p. 206.)

On the 15th July, 1892, the company assigned to the other plaintiffs the southern division of the railway and its entire plant and undertaking, constructed or to be constructed, being a distance of 100 miles, and all rights relating to that division or branches, including the grant of 5,000 acres of land for each mile of railway forming part of that division or branches; and also all interest of the company in respect of the said division or branches in the subsidy of £180,000 payable by the Government, in accordance with the provisions of the said Act. The assignees were to hold the property assigned for the security of persons holding bonds which, under the powers of the Act, the company were about to issue to an extent not exceeding £400,000. It appears the bonds have been issued to the full extent.

On the 20th of April, 1886, the railway should, according to the contract, have been completed. At that time the company had only completed eighty five miles, or seventeen of the five-mile sections; and it must be taken, for the purposes of the present questions, that no more has been done, or ever will be done, by the company. It does not appear when any five-mile section was completed, but as each has been completed the parties have considered that a proportionate part of the subsidy attached, and the Government has begun paying that proportion on the next half-yearly day of payment. On this footing the amount due on the 1st of July, 1886, was seventeen sixty-eighth parts of the whole. But by that time the company had failed to perform the contract, and the Government refused to pay any more.

The two claims under consideration have their origin in the same portion of the same contract, where the obligations which gave rise to them are intertwined in the closest manner. The claim of the Government does not arise from any fresh transaction freely entered into by it after notice of assignment by the company. It was utterly powerless to prevent the company from inflicting injury on it by breaking the contract. It would be a lamentable thing if it were found to be the law that a party to a contract may assign a portion of it, perhaps a beneficial portion, so that the assignee shall take the benefit, wholly discharged, of any counter-claim by the other party in respect of the rest of the contract, which may be burdensome. There is no universal rule that claims arising out of the same contract may be set against one another in all circumstances. But their Lordships have no hesitation in saying that in this contract the claims for subsidy and for non-construction ought to be set against one another.

It is hardly necessary to cite authorities for a conclusion resting on such well-known principles. Their Lordships will only refer to *Smith v. Parkers* (1), not so much on account of the decision as for the sake of quoting a concise statement by Lord Romilly of the principle which governed it. He says, "All the debts sought to be set off against the defendant Parkes are debts either actually due from him at the time of the execution of the deed" (this was the deed by which the third party who resisted the set-off was brought in) "or flowing out of and inseparably connected with his previous dealings and transactions with the firm." That was a case of equitable set-off, and was decided in 1852, when unliquidated damages could not by law be the subject of set-off. That law was not found conducive to justice, and has been altered. Unliquidated damages may now be set off as between the original parties, and also against an assignee if flowing out of and inseparably connected with the dealings and transactions which also give rise to the subject of the assignment.

Their Lordships think that the proper course will be to discharge so much of the decree below as directs payment of the subsidy, and instead thereof to direct an inquiry whether the Government is entitled to make any and what claim against the company in respect of any of the matters mentioned in the answer of the Attorney-General.

That brings me to a question upon which I shall have to trouble the Committee with evidence at length. Of course any one can see that the damage which the colony has sustained is very large indeed, and when the question was first approached the difficulty was to estimate it so that something in the way of figures might be before the Committee. We have endeavoured to approach it from different points of view, from some of which I think the Committee will be satisfied that we are able to produce figures which can be established beyond question. It must, of course, be a question of estimate, and probably on one or two heads it is difficult to arrive at anything exact, but in other instances we are able to produce positive evidence. I will take what I call the blue mark on the map, and that represents nearly six millions of acres of land. You will see what the company has selected, and you have it that for more than fifteen years that blue mark has been upon the map, and not a single settler could be put upon that land with any but temporary tenure. I do not want to go further than my brief, and may say that some tenants have been placed there, under section 216 of the Land Act, but that tenancy does not give the tenant a right to improvements, and cannot exceed three years. No one would suppose that any considerable number would take up land under such circumstances. It has been taken up in some cases probably with the idea that when the reservation was removed a paternal Government would be generous. But there is that mark, and it is right to assume that that land has been made worthless to the colony for fifteen years. There have been 900 applications in Nelson, and 700 in Westland for portions of this land, and there would have been more if the company had carried out its contract and constructed the railway. We have also the acreage on the Canterbury Plains, which is shut up in the same way. Let me put in as the first part of my evidence the evidence given by Mr. Wilson before the Committee in 1893. At that time the company wanted to surrender its land-grants in lieu of Government debentures. One reason why they wanted to give up the land is that they would not get it until they had completed the railway. Mr. Wilson's evidence will be found in Appendix I.—6, 1893, and is to this effect:—

Mr. Wright.] Does the red represent the portion you have sold?—The portion we have selected. The estimated waste-land value of the reserves, as set out on this map, is estimated at £3,127,999, in addition to which there are certain township sections, not included in the area, which amount in value to £17,434. This value, of course, is on the assumption that it is waste land, and before it has received any value by the construction of the railway, or any other increase. I may point out also that this is a valuation made ten years ago, and I think I am right in saying the value of land in New Zealand is higher—considerably higher—than it was when that valuation was made. One of the important inducements offered to the company was that all the increase of this waste-land value should be part of the company's profit—that although coming to the company at a nominal value of 10s., or its assessed value as granted, that any increase in that price should be the property of and part of the profit of the company. A good deal of the land affected by the construction of the railway has actually no value to-day, but its timber and minerals will, of course, be developed by the railway when constructed. And I will show later on that in the sales the company have made they have received a very considerable increase on that value. Now, this land area reserved is partly in the Provincial District of Canterbury, Westland, Amuri, and Nelson. Approximately in Westland, 663,400 acres, of a waste-land value of £415,075; in Canterbury, 1,302,300 acres, of a waste-land value of £668,100; in the Amuri, 964,100 acres, at a waste-land value of £482,050; in the Nelson District, 2,983,400 acres, of a waste-land value of £1,562,774. The company have, so far, selected the following lands: In Westland, 20,500 acres, of a B1 value of £20,500; in Canterbury they have selected 132,898 acres, of a B1 value of £126,403; in the Amuri, 71,096 acres, of a B1 value of £35,548; in Nelson they have selected 1,914 acres, of a B1 value of £957. Or a total, out of the whole area of 5,000,000 odd acres, the company have selected 276,408 acres, of a total B1 value of £183,408. Therefore there remains the corresponding balances available for selection in these different provinces.

Hon. Mr. Seddon.] What is the difference between the B1 value and the amount received?—I will give you that later. Do you mean what is available for selection now, or what the company have sold?

What it sold for? The difference between the B1 value and the amount got for it?—It comes out exactly as an increase of 35 per cent. over the B1 value. We have sold land at a B1 value of £134,638, for which we received £182,442.

Hon. J. Hall.] The difference between the two being?—An increase of 35 per cent.

Mr. Wright.] What are we to understand by B1 value?—What the Government value it at; the initial value—the contract value.

Mr. Tanner.] That is, 35 per cent. over the 10s. per acre?—No; it is not all priced at 10s. per acre.

Mr. Wright.] I will now touch on the value of the Westland land. Last session you had evidence before you on the mining reserves. Many of the witnesses, I dare say you will remember, stated that a lot of that land was worth for timber £1, and for land another £1, after the timber was taken off. These were not witnesses for the company: they were somewhat against the company. Now we have at present an offer from sawmillers for an area of from 300 to 600 acres. The offer is to give us £2 an acre for the timber royalty, and 30s. for the land after the timber is cut off. That is a firm offer. We have another for over 1,500 acres of timber land, at 50s. for the timber and the land. Some people say the land is not worth anything, and that the timber is worth nothing; but that is an utter mistake. When that

country is opened up by the railway it will be found both timber and land are very valuable. There is land near Lake Brunner district, which I sold to a small settler at 27s. 6d. an acre. He is carrying four to five sheep to the acre, fattening on it, and he would not sell it for £4 an acre. That is close to Lake Brunner. There is a lot of that land there. I should suppose 12,000 to 14,000 acres of good scrub land. Last year's Committee evidence, you will remember, showed we had applications for about 84,000 acres of that Westland land we were unable to deal with; and on these applications we should have got an increased value of 50 to 100 per cent. over the B1 value. That was land over on the coast, and we certainly could have got that increase. That which is driving us now to make the present proposals is we cannot finance under the present conditions after the evidence which was given last session. If we could possibly manage to carry this financing through it would pay the company infinitely better to retain this land grant. There is no doubt we could make very big profits indeed from the sale of the land-grant. It must be remembered that, under our contract, the company have the right of selecting any part of these reserves that it likes; it can pick the very cream and leave the other. So if I had asked for an increase over the B1 value I should have only asked what is fair. We should have, in fairness, some increment of the increase of value which must arise from the construction of the railway through the lands we give up to the Government. There are, I may add, further lands remaining in these reserves valued at waste-lands value (in Canterbury) at 12s. 6d. 15s., 17s. 6d., 20s., and 27s. 6d., so that we have not taken the cream of the country and left nothing for the colony. If you look at the map you will see what we have taken, and that we have not practically taken anything, compared with what is left. In Westland there are waste lands remaining at 10s., 12s. 6d., 15s., 17s., 17s. 6d., 20s., 22s. 6d., and 25s.—block after block of land which is put down by the Government at far more than 10s. At Amuri we have sold at 14s. land valued at 10s. Under Amuri leases we have no option but to sell.

The Chairman.] I think the Committee would like your proposals in a concrete form, and then you can explain them?—As I pointed out, this land grant is allocated to various sections of railway, and the land allocated to the section between Springfield and Jackson's, which the company is prepared to sell, amounts to £618,250 B1 value: this the company are prepared, on the signing of the new contract, to hand over—and free the whole of the reserves area, so that the Government may deal with it immediately under its Land Acts. The company, judging from the past, may fairly anticipate an increase of at least 15 per cent. We have had 35 per cent., and we may obtain that again from some of the most saleable land. But I think we may fairly expect to get an increase of 15 per cent., and probably we should get a great deal more. But adding 15 per cent. to the figure would bring it up to £710,987.

Mr. G. Hutchison.] What figure?—The £618,250. Even at 10 per cent. would give £680,075. Under favourable conditions, if the company could have financed its capital, this £618,000 would have been made a sinking fund. The company would have formed that to redeem its debentures; and if you take the £618,000 without any increase at all, paid in three equal instalments, compound interest at 3 per cent. for this ten years, it would give a return to the company of £806,908.

The Committee will find from the evidence produced before that Committee that there is a very large area of land, not in one block but scattered throughout that blue patch, which is not only valuable for settlement, but which has been applied for over and over again. In Nelson there are the Tadmire Valley and others, which the Chief Commissioner of Land for that district will name. Evidence will be brought before you from Nelson, Westland, and Canterbury on this point—that is, with regard to settlement. Then, there is the timber trade, which, from Mr. Wilson's evidence and from evidence which we shall produce, would have been very great all along the line of railway, but which was absolutely barred except near the railway actually constructed. I am informed that the timber used in Canterbury is brought from Orepuke, in Southland, by rail, and that could more easily have been brought across the island if this railway had been completed. It is plain that there would have been a very large development of the timber trade if the line had been finished. Thus we have a revenue loss from the timber royalties and Customs duties, but the improvement which the colonial estate would have sustained from settlement has also to be considered. You must remember, too, that we should not only have had the money expended in the timber trade and in the development of settlement, but we should also have had the money expended in the district on the construction of the railway. Then there is the loss to the coast itself. The population is less than it was in 1885, and it is scarcely open to question that that results from the blue patch and from the non-construction of the railway. Without labour, and without the chance of settlement, the coast had only the gold to depend upon, and that alone did not induce people to settle there. I believe also that in Nelson, although there has been a considerable increase in population in the neighbourhood of the city itself, in the country it has diminished—again the effect of the absolute block to settlement and of the refusal of the company to complete the railway. These losses to the colony are all capable of reasonable computation. Then there is the loss to Customs and trade, in addition to the loss of population; and then again there is another item, although, perhaps, not a very important one—the tourist traffic, of which the Committee can form an estimate, in which we shall endeavour to assist you as much as we can. This railway was to connect Canterbury with the Coast and the Coast with Nelson. It was, as everybody believed, to create a new traffic in those districts. First of all, there was to be circulated in the district something like three millions of money in the construction of the railway. There was to be access given to the land to benefit the settlers in the district. There was to be a new trade, a new traffic, new means of access, and in fact the whole course of dealing with this district was to be changed. Westland was no longer to be shut out from Canterbury, and Nelson was to be opened up. All that has been lost. We have been waiting for it for over fifteen years, and yet that which should have been finished in 1895 has never been begun. That is all loss to the colony. I am sure the figures I shall be able to give you will show that that loss will vastly exceed the value of the constructed portion of the railway. The Committee will expect estimates based on sound grounds, and we shall have the Commissioners of Crown Lands here, and you will hear their evidence. But supposing the Committee were not content with those figures; supposing it is wanted to divide them by 5 or by 10, as no doubt Dr. Findlay will try to do, is it possible that any body of men collected together in a room could say that this colony has not suffered over half a million's worth of damage? I submit it is impossible. We can give to the Committee an estimate of what we consider the colony has lost, but, whether you accept that estimate or not, I do not believe that any body of men in England or here could say that the colony has not suffered damage exceeding by far the difference between the amount which the company has expended on the line and that which the colony has contributed to the cost. If you had to choose how whether you would build that railway by a loan, and whether you would wait and give a company land such as this company selected, and then let them dribble along with the work for over fifteen years, what would the answer of Parliament be?

FRIDAY, 7TH SEPTEMBER, 1900.

Mr. Bell: I propose next to call evidence to prove the damage which the colony has sustained through the non-performance by the company of the contract, and secondly by the reserves having been made and continued for fifteen years without any purport. But before I call my witnesses I wish to make one remark with regard to my speech of yesterday, in reference to the passage in the solicitor's letter in London in which they complain of the delay of the Government in issuing the land-grants, and the suggestion that it was done for the purpose of preventing them acquiring the necessary funds to continue their litigation. There is one point in connection with that which I am anxious to add. I said that the difficulty was that a Receiver had been appointed in 1896, and then a second by the Court of Chancery, and then a third was appointed here by the Supreme Court and it was impossible to decide who was entitled to the land-grants. The Government said, "If you will settle among yourselves who is to receive them we will issue the grants, but we are bound to give them to the person entitled to them." Then we met Mr. Coates's request by consenting to issue to him if the English Receiver consented, but on being cabled to that gentleman at once declined to accept the proposition unless Mr. Coates was appointed his agent. Therefore, if the Government had taken upon itself to select which of the gentlemen was entitled we should at once have had litigation.

Dr. Findlay: The reason was that the Receiver in London had to ask the authority of the Court there to his consenting to their issue to Mr. Coates.

Mr. Bell: I cannot use the correspondence upon that point, because a considerable portion of it is of a private nature, between myself and my friend; but the facts are as I have stated them.

Rt. Hon. E. J. Seddon: I ask your permission, Mr. Chairman, to address a few words to the Committee before Mr. Bell proceeds to examine his witnesses. There are two points which I wish to set at rest. One is in reference to that paragraph in my speech which has been quoted by Mr. Dalston, with regard to the offer to give in respect to the construction of the Jackson-Springfield section of the railway debentures to the extent of £618,000 in lieu of land-grants. The second is with reference to what purports to be an account of what took place at an interview which Mr. Young had with me in London. With reference to the first, I may say that if any one will read my speech with the context he will find that what I said was that there would be a difficulty as between the colony and the company if this was not done. It had been said that the B1 valuation was set down at £618,000, and that the land was not of that value, and that we would not give anything like this. My reply was that, as we had certified that the value was £618,000, to offer to give less than that amount would be a breach of faith, and would place the colony in a wrong position, and it would be dishonourable to offer less than we ourselves had fixed as the value of the land. It requires this explanation, otherwise, taking the conclusion of the speech itself, it would appear as though I was trying to make out that the colony was doing a great injustice. I have frequently and previously made the correction on this matter, and I give you this explanation as it has been brought up again by Mr. Dalston. With regard to other matters that took place at the interview with Mr. Young, what I stated was that a gentleman of standing, and one connected with the debenture-holders—Mr. Kelman—who was put forward as liquidator by a section of the shareholders and debenture-holders, had informed me he would have no difficulty in raising the money necessary to finish the Nelson-Springfield connection on a guarantee for 3 per cent. for fifteen years. He said no company would ever complete the Nelson portion of the line. Mr. Young replied he was simply a Receiver, and had nothing to do with schemes for construction; his duty was to realise on the best terms possible. He leaves that out altogether, and when I referred to that he said, "Well, of course we all know that is the principal drawback; anyway, I am only Receiver, and that finishes that." I am quoting from memory. The other part of the quotation was as to the value of the line. I said to him, "What is the value of the line? The marketable value of the line is nil. You will have nothing to receive, calculated on its present earning capacity. That is, taking into consideration the true value, and the depreciation, and what is required to work it, it is not worth anything to you. The average receipts have been about £2,000 a year while the Government have been working it, but if you had to work it with a separate staff you would be money out of pocket. So, if the Government simply said, 'Take it,' it would be of no value to you." I also said, "It is not likely the Government would give you the Jackson's-Reefton Sections and then go on spending a million of money to bring the same into profit. The best thing you can do is to at once go to Parliament and plead *ad misericordiam*, and trust to the generosity of Parliament." I think that is in the statement made in reference to the petition. That is practically what took place. I told Mr. Kelman afterwards what had occurred, and he said, "In that case it is no use submitting proposals." I thought it only right to set these two points right, and if Dr. Findlay wishes to ask me any questions about them I shall be happy to answer him.

Dr. Findlay: I presume that you are still of the same opinion, and that if the company and the debenture-holders decided to go to Parliament they could expect to be treated with generosity?

Rt. Hon. E. J. Seddon: Yes. I am of the opinion that fair treatment will be accorded, and was of that opinion at the time the interview took place, and in fact I was fully satisfied that there was no other course. If they went to litigation they would not have a leg to stand upon, and the only thing for them to do was to appeal to Parliament. I may also express the opinion that the offer of £618,000 would have been a good thing for the colony, the company, and debenture-holders, if the Parliament had approved our proposals, and I believe it would have been a good thing for all concerned, because it would have enabled the Jackson's-Springfield Section to be completed.

Mr. THOMAS HUMPHRIES in attendance, and examined on oath.

1. *Mr. Bell*.] What are you, Mr. Humphries?—Chief Surveyor and Commissioner in Nelson.
2. How long have you held the office in Nelson?—Three years and eight months.

3. Prior to that time where were you?—In Hawke's Bay, as Commissioner of Crown Lands and Chief Surveyor.

4. During the period of your control in Nelson you have, of course, had access to the official papers?—Yes.

5. Have you examined them with reference to the applications for land during the last fifteen years?—Yes.

6. Have you made yourself acquainted with the nature of the land within your district?—Yes, generally so.

7. Then you would be able to inform the Committee of the area of land suitable for settlement within the district—that is, approximately?—As to the whole district I could hardly speak definitely, nor any one else.

8. In the blue reserve?—No; we have not even topographical surveys of some of that.

9. Are you acquainted with some of the land in that reserve suitable for settlement?—Yes.

10. Will you be able to give the acreage of that?—Yes.

11. And, further, the applications in respect to land in the blue reserve made during the last fifteen years in the Nelson District?—Yes, as at present constituted.

12. Will you give the Committee the details with regard to those applications?—Am I to understand that you wish me to state what I consider to be the amount of settlement which would have taken place between Nelson and Greymouth in the blue reserve?

13. Yes, and the loss to the colony through the absence of that settlement, and any other matter that you have taken into consideration?—When I first got the notice to make this estimate, together with my officers, I examined the maps of the survey districts affected, and from my own personal knowledge, and information supplied to me by others, I think that, so far as that part of the country is concerned, parts of it are very good for settlement. I have travelled through it. We came to the conclusion that there would have been something over nine hundred selections, with an estimated area of 200,000 acres.

14. During the fifteen years?—I may say I have taken fourteen years—that is from the time the contract was transferred. I will now give the general independent information which we have obtained. We went through the applications to the Midland Railway Company, which were forwarded to the Land Board, which up to May, 1893, numbered 337. The Land Board also received applications for licenses for temporary occupation—that is, yearly occupation licenses of areas under 500 acres—numbering 551. It also received 121 applications for temporary licenses of hill-tops, and areas larger than 500 acres, which makes a total of 1,009 applications. I may add here that there were a good many more applications than these; some were duplicated, but these I took care to delete before making the estimate. Of the 121 hill-top applications, I consider that many should not be counted, because they were simply for tops of ranges, for which 1d. an acre is paid for grazing sheep on them in the summer. So I deduct 71, and also allow 10 per cent. for possible overlaps: that makes 840, as against the 900 which we estimated in the first instance.

Your estimate without going through the applications was 900, and when you went through the applications themselves you made these deductions, and carefully eliminated duplication, you found that your estimate was nearly correct?—Yes. I was asked to wire my reply, and 900 was telegraphed to the Surveyor-General, and it was not until the following day that I could go into the details. A great number of applications were made by letter and personally by persons in other parts of the colony. Lately one was received from Australia, and another from a person from India. From 1886 to 1893, out of these 900 applications, 550 were applied for during the first seven years; 337 were made to the Midland Railway Company, and 265 to the Land Board, but fifty-two have been allowed for possible overlaps and other causes. I look upon this also as supporting the estimate I made. North of the blue area there is about a million acres of unalienated land, and within it there are about three million acres. During the past six years, in the northern part we have averaged fifty-five new selections annually, with an average of 188 acres each, notwithstanding that this part of the district has been drawn upon for the last fifty years. Nine hundred applications in 200,000 acres is equivalent to sixty-five selectors annually, averaging 220 acres.

16. I want you to state to the Committee what is the nature of the land which is available for settlement. You have not, I believe, taken into consideration the open lands through which the route of the railway is taken—the land not covered by bush?—I have been dealing with the bush land. With one exception, that is near "Gordon's Nob," it is all bush land.

17. You have not taken into consideration the open land?—No; not poor country like Spooner's Range.

18. What districts have you had applications for, and what do you estimate you would have had applications for if the land had been opened?—From Belgrove right through to Greymouth.

19. Can you not mention any special valleys? There are, for instance, the Tadmor and Sherry Valleys: what area do you estimate would have been taken up in that part of the district?—There are about 30,000 acres there, which no doubt would have been taken up.

20. Are there any other valleys or level plains?—No, the land is not level, but it is not mountainous—it is rolling country; and the applications are scattered right through the 160 miles. I have maps showing the applications.

21. Are those the applications to which you are referring?—Yes.

Mr. Bell: I do not know whether the Committee would wish to have the map before it.

Rt. Hon. R. J. Seddon: I think we should have a map of each district with the colours, and then you could mark where the applications are.

22. *Mr. Bell* (to witness).] Could you get that?—I could do it so as to give a general idea.

23. *Mr. J. Allen.*] Are the Tadmor and these other valleys included in the estimate?—Yes.

24. *Mr. Bell.*] I understand that in taking the land available for settlement, and the number of applications made, it is not estimated that the open land would be applied for at all. Is that so?

—My first estimate was that there were 900 applications scattered over the district, and that that number would fairly represent the amount of land which would be taken up; and then, when I went through the details on the following day, I found that it showed a very close agreement.

25. *Dr. Findlay.*] Is that on the assumption that the line would be completed?

26. *Mr. Bell.*] No. It has nothing to do with it. Mr. Humphries was asked to give us an estimate of the number of selections, and he finds, when he goes into the applications, that his estimate was very nearly right. (To witness): You might proceed with the other portion of your evidence. What would be the improvement to the land?—I estimate that out of this 200,000 acres of land three-fourths of it, or 150,000 acres, would now be producing. I mean that there would be cattle and sheep, and other sources of return. To bring that 150,000 acres into a producing condition I estimate that there would have to be £3 or £3 10s. an acre expended on it, and that would have made the capital value of it about £500,000, inclusive of £90,000, the unimproved value of the 200,000 acres.

27. Is that estimate made on your experience as Commissioner of Crown Lands?—Yes.

28. Now, proceeding to the question of revenue?—I value the land at an average of 9s. an acre. In arriving at this value it has not been guessed at, but values were placed on each individual block that was likely to be selected, and in that way an average value of 9s. an acre was arrived at.

29. *Dr. Findlay.*] Over what area?—On the 200,000 acres. I estimated that a certain portion of that would be dealt with as ordinary leasehold at 5 per cent., and that another portion would be grazing-land at 3 per cent. That would bring in an annual income of £4,300. Multiplied by seven, the half of the fourteen years, it shows a loss of, say, £30,000 in the seven years. If we take the B1 values it would be rather more.

30. Can you give us the figures of the B1 value?—About £40,000.

37. *Mr. Bell.*] Then that is the actual loss of revenue annually?—Yes.

32. In this part of the district?—Yes.

33. In what other respects, in your opinion, has the colony suffered in consequence of this reservation?—I consider that the producing-power of the country should be taken into consideration. I estimate that these 150,000 acres if cleared and grassed would have an average capacity of a sheep to an acre, and some consider that they would bear a good deal more. I have reckoned them at 5s. a sheep for wool and increase in that part of the country. I made several inquiries about the matter in the district, and the result is that during the fourteen years—allowing that the country was gradually brought into a state of grazing capacity—it would have yielded £200,000—that is, bringing it up to the present date; but to my mind there is more in the future than there has been in the past. It is in this way: If this was a going concern—*i.e.*, the result of 150,000 acres being cleared and in grass—the people would be receiving £40,000 per annum from now onwards. That would be the producing-power of the land, and it would have yielded £40,000 next year, whereas now nothing will be received. That is a direct loss.

34. *Dr. Findlay.*] For how many years in the future?—This would go on until it overtook the £40,000. Working on the same basis as the £200,000 was arrived at, it would bring it to £300,000 before the £40,000 per annum was overtaken. Of course, if you alter the basis and lessen this, you must increase the £200,000; so it does not matter which way you work it, it comes out about the same in the aggregate.

35. Is that £300,000 in addition to the £200,000?—Yes; it is £200,000 up to date, so that makes it £500,000 in all.

36. *Mr. Bell.*] I should like to ask you, before you go further, whether you have had any guide whatsoever as to your evidence, or whether these are your own calculations made entirely independently and from your own view?—They are entirely my own opinions, and no suggestion has been made to me with regard to them.

37. You may pass to the next subject, taking it in your own way?—I was going to touch on the loss of population next. It is very evident that the population has drifted away from that part of the country—from Belgrove right through to Greymouth—and there has been a pretty steady drift. I have worked this out principally on the census of 1891 to 1896, which is about the middle of the period. I may say that what I have taken is not the whole of the district—the Towns of Nelson and Westport, and the whole of the Westport district which is effected by the mining, are left out. I take the Waimea, the Inangahua, and the Grey Counties. During the five years the Waimea County lost 1,109 of population, taking into account the natural increase; the Inangahua County lost 744, and the Grey County about 63. In adopting the natural increase I allowed a little in the case of the Inangahua and Grey Counties, on account of the mining population there. That brings it practically to a loss of 1,900 in five years—that is the loss allowing for the natural increase. I found from the Year-book that births exceeded deaths by about seventeen per thousand annually. Working on the same basis the three counties lost 3,137 of population from 1886 to 1896.

38. Have you made any estimate of the loss of Customs revenue?—No. I wish it understood that I do not look upon the whole of the £500,000 as being loss. You have to take into consideration the amount of outlay there was in producing that.

39. Can you give us the dead loss?—I have not got that. I have given these figures and thought the Committee would use their own judgment in arriving at that.

40. You have given us the loss of settlement, the loss of revenue, and a calculation of the loss in the improvement of land, the loss in the grazing of stock and the carrying capacity of the land. Then you gave us the loss of population. You say you have not estimated the trade and Customs. There is one point I want to know from you: Is it a fact that men have left the Nelson District who would be suitable settlers, from your own knowledge?—Undoubtedly they have. I have been told that many sons of the settlers of Tadmor Valley, Takaka, and Sherry have left, and others from my own knowledge have left the district; I have heard it also from my own officers. Only last

week some settlers came to me and said that the young men had left because they could not get land, and they had been waiting for years to get some.

41. If the railway was made from Nelson to Reefton, would there be an increase in the value of the land, and an increase in settlement?—Yes; there would be.

42. The estimates you have given us are estimates founded on the non-existence of the railway. Supposing the railway existed, what, in your opinion, would be the effect on settlement?—I think it would have enhanced settlement. I do not know that up to the present time very much more land would have been taken up than I have indicated in the country I speak of, but it certainly would have got producing-powers much quicker, for, instead of taking fourteen years to get this district into grass so as to run sheep on it, that would likely be done in ten years with the railway through it.

43. Do you think there would be townships?—I do not think there would be many townships.

44. Not between Nelson and Westport and Nelson?—I do not think so.

45. *Mr. J. Allen.*] Were all these applications not granted on account of the blue patch?—That is so; 216 have been granted for yearly occupation without any allowance for improvements, and some of them have been let at 1d. an acre—these are the larger ones—and some have been let simply for the purpose of keeping down the rabbits; and about half a dozen have been let under section 219 of the Land Act at a peppercorn rent, over a piece of country which was burnt about two years ago, and the settlers were very anxious to save it by grassing it at once, because if it is not so grassed it goes into fern. The Governor granted these leases.

46. *Mr. Graham.*] Are you aware that many of the settlers left because they could not get the land?—I heard that it was so from people in the district.

47. *Dr. Findlay.*] Do you know where these people have gone to?—I do not.

48. Have they left the colony?—I know nothing about them.

49. If they left Nelson, is it a fair inference that they went to another part of the colony and got land there? Can you contradict that?—I cannot contradict it.

50. You dealt with an area of some 200,000 acres?—Yes.

51. What proportion of that 200,000 acres has been occupied, one way or another, during the fourteen years?—I can only tell you roughly, but I should say about 30,000 acres I could give it to you more in detail, and I am only guessing at it now. It is a comparatively small amount.

52. I want you to tell the Committee to what extent the Crown was able to deal with these lands independently of the Railway Company. First of all, under the Land Act there is a right to give a temporary license of a section?—Under 116 of the Land Act.

53. We are quite clear that the Crown can give a temporary license over any part of this land. What right has the licensee under the license?—Pastoral.

54. The license can be for one year?—Yes.

55. Any prohibition against renewings?—No.

56. So that it might be renewed from year to year by the same licensee?—Yes.

57. As a matter of fact, have not pastoral holders done so, and occupied the land for a number of years?—Yes.

58. And during that time they have depastured the areas licensed to them?—Some have; and some have simply paid the nominal sum in order to get hold of the land.

59. There was, then, no insuperable objection to a licensee getting this land for pastoral purposes over the 200,000 acres?—It would not be wise for a man to take it up. It is bush land we are dealing with, and there are not many people who would run the risk of felling the bush to put sheep on the land under these circumstances.

60. You mentioned section 219 of the Land Act, and said that some have taken portions of the land under that section. What right does that give the tenant?—No right at all.

61. What tenure?—Three years.

62. Do you claim that any large portion of this 200,000 acres is agricultural?—No.

63. In general terms it is not agricultural land at all?—Only a small portion of it.

64. Then its best use is for pastoral purposes?—Yes.

65. There seems to have been no legal objection to the land being taken up on a three-years right under section 219?—Yes; but they do not apply for it in that way.

66. Your estimate is that 30,000 acres of land have been taken up under sections 116 and 219?—Yes.

67. Do you know any objection to this land being dealt with under these sections from one year to another and placing the proceeds in a suspense account until the claims of the company were ascertained?—I know of no legal objection.

68. Do you know, as a matter of fact, whether during your time proposals were made by the company that the land should be so dealt with and the proceeds placed in a suspense account?—Not in my day.

69. At any rate, if that scheme had been put forth, these difficulties with regard to barring settlement would have passed away. Now, passing to your estimate of the land, could you tell me what the B1 value of these 200,000 acres is?—I could only get it generally by taking the valuation of the applications.

70. You estimated the prairie value of the land before this painting blue at £90,000, I understand?—Not before the painting blue: its value now.

71. At what would you value the land in 1886?—I could not say. I was not here.

72. You have seen the land, and probably can give as accurate a reply as you have given on other matters. At what would you put the present worth of those £90,000?—I could not say.

73. Are you of opinion that the land would be worth more in 1886 than it is now?—With the prospect of the railway being made, it would be.

74. You placed the value at £90,000 : is it asking you too much to venture an opinion as to whether it is not rather more than the value in 1886?—I would not like to give an opinion on that.

75. What is the B1 value of the land?—About 12s. 6d. I had to average it.

76. That is, between £120,000 and £130,000 is your estimate of the B1 value of the 200,000 acres which you value at £90,000?—I did not say "value"; that is what we would likely offer it at for selection.

77. You put down the present value at £90,000, and if the land were free from restriction it would be worth £450,000?—Yes; the land and the improvements.

78. And the present unimproved value is £90,000 of land the B1 of which fourteen years ago was nearly £130,000. I do not know whether you are familiar with the terms of the Midland Railway contract, and that they could take this 200,000 acres when they had finished the work?—Yes; I believe they could.

79. So that if the contract had proceeded it was not a necessary consequence that the land would be settled at all. The company might have waited for the unearned increment?—They certainly could, but I think it is very doubtful whether they would.

80. The contract was to be completed in 1895, and you go back to 1886, and you point out that the country has lost from 1886 to 1895 by this land being locked up; but is it not evident under the terms of the contract that they would still be locked up unless the company chose to dispose of them?—Not the whole of them.

81. There was an area of six million acres in which to select?—Yes.

82. If the company went on with the construction of the line they could leave that part over before making their selections?—They did so.

83. Therefore they were within their rights in locking it up for the fourteen years to January, 1898?—Yes; they were quite within their rights in doing so.

84. You had nothing to do with the Midland Railway contract terms when you came into office?—No.

85. Mr. Wilson had left the colony?—Yes.

86. Who was your immediate predecessor?—Mr. Browning.

87. Is he here?—No.

88. You have figured out the loss to the colony at about £500,000. Could you estimate the loss to the colony through the locking-up of this land—the actual loss?—No.

89. I have a difficulty in appreciating your evidence. You cannot give us the actual loss. May I ask you what queries were you asked to answer by your department?—To state the loss to the colony generally, and of the Nelson District specifically.

90. Owing to what?—To the shutting-up of the land.

91. First the loss to the colony generally, and second to Nelson specifically. Can you tell me the loss to the colony?—No. I told the department I could not do so.

92. The actual loss to Nelson: what do you estimate that at?—I could not make a definite statement. I have given you the figures of what I consider Nelson has lost, but there is a set-off in some things which is very difficult to determine.

93. What set-off?—The producing-power must be the produce of a certain amount of capital. There is also the labour on this area of forest land. We should have been in possession of 200,000 acres of settled and cultivated land.

94. How much land is marked in blue in the Nelson District?—Three million acres.

95. Then, on the termination of the contract the company would have been entitled to make selections over this three million acres?—Yes.

96. And you have only referred to 200,000 acres covered by this contract?—Yes; but not in one continuous block.

97. I understand that these 200,000 acres only would be available for application?—To give an example of the nature of the loss I may say that just prior to the closing of the land the department had surveyed about 11,000 acres in the Tadmor Valley, and had prepared the maps for sale when the thing was closed up—and it is closed to this day. I have not got the figures with me, but I think the survey cost £1,000, and it had to be renewed lately at a cost of £250, because most of the pegs were rotten and lines grown up. There was £5,480 expended on a road in that same block, and that road has not been used since the block was shut up, and we have just spent £500, and another £600 will have to be expended before it can be used, because some of the bridges are rotten, and the road generally destroyed; so that, besides the land being locked up for fourteen years, there has to be all this extra expenditure and loss of interest on the original cost. That is an example of the direct loss the district has suffered.

98. Is not the road used?—No.

99. Who was fool enough to make it?—The land could not have been sold if the road had not been made; and now a considerable extent of the land has been burned by bush-fires, and is now covered with fern and injured.

100. *Rt. Hon. R. J. Seddon.*] In answer to a question by Dr. Findlay as to estimating the general loss to the colony, you said you could not estimate there was a loss?—No; I said I could not judge what the loss was.

101. If there was a loss to the District of Nelson there would be a loss to the country generally, and that would be the loss to the colony?—Yes. I said there was a loss generally; but, owing to my being unacquainted with the company's operations in other districts, I was not in a position to give an opinion on that phase of the question.

102. How long have you been Commissioner of Crown Lands?—Between fourteen and fifteen years.

103. How long in the Lands Department?—Over forty years.

104. Do you mean to tell this Committee that a man with such a long experience cannot say how many sheep can be run to an acre? What would be the loss and what the profit on sheep?—I said that it would be 5s. in that district.

105. How many sheep could be run there?—150,000.

106. You were able to ascertain that, and that would represent the dead loss?—Those are the figures I gave; I mentioned those very figures.

107. Do you know what it costs to work a sheep-station?—No.

108. And you have been forty years in the department?—The cost varies in different parts of the country.

109. In Hawke's Bay?—I know that individual runholders have said that they netted 8s. a sheep, but I know that would not apply to the Nelson District.

110. What is the approximate net in the Nelson District?—I should say from 3s. to 4s. My estimate on sheep all round was 5s. 6d., but some people thought that was too high.

111. Then, so far as your evidence is concerned, it is approximate; and if you put 5s. as the gross, and deduct 2s. from that, you get the net?—Yes.

112. Could you give us any estimate based on that calculation?—Perhaps I did not explain myself. When we talk about the loss I took into account that there would be interest on the money spent in getting the land into a producing condition.

113. Can you tell us how much per acre it costs to fell bush?—Yes; £3 10s.—that is, felling, grassing, fencing, &c., being included.

114. Would it have been a loss or a gain to the Nelson District getting the land into this condition?—A gain, certainly. I say the gain to the Nelson District is all that money I have mentioned.

115. *Dr. Findlay.*] Does the witness swear that the net profit to the Nelson District is £500,000?—I hardly know how to put it.

116. *The Chairman.*] Do you understand the question?—I think so; but I am perhaps taking a broad view of it.

117. *Dr. Findlay.*] What I want to know is whether you estimate that this £500,000 represents the net loss to Nelson. Supposing Nelson was a huge syndicate, and dealing with this district as one huge station, do you suggest that the mere fact of this land being covered, and there being this condition in the contract, has resulted in a net loss to Nelson of £500,000?—No; I did not say so.

118. I understood you said it was because you could not estimate the charges and earnings?—That is what I said.

119. *Mr. Bell.*] That is to say, if you have forest land, and it is of so-much value, then you find, when the whole bush is cleared away and the land is turned into land producing stock, and so forth, what is the capital value of the land in comparison with what it was when it was forest land, and you find that the rateable value of the district has increased so-much. Therefore you consider that the Nelson District would have been so-much richer if this land had been so treated?—Yes.

120. *Mr. Graham.*] Do you know the Marina Plains?—No; I have not seen it.

121. Is that included in the area of the locked-up land?—Yes.

122. Have you any idea of the extent of the Marina Plains?—About twelve miles long.

123. Could you ascertain?—Yes; but it is not the best land.

124. Would you be surprised to hear that they are twenty-five miles long?—That includes the land going round the long bend to the hot springs, where it is very narrow.

125. You have not seen those Marina Plains, so you can have very little idea of the amount of flat land there?—I did not speak of the Marina Plains.

126. But they come into the flat land which is locked up?—Yes.

127. Then, you only refer to the small valleys round about Nelson?—Yes; and following down the Buller, right away to Reefton.

128. *The Chairman.*] With regard to this question about the gross value, you valued the land at £90,000 before anything was done to it?—Yes.

129. What do you value it at now, assuming it was settled and improved?—Including the prairie value of the land, its rateable value now would be £540,000.

130. What would it have cost to bring it into that state?—About £3 an acre.

131. You have not grasped the question. I ask, what would be the improved value of the 200,000 acres if they were settled? You told the Committee that it would take £3 10s. an acre to change the land from its prairie value into its improved value. You say that is £600,000, and it is only £450,000?—The £3 10s. was upon 150,000 acres. I said that was all that was improved out of the 200,000 acres. I said it would be from £3 to £3 10s. an acre.

132. If you add the £90,000 to the £450,000 you get £540,000. I ask you the total value, including the prairie value of this land, assuming that the land was settled?—Supposing I take the £3 an acre, that would be £450,000, and the £90,000 prairie value on the whole 200,000 makes it £540,000. The country varies a good deal, and I am not sure whether I should take the cost of improving it at £3 or £3 10s. an acre.

Mr. CHARLES LOUISSON in attendance, and examined on oath.

133. *Mr. Bell.*] What are you, Mr. Louisson?—I am a brewer.

134. You have been Mayor of Christchurch?—Yes.

135. Have you resided in Canterbury for long?—Since 1865.

136. You have a large business there?—Yes.

137. You are a member of the Chamber of Commerce?—Yes.

138. You acted on the Railway League?—I was one of the original guarantors.

139. And took part in the agitation which led to the constitution of the first syndicate?—Yes.

140. You were a believer in the advantages to be gained by a railway from coast to coast?—Yes; a very sound believer.

141. Have you had any reason to change that opinion?—No. I am still of opinion that it would be an enormous advantage to the country if the railway was carried through.

142. You know the reserve which has been made—what we call the “blue patch”?—I know it by repute.

143. You know that all settlement over that area has been prevented?—Yes.

144. You know also that the population on the Coast has actually decreased?—Yes.

145. You know what it was the people of Christchurch estimated would be the advantages to be derived from the construction of the railway?—Yes.

146. Would you tell the Committee first of all what in your opinion the Canterbury people particularly, and the colony generally, lost by the non-construction of the railway?—Of course, the colony has suffered damage in various ways, in the various ramifications of business and settlement. I am not prepared to go minutely into the figures, but, still, I can give you my opinion under various heads as to the approximate loss which the colony has sustained.

147. This has been prepared by you independently of any suggestion?—Yes.

148. Would you give it to the Committee?—One item, it appears to me, is the very large loss to the colonial funds in the expenditure on the construction of the railway itself. I take it that a very large amount would have been expended in labour and in the manufacture of certain materials in the colony that are not brought into the colony from other places. There would have been at least half a million of money expended on these matters in the colony. Of course, that cannot be put down as a direct loss altogether, but a certain proportion of it is an absolute loss; and I calculate that the proportion of absolute loss to the colony of that half-million would be £150,000. Of course, I am giving my figures roughly, and I have not gone into minute calculations about them. Then, supposing the railway to have been finished when it ought have been—that is, in 1895—I think there would have been a very large expenditure in the colony by tourists. I have travelled by coach and on horseback through this country, and on one occasion I met what is familiarly called “globe-trotters” from England. They had been all over the recognised routes, and had seen all the show places, and they told me they had never seen anything to beat the scenery or sights on that line in all their travels. I think it would be a very reasonable average to say that during the last five years there would have been five hundred more tourists going through the country if this line had been constructed, and that would have resulted in profit to the colony of at least £10,000 a year, or £50,000. That is on a very mild calculation. Those gentlemen of the Committee who have toured in other places will agree that that is a reasonable estimate of the expenditure by these tourists. Then, I think, from my own knowledge of the Coast—and I was for several years there—that there is a great deal of mining land there which contains gold in a very large proportion, that would only pay to work under a state of circumstances which would allow the miner to live at a very cheap rate. I think that if the railway was through to the Coast the living of the miners would be so very much cheaper by their being able to get their supplies through from Canterbury, that there would have been a great deal of mining land worked which could not be worked under present conditions. If the cost of living were cheapened very much a great deal of this land would have paid to work, and the inability to work the land there must have resulted in a very great loss to the colony through the mining land remaining idle during all this time. I think it is a very reasonable calculation to say that the colony must have lost, at any rate, £20,000 a year owing to the decrease in the production of gold.

149. *Dr. Findlay.*] For how many years?—I am simply making my calculation in round numbers for five years, and I am taking it from the place where the railway is finished, and if I am over a reasonable calculation I take it it would be made up through the loss in the areas where the railway was partially but not wholly constructed. Then, there is the settlement on the land, which has been so fully gone into by the last witness. I made a small calculation in my own mind on that score, and I came to the conclusion that the loss for the last five years under that head would be £150,000 as a total. I put it down at £30,000 a year. It is in this way: In the first place there is the loss of population, and these settlers in the colony would all be consumers of Customs dutiable goods, not locally producible, and I arrived at a calculation that at the very least the colony has sustained an absolute loss of £30,000 a year.

150. *Mr. J. Allen.*] Is that all over the colony?—Yes; the colony as a whole. The local loss would not be that; but I take it the colony lost by the non-production of certain producible goods, by the absence of settlers and their non-consumption of dutiable goods and colonial products, and I think it is a reasonable calculation to say that the colony lost £30,000 a year in this respect, which would total £150,000. Then, to my mind, Sir, one of the greatest losses the colony sustained is the absolute decrease in population on the Coast and the non-increase in Canterbury. I have looked at that from all points of view I could, and it seems to me it would be reasonable to say that had the railway been there the population in Canterbury and Westland would have been at least ten thousand more than it is at present. Many people who would have settled in these places have settled elsewhere, and I know from my own experience that, although Canterbury is prosperous, still for years young men have been going away because they saw no prospect of getting any profitable occupation. I feel convinced in my own mind that had this railway been there the census of Canterbury and Westland together would have been at least ten thousand more than it is at present.

151. Would the census of New Zealand have shown ten thousand more?—Yes; I think it is this special line which would have caused the increase. I do not think it would have affected the rest of the colony, except in so far as that it would be a slight increase in consequence of the fact that the increase in one district must affect the others. I think it is not an unreasonable calcula-

tion to say that if a district has suffered a loss of ten thousand inhabitants the colony as a whole would suffer a loss of, say, £5 per head per annum on that population.

152. *The Chairman.*] Have they left the district, or the colony?—The colony; and also they did not come to the colony. Our experience in Canterbury has been that the young people and others who have left there have not left for other parts of the colony, but have left the colony altogether.

153. *Dr. Findlay.*] Since when?—For the last ten or twelve years; and that would mean a loss of something like a quarter of a million. There is a small item, but still it is an item, and that is the cost to the colony of carrying our mails across the Island, and also the passengers. It has to be done in an expensive way now, and, of course, it would be very much cheapened if there were a railway across. Then I come to a very important item, and that is the loss to business people, particularly in Canterbury. Canterbury, as a matter of fact, has been shut out from her natural position, as I may say. The business of the West Coast naturally should belong generally to Canterbury, and we have never had anything from it. It might be argued that this is against the other parts of the colony, but a certain proportion of business is done from Australia—from Melbourne and Sydney and other places. This is more a local loss than a loss to the colony, because it may be argued that the business has gone to other places in the colony; but you could get goods to the West Coast cheaper from Canterbury than from other places. Therefore it must not be reckoned as a total loss, but a partial loss. It is almost impossible to calculate this loss. It is an unknown quantity; but it is a very serious loss not only to the people of Canterbury, but to the colony generally. I differ somewhat from the last witness in one respect. He did not seem to attach much importance to the establishment of townships along the line of railway.

Mr. Bell: He did not say he did not advocate townships being established, but that he did not think townships would be established along the line of railway in that district.

Mr. Louisson: I think there would be townships springing up there, but the question of townships does not apply to Canterbury. The men labouring on the railway would, no doubt, have tried to secure homesteads along the line, and I think there would have been a great deal of settlement along the line, and probably some important townships would have been formed, which would have all helped in attracting population to the district, and their not being there is, of course, a loss to the colony. Then, I think the construction of the railway must have increased the value of land very much in Canterbury, and in Westland too, and I think the colony has suffered an almost incalculable loss from the non-enhancement of land in Canterbury and Westland. Take the line from Sheffield to Springfield, and I know very well as a fact that the land there has decreased in value very much because the railway was not made. Some ten or twelve years ago it was popularly hoped that the railway would be made, and the consequence was that the land there was more valuable than it is at present. If the railway had been constructed this land should have been very much increased in value, and particularly the farming land about Springfield. Of course, one could go on for a long time speaking upon the general loss, but I have given the principal heads.

154. *Dr. Findlay.*] What you have given us is the losses to the colony through the non-construction of the railway. What would be the loss to the company if it had constructed the line?—I do not think there would have been any loss.

155. You took a rather optimistic view of this transaction when it began?—Yes.

156. And you still entertain those views?—Yes.

157. You and the people of Canterbury do?—Yes.

158. You admit your estimates are somewhat conjectural?—All such estimates must be.

159. With regard to this £150,000, you assume that £500,000 would be spent in the colony on material and labour, and that £150,000 would remain in the pocket of the colony?—Yes.

160. How do you make that out? You suggest that about one-third of the whole sum would be profit?—I make it out in this way: I reckon that most of the half-million would be paid away in wages. I do not attach very much importance to the material bought for the railway. Most of it would be for wages, and it is a reasonable calculation to make to say if men are working on that description of work they would save 20 per cent of their wages.

161. Then, your assumption is that if men were not employed on this work they would be idle?—I think a large number of these men would have come from the other colonies. There would have been such a demand for labour on the work that we could not have supplied it.

162. How many men would there be?—I am not an expert in railway work, but I should say there would be a thousand men.

163. For five years?—Yes.

164. Have you arrived at it by anything more than guesswork?—I do not think you should call it guesswork. It is my opinion, founded on the methods employed in the colony.

165. And you think the demand for labour would be largely supplied by people coming here?—Yes.

166. It is only a trifling item, but I ask you, How do you make up this tourist traffic—this extra five hundred tourists a year? Do you suggest to the Committee that the mere fact that passengers would go by railway instead of by coach would bring five hundred extra tourists annually?—I do not suggest that; but if this railway were constructed it would make the Australian Colonies a very much shorter distance from Christchurch and Dunedin than it is under the present circumstances. It would not only be the natural scenery which would attract them, but it would make it a very much shorter distance to come to the colony.

167. Do you say that being able to get from Canterbury to Westland by railway instead of by coach would bring more people from Australia?—I do not say that.

168. Do you charge all this to the railway?—It would have various effects. Supposing a tourist were to make Christchurch his quick point of call, he would leave Melbourne, and occupy

four days in getting to Hokitika, and then he would get to Christchurch in one day, whereas it now takes five days to get there after he has arrived in the colony. That is all. It is the convenience and quickness of traffic that attracts the tourist.

169. Would it bring five hundred extra tourists annually to the colony?—My opinion is that we should have five hundred more each year.

170. That would give us ten thousand more?—Yes.

171. How many tourists do you assume are coming now?—I have not gone into the calculation, but I think the number is increasing, and with facility of travelling it would increase more.

172. But as you have fixed the number of extra tourists who would come, could you not tell us how many are coming now? Is it five hundred?—More.

173. Is it seven hundred?—More.

174. You do not know whether you have doubled the number of tourists who come to New Zealand or not?—I should say I have not anything like doubled it. Many more come now.

175. And we are to make a profit of £20 a head out of them?—I know that if you look at some of those old places on the Continent—in Italy and France, and elsewhere—you will see that some of them have been absolutely rebuilt and made modern towns by the money which has been made out of the expenditure by the tourists who go there.

176. Do you consider that you are not exceeding the mark in putting the profit from this tourist traffic at £10,000 a year?—From my experience of travelling about the country I think it is very reasonable.

177. On the West Coast?—There and in Canterbury.

178. And you say that £10 is the actual profit that they would make out of you when you came from Christchurch to Wellington?—It would depend on how long I stayed.

179. This you notice is profit—not cost, but profit?—In my calculation I have the cost to the tourist at considerably more.

180. At what?—£40.

181. Then, we are making 50 per cent. out of every tourist?—We are very bad managers if we cannot.

182. We will now pass to the lands on the West Coast. Do you know anything of them?—I was there for six years.

183. Are these lands suitable for close settlement?—I have not gone very much over them. I have been along the roads, and seen the lands where the roads run, but I have not been into the bush. I think there is some very good land there.

184. For agricultural purposes?—Some are suitable for agriculture, but for pastoral purposes there are some of the best in the colony.

185. An eminent man in this colony, Mr. James McKerrow, in giving his evidence in 1892, was asked, "Do you regard the country as being pastoral, mineral, or agricultural?" to which he replied, "Well, most decidedly, it is not agricultural. It is partly pastoral and partly for saw-milling. The railway passes through good timber land; but, as to the mineral character of the country, that is purely conjecture. Coal is the basis of the success of the West Coast. It is not adapted for grain-growing. It is very well for raising cattle. I think in time they will come to supply themselves with animal food. They have never done so yet, but in time they may, at some remote period. When gold-mining is shrunk, and the forests are cleared away, it may be a dairying district, but that is a long way in the future." Do you agree with that?—Up to a certain point. There is not much land fit for agriculture, but there is plenty fit for dairying and wool-growing; but I do not agree with him that it is in so very remote a future. Of course, the non-construction of the railway has made it more remote.

186. You tell us that the greatest loss has been in regard to the decrease in population, and that population has actually left the colony because there was this blue patch on the West Coast land?—Partly from that, and partly from want of employment.

187. You do not suggest that population left the colony during the *régime* of the present Government?—I am not prepared to give an opinion about that; my opinion is only with respect to the construction of the railway.

188. Do you suggest that during the last five or six years people have left the colony because of this blue patch?—I think a great many have, and a great many have left because they could not get occupation.

189. Gone where?—Gone to the other colonies.

190. To Victoria and New South Wales?—Yes, and a very large number went to Western Australia.

191. Canterbury has a special grievance, and Canterbury men have to see that Canterbury is not thrust out of its proper position through the non-construction of this railway, and you think that the bulk of the West Coast traffic would be by this railway. Canterbury would be the distributing centre of the West Coast?—A great deal so.

192. From what centre does the West Coast get its produce now?—I presume, from Wellington, and from Melbourne and Sydney.

193. I am dealing with New Zealand?—Probably also from Dunedin. You see it is even more difficult for Canterbury to send goods to the West Coast than it is to send them from Dunedin.

194. Then, they are closer in touch with those places?—Yes; and improperly so.

195. And if this West Coast railway were constructed you would get your proper share?—Yes.

196. And Wellington and Dunedin would have to suffer?—Yes.

197. Would it be a loss to the colony?—We are probably robbed by Sydney and Melbourne more than by Wellington or Dunedin.

198. Do you mean to say that the Australian traffic with the West Coast is greater than the traffic between Wellington and the West Coast?—I do not say that; but the trade from Australia would be very much reduced. Wellington would still have its traffic.

199. Well, you agree that Wellington and Dunedin would suffer?—To a certain extent.

200. So that you must take that into consideration?—I have allowed for that. The total loss to the colony is much greater. I may say that I have not taken into consideration the coal and timber question at all. There is no doubt that there has been a great loss in this item, but I had not time to go into the calculation of the loss which the colony sustained in these two items. It must be very large, but I dare say evidence will be given in regard to it.

201. *Rt. Hon. R. J. Seddon.*] I understand, if the railway were constructed you would get your coal direct from the coalfields?—Yes.

202. And that would be a saving to the consumer in the quality of the coal he received?—Of course, we should be very large gainers if we could get the coal direct.

203. It would save so much handling, and consequent handling, and you would get a greater quantity for the same cost of carriage?—Yes. A great deal of the coal which comes to Christchurch goes from there by rail, and is taken up towards the West Coast, and that is waste of carriage. It is not only the coal which goes in that way from Christchurch, but other goods, which go to the settlers.

204. There is a loss of a large amount of coal through the handling and breakage, which would be blocked if the coal were put into trucks at the mine and sent straight on to its destination?—Yes. If there were a constant and reasonable supply of coal from the West Coast it would put a stop to this handling, and the coal would be reasonably cheap.

205. *Mr. J. Allen.*] What is reasonably cheap?—Well, even if we paid the same price as we do now for the carriage, we should save the handling and breakage.

206. *Dr. Findlay.*] Do you think the railway could compete with the water-carriage?—I think it could. But it is not only the competing with the water-carriage, but the condition in which the coal would be delivered.

207. *Rt. Hon. R. J. Seddon.*] Are not your principal supplies of timber from Southland now?—Yes.

208. There is a considerable loss on the timber?—Yes; there is a considerable loss. We get no timber from the portion of the West Coast where it is most plentiful, and which is lying idle. Both with regard to coal and timber loss is caused by the second handling.

SATURDAY, 8TH SEPTEMBER, 1900.

Mr. EDWARD WILLIAM ROPER, in attendance and examined on oath.

1. *Mr. Bell.*] What are you, Mr. Roper?—A merchant.
2. Living in Christchurch?—Yes.
3. You have lived in New Zealand for a great many years?—Yes; thirty-seven.
4. Do you know the West Coast?—Yes; I was there in 1855.
5. You have been president of the Chamber of Commerce in Christchurch?—Yes, for two years. My term of office expired two years ago.
6. As president of the Chamber of Commerce did you not make a speech in which you entered into certain details as to the benefits of the construction of the Midland Railway?—Yes.
7. That was about two years ago?—Yes.
8. Have you got an extract from that speech?—Yes.
9. Will you read it to the Committee?—Yes.

It is much to be regretted that the Otarama-Brunnerton section of this line has not yet been constructed, for there can be little doubt that a railway service between Westland and Canterbury would prove a vast benefit to both districts. The result of a through line would be a mutually advantageous exchange of products between Westland and Canterbury, and consequent upon the increase of trade there would necessarily be an extension of our industries, and probably an increase in the value of property. As the necessity for railway communication between the two coasts is greater to-day than it was at the time the public first agitated so energetically for its construction, and as all information in connection with the proposed line is of public interest, I furnish a few particulars and estimates that will convey a fair idea of the work to be done, and the probable traffic upon the line when completed. The length of the uncompleted portion between Jackson's and Otarama is 57 miles 44 chains, and it is calculated that to finish this section, for which the surveys in detail are prepared, would cost about £1,000,000, and would give occupation to twelve or fifteen hundred men for four and a half years. The following estimate of the traffic on the line was made by those who were specially qualified to form an opinion upon the subject:—East to west—General merchandise, 10,000 tons; grain, 6,000 tons; agricultural, 8,000 tons; cattle, 900 tons; sheep, 980 tons; parcels, 200 tons: total, 26,080 tons. Passengers—First class, through, 4,000; second class, through, 2,500; first class, local, 5,000; second class, local, 3,000. West to east—Coal (local consumption), 70,000 tons; coal (shipping companies), 45,000 tons; timber, 21,000 tons; sleepers, 1,400 tons; building stone, 2,000 tons; parcels (sundries), 200 tons: total, 139,600 tons. Passengers—First class, through, 4,000; second class, through, 2,500; first class, local, 5,000; second class, local, 3,000.

10. Can you give us the date of that speech?—Roughly speaking, it was about three years ago.
11. Of course, made with reference to this matter?—Yes.
12. You, I believe, were one of those who, in 1884 or 1885, agitated for the construction of this railway?—I was.
13. You were then of the opinion that the construction of the railway would be a great benefit to the district?—Very strongly of that opinion.
14. To the colony as well?—To the colony as a whole.
15. Have you seen any reason to alter your opinion?—My opinion in that direction has been very much strengthened.
16. The railway was to be completed by January, 1895?—Yes.

17. There is still the whole of the Nelson line, except that between Brunner and Reefton, to complete, and also a large portion of the East and West Coast railway, and you assume it cannot be completed for four years?—Yes.

18. So there is ten years' delay?—Ten years wasted.

19. Will you tell the Committee whether the colony has suffered damage, loss, and injury by the non-completion of this railway and by the postponement I have stated?—I shall be very happy to express, not only my own opinion, but the opinion of every business man in Canterbury. We hold that if the line had been completed we should have had a much larger population, not only in Canterbury, but in some of the districts on the West Coast. We recognise the mere developing of the traffic from one coast to the other being delayed is not necessarily a direct loss to the colony as a whole, but the increase of production is a direct gain to the colony; and we feel, had the lands which were locked up by this matter been open, a very considerable amount of settlement would have taken place, and if free communication was possible between the West Coast and Canterbury we should have a much larger population. Instead of that the population of Westland has decreased owing to its isolation, but if people there could obtain their goods five or six days quicker than they do now, and if they could get them cheaper, the strain to live would be very much reduced on the West Coast; and if the people of Canterbury could visit the West Coast more quickly and more cheaply, as they would be able to do if the railway were completed, it would enable them to open up the mining industries of the West Coast. The West Coast has produced something like twenty-five millions' worth of gold in the last 40 years, and we feel certain that if the people of Canterbury could visit that district more quickly the checks to the mining industry would disappear, and the industry would go ahead very much faster than it is possible for it to do now. The possibilities are beyond conception, and if we were able to invest freely in their dredges there would be an increase of 10 per cent. in the output of gold. That would be a great advantage to the colony, that and other things in connection with the railway. Mention has been made of the tourist traffic, but that is a minor thing. I do not know whether the fact of the Midland Railway being open would induce a very much larger number of people to come to New Zealand, but I know that people visiting the country like to devote as much time as they can to that object; and if this were added to the tourist route it would enable people coming from Australia to reach Christchurch in seven or even, perhaps, twelve hours less than it takes them now. If we take £2 a day as about an average of what they would spend, it must, as far as New Zealand is concerned, mean a considerable amount of extra money expended in the colony. Then there is the question of people leaving the country, and that is a very important point to consider in connection with this railway. We have had unfortunately in Canterbury a large number of unemployed—though happily that day has gone by. We often see by the returns that a great many people leave New Zealand. We have an increase of population because of the birth-rate, but there are many departures from the colony. That arises from the want of employment, and if we had this railway it is fair to assume that no man could claim the right to demand help on account of being unemployed. There is a large field for work on the West Coast, and if this railway was constructed, and facilities for communication with that district given, there would be no occasion for people to leave the country for want of employment. I think if the wants of pastoral and agricultural pursuits were met it would mean a considerable increase in the wealth of the colony; and, if it prevented young people leaving because they cannot get employment for themselves profitably in the colony, it would be a great benefit to the people of the country generally if the Government would complete the construction of the railway.

20. *Mr. Bell.*] I am afraid this Committee will not recommend the Government to continue the construction of the line. I want you to confine yourself, as far as possible, to the points in which we have suffered by the non-completion of the railway rather than an advocacy of the railway. Is it not a fact that settlement has been barred by this blue reservation of six million acres of land?—I am aware it is so.

21. Are you aware that men from the Canterbury side desired to settle there, and were prevented by this reservation?—I know a great many who were desirous of settling in that part of the country, and were prevented doing so because they could not get the land, and they left the colony because they could not get it.

22. And many more came to the North Island?—I do not know how many.

23. You have told us, in the figures of the Chamber of Commerce, that there would be a great timber and coal trade if this line had been completed?—Yes.

24. You people in Canterbury, who formed the league, and the people of Nelson also believed that there was going to be a great advantage to the colony by the construction of this railway: that there would be a great development of trade and settlement on the coast, an increase of population there, and a large timber and coal trade?—Yes.

25. And that there should be an expenditure of three millions of money on this work?—Yes.

26. At what do you estimate the loss caused by the delay of so many years?—It is very difficult to say, and I do not like to say anything which cannot be supported by figures. I have pointed out that, as far as gold is concerned, there has been a loss which I should be under-estimating if I put it at less than 10 per cent., and on the annual production that would mean £50,000 a year. When one tries to estimate the advantage to the colony as a whole by the increase of population, one cannot be certain as to the increase that would take place. Then there is the production from the land taken up, and it would be a bold man who would venture to estimate that.

27. What I am pointing at is this: that you gentlemen advocated, and rightly advocated, that the expenditure of three millions in the colony would bring with it all these advantages. Is, then, the locking-up of these lands for so many years a trifling sum, and, if not, at what do you estimate it?—I do not know in what direction, as a business-man, I could reply to you; but I think it is one of the greatest blows that has ever been inflicted on the colony. It is a most important thing that

Canterbury and Westland should have their connection completed, because one has what the other cannot produce, and their means of communication should be made as cheap as possible. The damage might be anything from three to five millions.

Mr. Bell: May I be allowed to explain that the real difficulty I have is that the witnesses feel the damage is so great; I have a difficulty in getting them to state the minimum to the Committee; but I think I shall be able to show that the statement of Mr. Roper is not extravagant.

28. *Rt. Hon. R. J. Seddon*.] I understand Mr. Roper to say that he thinks the damage to the colony would be, approximately, between two and three millions?—I do indeed.

29. *Mr. Jackson Palmer*.] You are satisfied that it would be over half a million?—Oh, yes.

30. *Dr. Findlay*.] And the maximum might come to five millions?—I should not be astonished if the loss to the colony amounted to five millions: that is, speaking of the term of ten years which has been suggested.

31. I may assume that you have taken some account of the interest of the company in the line?—Yes.

32. Were you associated with the league to whose industry is due the passing of the Act of 1894?—I was a member of it.

33. May I ask you whether, in arriving at your conclusion, you have assumed the traffic on the line would be taken at the ordinary rates of Government railways—that is, so much on the mileage?—I have, undoubtedly.

34. Have you considered the amount which the company or the colony would have lost if the line had been constructed, and conducted in this way?—No, because I do not think there would be any loss. One has to remember that such lines do not always pay at first. For example, there is the Moorhouse, connecting Christchurch with Lyttelton: When that was constructed there were many people who said that it would never pay interest on the outlay; but we find that there are more people carried on the trains there in one day now than there were in a month previous to the construction of the tunnel. So that one cannot possibly estimate the increase of traffic.

35. Are you aware that a man named H. A. Gordon made a careful examination of this railway route and the country it would affect, and he went carefully into the interest and profits to be derived from it?—No.

36. Do you know Mr. Gordon?—No.

37. I refer to a mining engineer, who for a great number of years was in the front rank of his profession. You do not know him at all?—No.

38. Do you know Mr. James McKerrow, who was a Commissioner of Railways?—I know him by name.

39. Do you know Mr. J. P. Maxwell, who was also one of the Commissioners of Railways?—Yes, by name.

40. Are you aware that Mr. Maxwell, Mr. McKerrow, and Mr. Gordon went very fully into the prospects of this line in 1892?—Yes.

41. Did you take sufficient interest in the matter to look at the parliamentary papers and reports with respect to it?—I did not take the trouble to do so.

42. Do you know that Mr. McKerrow estimated that the loss to the company, if they constructed it and continued to manage it, would have been some £900,000?—Well, even if it was so—and I am perfectly prepared to answer from that point—still I think from the colonial aspect that, although there might have been a loss on the working of the line for some years, it is quite conceivable that the colony as a whole might obtain more from the increase in population.

43. Are you aware that Mr. Gordon went into the estimate, and found that there would be a loss on the working of the railway of £4,000 a year?—I have heard that it was so, and it is quite possible; but that is a mere nothing in comparison with the advantages which would have been conferred upon the colony.

44. Are you aware that the company in 1892 said to the Government, "If you will convert the land-grants into bonds we will give them up: in other words, if you will give us bonds for the B1 value we will give the grants up?"—I admit that, but I do not see how it affects the question.

45. The land-grants were valued at £618,000, and the company said they would give it up for bonds. They also agreed that, if the railway was to be of the supreme value you suggest, they would faithfully complete the line if they got the guarantee on the £618,000. Do you know of that?—Yes.

46. You know they were prepared to give the colony an indemnity for that?—Yes.

47. Do you think that is what the Government should have done?—I do not think I should be justified in criticizing the action of the Government at the time, for I had no particulars; but I think it would have been a very fortunate thing for the country if the Government had undertaken the work itself. I think it was a mistake we made in dealing with a company which was unable to carry out its contract.

48. Have you gone into the matter sufficiently carefully to say shortly whether the company could ever have carried on the line at a profit?—I do not know whether they could have carried it on at a profit, considering the extravagant way in which they went to work. I do not think they could have made a profit, but I think the colony would.

49. What I want to ask you is whether, as a set-off to the somewhat surprising figures which you gave us, there should not be brought into account the loss which the colony or the company would have suffered if they completed this line?—I cannot answer more clearly than I have done. I think it is probable that the company, if it continued its system of management, would not have made the line pay for a considerable time; but I think the colony would progress so much that, as far as the colony is concerned, there would be a large amount of profit made.

50. What I want to show you is this: You have proceeded on the assumption that if this railway was completed, and the traffic was carried on on the ordinary Government rates, there

would be a profit. Have you considered the fact that three experts have said that carrying on the line by the colony would mean a loss of a million of pounds? At page 180 of the Appendix 1892 you will find the following evidence:—

RESULT of GUARANTEE of 3-per-cent. Interest on £1,600,000 for Twenty Years, according to the different Estimates of probable Traffic.

Names of Persons estimating Traffic.	Loss to the Colony.
Midland Railway Company	£ Nil.
Mr. McKerrow, Chief Commissioner of Railways	815,000
Mr. Maxwell, Commissioner of Railways	683,000
Mr. Gordon, Inspecting Engineer, Mines Department	1,262,400

Mr. Bell: I object to the question being put in that form as representing that these gentlemen showed that this would be a loss to the company.

Dr. Findlay: I have said to the colony.

Mr. Bell: Each of these gentlemen estimated that the working-expenses would have exceeded the receipts; but they multiplied the interest on the £618,000 at 3 per cent. for twenty years, and take that into account, and I do not know what that has to do with the expenditure.

Dr. Findlay: I do not see what objection there can be to my question. I am simply citing these facts in answer to the extraordinary evidence of this witness as to the loss there would be to the colony.

Mr. Bell: My witness shows that if the colony made a loss in one direction it would have made a gain in another; and I cannot see that what happened in 1892 has anything to do with that.

Mr. Roper: I gave an answer to that.

Dr. Findlay: The answer is quite fair, and I do not see why I should not be allowed to put this question.

Mr. Roper: I have nothing to do with what would have happened if the Government took the line over.

Dr. Findlay: I know this part of the evidence will not be satisfactory to Mr. Bell.

Mr. Bell: I do not think I should be commented on in that way. I object to misleading quotations taken from the Appendix to the Journals appearing in the record of the proceedings of this Committee.

Dr. Findlay: I certainly repudiate any such suggestion. I have not made any misleading quotation, but only referred to the Appendix to the Journals, and asked the witness for his opinion on the evidence there recorded.

The Chairman: Mr. Bell is under the impression that you put the question in such a way that it would convey a wrong impression.

51. *Dr. Findlay*.] I repudiate that altogether. ([To witness]: You say that the opening of this railway would give a great advantage to the colony?—Yes, in this case.

52. And the construction of the railway, independently of the cost of its construction, would be a benefit to the colony?—I think so.

53. Then the consideration of the working-expenses is an important element in considering the advantage of the railway?—Yes; but it is simply a minor matter.

54. Then I may take this as a corollary to your statement that the results of the completion of the railway would have been widely different to the colony and to the company—that the advantages which would accrue to the colony would be widely different to those which the company would receive?—I realise that there is a great distinction between the profits from the railway to the colony and to the company.

55. I do not know that you have given us a total estimate as to the land available for settlement?—I have not gone into that. I have only gone into the general question of the utilising of the land.

56. You are now referring to the portion of the land in Canterbury?—To the whole land locked up. There are 2,800,000 acres of forest land on the West Coast, and if we had the railway and the consequent increase of population we should derive an enormous benefit. There is untold wealth there.

57. And that industry would be developed if this blue patch were not on the map?—Probably so.

58. The history of the West Coast goes back a great many years?—Yes.

59. This blue patch was put on the map in 1885?—Yes.

60. Can you suggest why the unlocking of this land by the construction of roads did not take place when there was a very much larger population there?—I cannot say.

61. In what way did you arrive at the maximum of population?—I found it difficult to estimate that, but there has been a falling-off in the population on the West Coast of fourteen thousand people in the last few years.

62. How many were there in 1865?—From twenty-five thousand to thirty thousand; but I am not very clear on that point.

63. We are all in the region of uncertain figures?—It may have been more. I am only speaking of Westland.

64. Then, in 1884, what was the population?—I would sooner not give an estimate.

65. A very much smaller number?—Probably.

66. This blue patch was not put on the map until the end of 1884 or beginning of 1885; why had not this population attacked the development of this enormous wealth?—I think if the railway was constructed the population would have increased; but the place was isolated.

67. You say a great deal of the loss is due to the locking up of this land?—To a great extent.

68. Independently of the railway?—It must be so.

69. The locking-up of the land prior to 1884?—Yes.

70. You suggested that it was owing to the absence of the railway that it was locked up?—There were a great many reasons why that land had not been developed. We found subsequently that the wealth on the West Coast was beyond computation. So it must be considered on a different basis altogether.

71. You would not suggest, as has been suggested by a previous witness, that the fluctuations in the population on the West Coast are due to the want of land for settlement?—I think that where there is land for settlement it makes the population permanent.

72. This is essentially a gold-mining district?—Gold-mining and forests.

73. That would make a more fluctuating population?—As far as gold-mining is concerned it would; but if those engaged in that industry had the means of settling down permanently they would do so.

74. Supposing this blue patch went away altogether, do you suggest that the fluctuation of the population would not have happened?—I think not.

75. Wholly prevent it?—I am not to be tempted into making mistakes. I want to speak exactly of what appears by the facts.

76. What I want to meet is this charge that the loss of population is due to the existence of the blue patch, and to show that it is not necessarily due to that, but to the nature of the population which is attracted elsewhere?—You might contend in that way.

77. You do not think it enters into the question very strongly?—I think it enters into it very strongly while the land is shut up. I do think that a gold-mining population where there is no chance of taking up land is a very unsettled population.

78. Are you aware that very considerable areas have been reserved for gold-mining purposes on the West Coast?—Yes.

79. About 600,000 acres in all along the Grey Valley. Do you know that under the Mines Act agricultural leases for seven years can be given away?—I believe so.

80. Do you know if the land which might so have been given is suitable for agricultural or pastoral purposes?—I do not know that there is very much agricultural land on the West Coast. I do not know that any one has suggested that the West Coast should be used as an agricultural district. Our contention is that the complement to the West Coast is the Canterbury agricultural district.

Mr. Bell: Is it not fair to point out that the Government did not reserve agricultural lands for mining purposes, and if they had it would have been a breach of the contract?

81. *Dr. Findlay*.] Quite so, but that is not my assertion. I only say the Governor might reserve 600,000 acres for mining purposes, and some of it might be agricultural, and, as I understand, a certain portion is agricultural, and is marked yellow on the map: (To witness): Do you know anything of the nature of that land?—No.

Mr. Bell: I ask the Committee whether it would not be right for me to put in here the remarks of Mr. Maxwell, on page 182 of the Appendix, on the matter on which Dr. Findlay says he gave his evidence; otherwise Mr. Roper's evidence will be misunderstood. I ask, further, whether it should not appear at the end of Mr. Roper's evidence?

[The Chairman read the evidence.]

Dr. Findlay: May I ask that the estimate, on page 180, of Mr. Gordon, from No. 7 to the end, be also put in?

The Chairman: I think if one goes in the other should also.

Agreed to by the Committee.

COMPARISON of ESTIMATES of the TRAFFIC and WORKING EXPENSES of Midland Railway Company's Line, East and West Coast Railway.

	Traffic Receipts.	Cost of Working and Maintenance.	Cr. or Dr.	Profit or Loss on Working.
	£	£		£
Midland Railway Company				
Mr. McKerrow, Chief Commissioner of Railways	58,850	43,990	Cr.	14,860
Mr. Maxwell, Commissioner of Railways	85,000	65,000	Cr.	20,000
Mr. Gordon, Inspecting Engineer, Mines Department	59,877	64,158	Dr.	4,281

Extract from I.—7A, 1892, p. 182, put in by Mr. Bell.

REMARKS by Mr. J. P. MAXWELL upon the Statement of Tables of Mr. H. A. Gordon's Statement (Number 2) embodied in the Hon. Mr. Seddon's Address.

Remarks on Paper marked B 3, submitted to me in Mr. Kane's Memorandum of the 5th October, 1892.

6th October, 1892.—Sir,—The nature of my evidence appears to be misrepresented. I explained particularly that I considered my estimate of profit to be for the first year's working, and that there would be a gradual increase with the growth of population. I estimated the profits of the Christchurch line at £20,000, and those of the Reefton line, if assumed similar to, say, Nelson, at about £4,000, allowing for the relative length of line: total, £24,000 a year. I made no mention of "an average" as the heading to the table wrongly alleges. I consider that it would be misleading and improper to introduce a table based on statements attributed to me which I did not make. I think the results of the table are misleading.—I have, &c., J. P. MAXWELL.

The Chairman, Public Accounts Committee.

82. *Mr. J. Allen* (to the witness).] With regard to the gold and the timber, I do not suppose you mean the Committee to assume that the gold or the timber is lost to the colony. It is there still, although it has not been won?—Undoubtedly the gold is there.

83. The loss is owing to the fact that we have not converted it into capital at all in the early days?—The only difference is that it would be years before the gold is obtained; but the trees would grow again.

84. Those cut down do not increase in value?—No. We have suffered a great deal by the want of being able to develop these industries, and naturally we feel it. The pastoral industry may overtake the loss, but I do not think it will be of any great value to us.

Mr. WILLIAM ACTON-ADAMS in attendance, and examined on oath.

85. *Mr. Bell*.] You are a barrister and solicitor?—I prefer to be called a sheep-farmer.

86. What public offices do you now hold?—I am chairman of the Hospital Board, and have lately been twice elected to that position. I represent the counties of Cheviot and Amuri on that Board, and I am chairman.

87. You have been a member of Parliament?—Yes; and I have also been a member of the Provincial Council of Nelson.

88. How long have you been resident in New Zealand?—I came to the colony in 1850.

89. You have resided principally in the Nelson and Marlborough Districts?—Yes; and lately in Canterbury.

90. You are acquainted with the country in the Nelson and Marlborough Districts?—Yes; I have seen all that country. I have seen Blenheim when there was only one small whare there and a few Natives.

91. You were chairman of the Railway League in Canterbury in 1884?—Yes; I should say I was elected a member of it in 1878, and afterwards, when I went to Canterbury, I was elected chairman of the East and West Coast and Nelson Railway League.

92. You, and those who were associated with you at that time, advocated the construction of a railway to connect with coast and Nelson?—Yes.

93. And you endeavoured to promote it?—Yes, I did, and had done so for years.

94. Were you of opinion that its construction would be a benefit to the colony?—I thought it would be a great benefit to the colony as a whole, and particularly to the districts with which I was acquainted, and with which could only be reached by bush tracks which were very difficult to travel over. I went once up the Inangahua River when there was no way of getting through the bush, and we had to ride through the water up the river to get at our destination.

95. Have you seen any reason to change your opinion?—No, certainly not. I am still of the opinion that the colony would have progressed considerably more if this railway had been constructed.

96. Then you remain of the opinion which you held in 1884, that the construction of this line would have conferred a great benefit on the colony?—Yes.

97. You heard Mr. Humphries speak of the Tadmore Valley: Do you know the land there?—Yes; I know it and all the country there.

98. Is there good land there?—Yes.

99. A considerable area?—No. The valley is about a mile wide. There are about 25,000 acres of good land there—that is, the level land. The hills are not so good.

100. There is another valley which has been mentioned, and which is of the same kind?—I think he spoke of the Sherry Valley, and Wangapeka; and he also referred to the Marawera Valley, in answer to a question by Mr. Graham.

101. Is that good land?—Not as a whole. There are patches of swampy land which are good, but there is a good deal of stony land.

102. Speaking of the forest land, is there a large quantity of that which would be suitable for settlement?—All the lands suitable for that purpose are in patches of a few hundred acres each, or sometimes more. They would be suitable for close settlement. There is plenty of wood and water there, which would be good for settlers.

103. Are you speaking of the land in the blue area?—Of the land along the Buller tributaries and in the Grey Valley.

104. Coming to the benefit to be derived from the construction of the railway, you gentlemen anticipated that under the contract which was entered into this blue patch, which was put on the map in 1885, would have been removed, and that the land there would not remain in its then condition: Does it still remain there?—Yes.

105. The railway should have been completed in January, 1895?—Yes.

106. I ask you to assume that the railway cannot be completed for four years further from this date?—Yes.

107. Have these two circumstances resulted in injury to the colony?—Taking the progress of settlement, I think, on a moderate estimate, with the completion of the railway the rateable value of this district would have increased—as far as Canterbury and Westland are concerned—about £5,000 per annum, and in Nelson £1,000. I think also that the increase in population by means of the railway only, and without any regard to rushes for gold, would have been a thousand annually. I think that is a fair statement of the effect of the completion of the railway, without taking into consideration dredging operations or anything of that kind. People are worth about £3 per head of population to the revenues of the colony, and that would make £3,000 a year. I do not know whether you want me to speak as to the timber and coal. We went into the thing very closely, and had the advantage of Government experts, and we came to the conclusion that, as far as Canterbury is concerned, the railway could not compete with the water-carriage. The coastal rate is about 10s. a ton, and the railway charge would be about the same. The agent of

the Westport Coal Company said that the terminal charges at Westport and Lyttelton would be about 9s. That has been reduced to about 4s. 6d., or half; so that it would cost 14s. 6d. a ton to bring the coal from Westport to Christchurch by rail.

108. Is it not true that you could get more coal through in railway-trucks?—Yes.

109. Without very much breaking?—Oh, yes. Some people get their coal from the ship's side—I do myself; but generally consumers get it from the dealers, which means a considerable loss.

110. Was it not shown that the land-carriage would deliver the coal in Canterbury generally cheaper if delivered in the railway-trucks instead of being sent by ship?—Yes.

111. If sent by the railway it would be delivered as one ton, whereas if it were sent round by ship it would be reduced to three-quarters of a ton?—Yes.

112. You estimate that the benefit of the completion of the railway would be a very great one, and that the loss of it is not to be computed by hundreds or even by thousands?—Yes. There is a considerable loss to Canterbury in the matter of timber since the Oxford Bush has been burnt down. Then, there is the dredging industry. It costs a Canterbury man £25 or £30 to go to the West Coast now, and if the railway were constructed all that extra expenditure would be saved. I think, considering all these circumstances, that to put the loss to the colony through the non-construction of this railway at £250,000 is moderate and fair.

113. The Railway League pressed the colony to expend three millions of money on the construction of this railway if they could not get a company to undertake it, and you now say that the loss to the colony through its non-construction is only a quarter of a million?—I have only gone into the question of the loss of settlement.

114. You put that as a minimum estimate—a bed-rock estimate?—Distinctly as a bed-rock estimate upon which a business man would argue before advancing the money.

Mr. Bell: I may say, with regard to Canterbury, that there are certain figures which I should like to place before the Committee. I do not think it is right to suggest that there has been any great loss of settlement there because the land most suitable for settlement has been selected by the Midland Railway Company, and it has been settled not closely, but in large blocks. I do not want to call evidence of the loss of settlement in Canterbury, although the Commissioners are of opinion that the Midland Railway Company have picked out the eyes of the country.

The Chairman: You might get a return of what proportion of the total reserve is situated on the east slopes of the land.

Mr. Bell: I am told that such low-lying land as has not been selected by the Midland Railway Company is required for pastoral purposes, so that it is not fair to suggest that there is a loss there.

Mr. J. Allen: What did the Government pay for the B1 land which they bought back from the company?

Mr. Dalston: I think it was £6,612 that they paid to get back Block 41.

Mr. Bell: It was an advance on the B1 value.

MR. ARTHUR D'OYLY BAYFIELD in attendance, and examined on oath.

115. *Mr. Bell.]* What are you?—I am a Land, Estate, and Business agent in Westport.

116. How long have you lived in Westport?—I have known the West Coast for thirty years, living there for twenty years, with an interval of ten years. At Westport, thirteen years.

117. You have been familiar with the history of the promotion of and the attempt to construct this railway?—Yes; I was the first secretary to the Nelson committee formed in 1885.

118. You were one of those who believed that it would be a benefit to the colony?—Undoubtedly.

119. Have you seen any reason to change that opinion?—None whatever.

120. You know the reserve that has been made, and have a certain knowledge of a part of the land in it?—Yes; particularly the northern part, and I have a distant knowledge of the southern part as far down as Ross.

121. Have you as an agent had requests made to you to obtain land there?—Yes.

122. Many?—I will not say many, because we discovered that the land was locked-up, and I advised inquirers that it was no use applying. I had forwarded applications to the Land Office, and in one or two cases to the company.

123. Are you aware that a number of persons on the Coast and elsewhere desired to settle there?—That is undoubted. I should like to say that the Commissioner of Crown Lands who gave evidence yesterday stated certain figures with regard to the applications; but had lands been open there would have been many more.

124. Have you been able to form an estimate of what the settlement would have been if the reserve had not been there, what improvements would have been made, and so forth?—I have made my own estimate.

125. And of the damage to the colony?—I have made what I consider is a fair estimate of the loss to the colony.

126. Will you state what you think is the loss to the colony?—Taking first the land question, I will deal with eleven blocks, of which I have most knowledge, and then draw my deduction from that as a basis. I find in the eleven blocks that there are 216,200 acres, the value of which is put down at 10s. an acre. I have formed the opinion that had the railway been completed, one-third of that land would have been turned to account. The line of thought I have taken on the matter is this: that it would be fair to assume, on a 5-per-cent. basis, that revenue would have accrued to the colony had the railway been pushed along and completed. On that basis, for that particular area, I made it a value of £35,000. I take that for ten years, five years before the contract time to finish and five years after. That would give an annual loss of £1,750 for that particular part. Of course, there is the area as a whole, and what is fair to assume for

that? My calculation is one-twenty-fifth; but you must deduct the mining area, which would bring it down to one-twentieth. If we take that, it is fair to assume for the whole district that a quarter of a million pounds' worth of land is idle, and, taking the 5-per-cent. basis, the annual loss is £12,500, which for the ten years gives £125,000. That is for the whole of the reserve. Another aspect of the case is, of course, the increase of population. I may be charged with taking too sanguine a view, but my view is that if the railway had been gone on with the population of the West Coast would have increased by 50 per cent. I have thought the thing over in every way, and have heard evidence putting it at less, but I think it is fair to say that had the work gone on as we wished the population would have increased by 50 per cent., to say nothing of the increase in Nelson, and the Waimea, and Canterbury. My basis is the census of 1896. The railway was supposed to be completed in 1895, and I take the census of 1896, where the population on the West Coast is shown to be thirty thousand. Viewing it from the colonial point of view, that increase in population would mean an increase in the Customs revenue per head, and it works out, so far as that portion of the colony is concerned, that there would be an increased Customs revenue alone of £34,562 per annum. If you multiply that by ten—that is, five years before the time the contract expired and five years after—the whole would come to £345,620. That is for the West Coast. Then it is fair, still carrying out my line of thought, to consider the increase in population elsewhere, and allow for the increase in Canterbury; so that the difference in the Customs revenue in ten years would amount to nearly £691,000.

127. *Mr. J. Allen.*] Do you consider that there would be an increase of 50 per cent. in the population of Canterbury?—No. I take another 50 per cent. of Westland increase, and divide between Canterbury and Nelson.

128. *The Chairman.*] You are computing the loss which the country has suffered from the non-completion of the railway, but the railway was not to be completed before 1895. Is it relevant to show us the loss which accrued prior to the date of completion?

Mr. Bell. Yes; because the population would be increasing in view of the completion of the railway. This population would not increase with a sudden jump, and the settlement of the land would be of the character which the witness describes. He therefore takes the commencement of that increase to be before the railway was constructed.

Witness. Then, sir, with regard to the matter of gold. We know that the reserves have been made, and we also know where, and that by the non-completion of the railway and by not having the advantage of this increase of population the productiveness of gold has been seriously curtailed. The thing is to arrive at a fair idea of what that would amount to. Again, going upon my assumption of a fair increase of population and taking the gold output for last year as roughly three hundred thousand pounds' worth, if we had had that railway, with an increased population the increase in the value to the colony should have been something like one hundred and fifty thousand pounds' worth of gold. It would mean another £150,000 a year to the colony, or in ten years one million and a half, 5 per cent. on which is £75,000.

129. *Mr. J. Allen.*] Do you mean the loss is owing to our not having got the gold as early as we might have done if we had the railway?—Yes. I will briefly refer to coal. The part of the Coast with which I am most familiar is the northern part. Coal does not enter into the question at Westport, but at Greymouth it does; and having a fair knowledge of the whole evidence with regard to the Midland Railway, and evidence which we have had outside from time to time, although at one time I did not think it was possible for the railway to compete with sea-borne coal, I altered my opinion some time ago, for there was evidence to show that it could be taken more cheaply by rail to Canterbury. Mr. Kennedy made a substantial offer of £50,000 per annum to carry the coal from the West Coast, and Mr. James Mills also practically admitted that, so far as Greymouth and Christchurch were concerned, the coal could be carried more cheaply by rail.

130. *Mr. Bell.*] Have you got an estimate of the coal loss?—No.

131. Timber?—No. Another element of the whole position is the value of trade. If we take the basis of the trade of the colony in 1895 at £14,950,353, and in 1898 it had increased to £18,748,555, there must be from that volume of trade a large percentage of benefit to the colony. If, again, I go back to my increase of population of 30,000, the proportion is practically £50,000 per annum for the part of the district in regard to which I am giving an opinion. I think it would be quite a fair computation to say that 10 per cent. of that should be taken as the benefit to the colony. That would be £5,000 per annum, or in ten years £50,000.

132. Do you know Wellington well?—Yes; I know the town fairly well.

133. Did you know Wellington before the construction of the Manawatu Railway?—Yes.

134. And the state of its trade?—Yes.

135. Do you know what the facilities of communication between Palmerston and Wellington did for its trade?—There is no doubt there was an immense increase of prosperity.

136. Could the increase in prosperity of Wellington in ten years be estimated otherwise than by hundreds of thousands of pounds?—No.

137. Do you see any reason why the same process of computation should not be applied to the estimate of the benefit which the colony would derive from the construction of a much longer railway from coast to coast of the Middle Island?—I should think it would be a very fair deduction.

138. *Dr. Findlay.*] Have you estimated generally what the colony has lost?—Between £900,000 and £1,000,000; something under a million.

139. From your point of view, the construction of the railway should have been pushed on in the interest of the colony?—Undoubtedly.

140. Do you think there should have been any hesitation on the part of the Government in pushing on the railway?—I do not.

141. Have you considered the question I put to Mr. Roper as to how far this line would pay, measured by the rates charged on the ordinary Government railways?—Yes; I have thought of that.

142. Do you know what the average profit of the Government lines is?—Something over 3 per cent.

143. Have you considered whether this railway would have paid as much as that?—I will not say that I have considered it. Naturally, it would take a long time to arrive at that return, just as has been the case of the Government railways. Their contribution has been increased by the extension of the lines.

144. That justifies the construction of this line: the ultimate benefit to the whole colony justify the expenditure of money which does not return anything?—Yes.

145. But, taking the interest of private persons, these are advantages which do not occur?—That depends upon their being the owners of the property, and so on.

146. You refer to the profit to the colony?—Yes.

147. But in the element of Customs duties that would not come into consideration with private owners?—No; that is the colony's.

148. Do you know whether any attempt was made to obtain settlement through the company? Did you ever apply to them?—Only in one or two cases.

149. Where was the land?—On the West Coast.

150. What was the difficulty?—I almost wish I had the answer with me, but all I know is that they could not deal with the application. It was some years ago, and I am trusting to memory, but I think I was told the application would be recorded, and the matter would be considered further on.

151. Did you not understand that the company would co-operate with the Crown in getting the matter settled?—I do not know at the present time. The reply is at home, but I will get it.

152. *Mr. J. Allen.*] What do you estimate it would cost to take a ton of flour from Canterbury to the West Coast?—The basis is something over 10s. a ton. I think the freight by steamer is 15s. a ton, but I am not sure. I think I am correct in saying so. I have seen a statement that practically 8s. a ton by railway would answer. I know the original basis was 10s. a ton. The steamer rate has increased from 12s. 6d. to 15s. a ton.

The Chairman: The Union Steamship Company charge practically the same rates from all ports.

153. *Mr. J. Allen.*] Then the difference between the price of flour in Canterbury and in Westland would be 15s. a ton?—There would be other advantages, because if we had railway the goods could be put into a truck and there would be no more handling of them.

TUESDAY, 11TH SEPTEMBER, 1900.

Mr. GERHARD MUELLER in attendance, and examined on oath.

1. *Mr. Bell.*] What are you?—Commissioner of Crown Lands and Chief Surveyor for the Auckland District.

2. When were you transferred there?—In 1891.

3. From where?—Westland.

4. Were you Commissioner of Crown Lands and Chief Surveyor there?—Yes. I went to Westland in 1865; I was appointed Chief Surveyor in 1871, and also Commissioner of Crown Lands in 1885.

5. You were there in 1885?—Yes.

6. In connection with the arbitration proceedings?—Yes.

7. Do you remember the withdrawal of the lands marked blue in the map from public competition?—Yes.

8. That was in January, 1885?—Yes.

9. Did you, notwithstanding the reservation of that land, receive applications for settlement on the land in Westland?—Yes.

10. And recorded them?—Yes; for about two years.

11. You had a number of applications in April, 1887?—Yes.

12. How many?—I had 138, I think, which covered 11,736 acres of land.

13. Did the Land Board take any action at that time?—Well, the clamour for land had been so great that I had to bring the matter before the Land Board, giving a schedule of the applications which had been made, and showing the rush that there had been for land, and urging on the Board to do something to meet the demands for lands that were made. A resolution was thereupon passed by the Board, pointing out the state of affairs in Westland and requesting that some means should be devised for allowing these people to be placed upon the land. The answer from the Government was that they could give no redress, because the lands were in the hands of the Midland Railway Company, and therefore they could take no action. From that time I received no more applications. I saw it was no use to record them, and for about six years no applications were received.

14. Were many sent in?—Numbers were sent in, but the applicants were always referred to the railway company, and there they could get very little satisfaction. If I remember aright, there were some five or six persons who managed to get some land from the company during my time. They were small sections, ranging from about 30 acres to 300 or 400 acres. The company made their chief selections of land in the Canterbury District, over the blocks of land they were entitled to select from there, but in Westland they took only two small blocks. All the rest of the land was taken up in Canterbury. Of course, there are a number of losses sustained by Westland which it is impossible to compute. There are no proper bases on which to work out the results. I have gone carefully into the matter, and have taken very great care that I should be on the right side: that is to say, I have based my calculations on the lowest statistical figures; so as not to appear in any shape or form to be making out a case for the Government.

15. Before you go into the matter further I should like to call your attention to one circumstance: that is, the position of the local bodies consequent on there being no settlement and no increase of revenue there?—They have suffered greatly, and I have made that one of my points. They have suffered inasmuch as they did not receive the “thirds” and “fourths,” which were distributed in considerable sums in all other districts. The sum total distributed to the Westland County in the shape of “thirds” was £42 2s. 11d. for last year to construct their roads with, while all the other districts received from £3,000 to as high as £5,000 each per annum.

16. Will you now take your own way of explaining the results and how you arrived at your estimates?—I take, first, the applications received at the Land Office for the two years from 1885 to 1887, and find, as I have said, that the number of applications was 138, for 11,736 acres. Then we had no applications until 1893. The Board came to the conclusion that, with the consent of the Government, they would give intending applicants an opportunity of getting their land under section 219 of “The Land Act, 1892.” This section gives no further right than the occupation, and at the end of three years the holder of the lease can be turned out without any allowance for the improvements he has made, but his fences may be removed. There is a provision in that 219th section that the lessee must step out at once when called upon to do so. I may, perhaps, be permitted to refer to the provision. The section provides:—

The Governor, on the recommendation of the Board, in the case of any pastoral lands, may from time to time until sold or otherwise disposed of give a temporary license, for a period not in any case to exceed three years, to graze over the land, at such rental as they may deem equitable.

Every such license shall be surrendered on demand to be cancelled in respect of so much of the land as from time to time shall be sold, selected, or otherwise disposed of, without any right to compensation on any account whatever accruing to the licensee, who, however, shall have the right, for such reasonable time as the Board may determine, to remove any temporary fencing he may have erected on such land.

It may well be understood that the applications under this section were very few.

17. *Mr. J. Allen.*] Was there no power of renewal?—No, there was no renewal. The license could be terminated at any time.

18. *Mr. Guinness.*] That is the law; what was the practice?—I do not know what the practice was. I am pointing out that these applications, which came in under section 219 of the Act, did not represent the number of applications which would have come in if the applicants could have got a better tenure. I am pretty sure that there would have been at least double that number. At any rate, from 1893 to the year 1900 the number of applications received under this 219th section was 207, and the area of land applied for was 24,597 acres. I say that there would have been double that number if the applicants could have got land under a better tenure; but, in order that I may keep well within the mark, I will assume that there would have been an increase of only 50 per cent., which would make in the fourteen years 760 applicants for 88,000 acres. In the first two years—1885 to 1887—there would have been 140 applicants for 12,000 acres, and in the six years—from 1893 to 1900—there would have been 310 applicants for 38,000 acres. It is reasonable to assume that in the interregnum—between 1887 and 1893—there would have been a similar number of applicants for a similar area of land, but during that period none were recorded. Therefore it is fair to assume that during the fourteen years there would have been 760 applications for 88,000 acres. Passing now to the revenue we have lost, I have proceeded in this way: there would have been 88,000 acres taken up in equal ratio over the fourteen years. This would be equal to half, or 44,000 acres, applied for in the first year. That, as far as revenue is concerned, would be 44,000 acres at 15s. an acre, or £33,000 which we should have received had it not been for this reserve. Of course, the land is still there, and we can sell it, but in the meantime we have lost 5 per cent. on the £33,000, or £23,100 for the fourteen years. This is the case only in regard to the ordinary settling of the land, but there is another aspect of the question, which I shall touch upon further on. Looking at the annual report, in regard to Westland, will give us an idea of the loss when we consider that during the present year the Commissioner of Crown Lands reports that the cash received was nil, that the applications granted for land with right to purchase were four, and that under lease in perpetuity 482 acres were taken up, equal to about three or four sections. The number of holders, then, under section 219 were 207, holding 24,597 acres. These are the whole transactions in Westland in connection with land for the whole year; whereas there has been, as I think I have proved satisfactorily, a loss of interest on capital value of the land we should have disposed of to the tune of £23,100 in the fourteen years. Now I come to the timber. The loss on timber also stands computing on a very solid basis. There are at present thirteen sawmills in existence in the Westland Land District, exclusive of Nelson and Canterbury. This is in the district from the Grey down to the Waiho. There are a number of sawmills on the other side of the county boundary, but I am dealing with the Westland Land District only. I submit that at the lowest computation at least five more sawmills would have been at work during the last seven years in the Westland District, and probably ten more if the railway had been constructed. As the output of these mills I reckon that they would turn out 50,000 ft. a week. There are some in my district which turn out 80,000 ft. a week, but I think the average is from 40,000 ft. to 60,000 ft. This gives 13,000,000 ft. per annum for the five mills, equal to 91,000,000 ft. for the seven years. The loss to the Government is this: the Government royalty during that time is absolutely lost. By referring to the regulations it will be found that the royalty is 2s. per hundred feet on silver-pine; on totara, kaihaka, and so on, 1s.; and on rimu and kahikatea, 6d.; but I take the 6d., so as to be on the safe side. On that basis the Government loss in royalty on the 91,000,000 ft. of timber would be £22,750. Of course, the timber, like the land, is still there, and we can operate on it, but we have lost all that sum during the period in which the land has been locked up. The actual value of this 91,000,000 ft. to the Government, assuming the selling price at 6s. the hundred feet superficial—and that is very low—would equal £273,000, which would have given employment to at least a hundred men, and would have greatly increased our revenue in connection with these five mills alone. I am quite sure that if the railway had been completed in the contract time the output might fairly be assumed to have been doubled, and the amount of money which would have been circulated would have been

£546,000, or over half a million. I submit that is not in any way taking an extravagant view of the matter. To show you that these calculations are correct I would ask you to allow me to refer to page 17 of the Annual Report of the Lands and Survey Department. I find, amongst other things, it is said: "The approximate quantity of timber at present in this district on Crown and Native lands, and the export of timber for the last three years, is as under: On Crown lands, unsold, 7,888,400,000 ft.; on Native lands, 48,000,000 ft. The export of timber for each of the last three years was—for 1897, 10,473,000 ft.; for 1898, 10,000,000 ft.; for 1899, 12,165,600 ft." From that you will see that it may be fairly assumed that the output would have been one-third more, because the local consumption would swallow up that, so that the estimated annual output—13,000,000 ft.—is well within the mark. The next point I have to draw attention to is stock. I do not go into the question of cattle, but confine myself to sheep. Assuming, then, that one-half of the 88,000 acres would have been cleared and grassed, the figures would stand thus: 44,000 acres at one and a half sheep to the acre—and this is not too much to assume, because some of the pasture and there carries from three to four sheep to the acre—would mean 66,000 sheep. The profit per sheep I put down at 5s.—2s. 6d. for the fleece, and 2s. 6d. for the mutton. Down there in my time sheep would sell at £1 a head, and now even they are 15s. The total revenue from the 66,000 sheep would be £16,500 a year, which for the seven years amounts to £116,000, a not inconsiderable amount to circulate among a small population. I come next to population. It is somewhat difficult to estimate the loss that has been sustained in that respect, but I believe from the figures which I shall submit you will see that the loss has been very great. Each of the 760 applicants for land would have become a settler with a family. In a rough way, it is usually estimated there are four in a family, but I have taken it only at three, and thus they amount to 2,280 souls. The timber industry would swallow up at least 200 souls, and the stock and other industries another 220; so that there is a total loss to Westland of 2,700 souls. Now, with regard to the loss in Customs revenue, I find on reference to the Year-book, page 243, that the revenue is £2 15s. 4d., and the average for six years would be £2 11s. 9d. I have calculated it at £2 10s. in order to be on the safe side. That gives £6,750 per annum, and in the seven years £47,250. This sum represents the loss to the Westland District. It would be unjust to say this is a loss to the colony, because many persons who could not find a resting-place in Westland went to other parts of the colony, and therefore I have reduced that loss by one-third. I think one-third would be sufficient, because a few years ago, as we know, many went away to other colonies. The attractions of West Australia took a good many people from the colony, and principally from Westland. I think, therefore, that the loss to the colony under this head may be estimated at £31,500. Then there is this question of "thirds," which I have before referred to. The total of these "thirds" paid during the year was £27,322 12s. 6d., according to the Annual Report, page 211. In respect to other districts the "thirds" range from £2,000 to £5,000 each, the average being about £3,100; whereas poor Westland has received £42 2s. 11d. to make its roads with. The "thirds" to Westland should have amounted, on the basis which I have brought before you, to £11,300. I have had twenty-six years' experience of the West Coast, and I know what I am speaking of when I say that the cost of forming a fairly good road there is about £400 a mile. There is good metal everywhere, and no great difficulty in constructing roads; so that this £11,300 would have given Westland an additional thirty miles of roads. What a difference that would have made to settlement and to the mining industry. Quite lately in the Auckland District I have sold over 100,000 acres in the Kawhia district, and if we had not had roads there we should only have been able to sell about 30,000 acres, but as it is every section there was taken up quickly, and, in fact, they were fought over. That will show the difference between a district in which the roading is attended to and a district in which it cannot be attended to. I come to some other smaller considerations. There are, for instance, the export revenue, and the receipts from tourists and from trades and the artisan classes, all of which would have greatly benefited by the construction of this railway. If a district is prospering these classes will prosper, but if it is not prosperous, neither will they be so. The summary of my estimate relates to the losses in Westland alone. First the loss in rentals on lands for settlement was £23,100. With regard to timber I am only taking the interest. I am taking it, certainly, on the right side when I say the loss on the royalty on timber would be 4 per cent. annually, and that taken for five years would be £4,550; the loss in Customs revenue is £31,500, and that brings the total up to £59,150. To that has to be added £10,500 for reasons which I shall have to explain. In Westland there are a number of exceedingly fine swamp lands, and these at present are absolutely useless. Neither man nor beast would venture to go through them. In all other districts where we have had to reclaim swamps we have been put to considerable expense in the way of building sea-walls, erecting flood-gates, and so on, and in those cases they have all turned out most excellent speculations. By going to an expense of £1 per acre we have received for those swamps £3 and £4 per acre. Now, there are very fine swamps in Westland which would not require any such outlay. There is the Wataroa Swamp, which is five miles by four miles, or, in round numbers, 20,000 acres. Long before I left that district I had my eyes upon that swamp, and to a certain extent had arranged with the Surveyor-General that it should be drained and placed on the market. This would all have been done, and I am satisfied there would have been a large population settled on that land. The prairie-value of the land may be put at 10s. an acre, and the cost of reclaiming it at another 10s., while the selling-value would be £2 an acre at the lowest. Therefore the loss to the Government is 5 per cent. per annum on £1 10s. per acre, or £1,500 per annum, which multiplied by seven gives £10,500 for the seven years. Then there is the addition of the probable loss on population of about forty families, occupying 500 acres each, which should be taken into consideration. Therefore it is perfectly legitimate to add £10,500 to the other losses, which would bring the total up to £69,650. Besides that, in connection with the timber I have put down the output for fourteen years at £273,000, and the loss on sheep for the same period at £116,500. That would bring the loss of circulation of money in the district to £389,500. The figures referring to Westland comprise an estimate of revenue which would certainly have been obtained

the Midland Railway contract had never been entered into. If the losses were computed on the assumption that the railway was completed according to contract in 1895, then the revenue from the Westland District would probably have been doubled, or been at least 50 per cent. more than that given above. That brings it up to about £500,000, which would have been circulated in the district, and has been absolutely lost. I think that is all I have to bring before the Committee.

19. You are dealing with the Westland District only?—Yes.

20. *Dr. Findlay.*] I will take your last statement first. You say that £500,000 which would have been circulated in the district has been absolutely lost?—Yes, absolutely lost. I mean to say the difference between the circulation of half a million of money and the circulation of nothing is very considerable in the district. That is what I mean.

21. You do not mean that the £500,000 has been lost?—No.

22. You mean the circulation of that money?—Yes.

23. You could not conjecture the loss to the colony?—No, not exactly; but I should put it down at £75,000 for the loss to Westland for fourteen years.

24. To what extent do you think the railway which has been constructed by the Midland Railway Company has contributed to the benefit of Westland?—No doubt it has done a great deal of good.

25. It means necessarily from your point of view that the construction of that portion of the line has done some good. Have you estimated what the gain is?—It is all on the other side, for the loss to Westland has been very much greater than the gain.

26. How much of the £75,000 might be made a counter-claim for the advantage of the constructed railway?—That probably could be got from gentlemen who have been there lately. I could not say.

27. I think in 1893 and 1894 about thirty thousand or forty thousand passengers were carried on that line?—I believe so.

28. You are not acquainted with the passenger traffic yourself?—No.

29. Then you cannot give me any idea of what gain Westland obtained from the construction of the railway, as far as it has gone?—No.

30. Would half of the £75,000 be right?—I cannot say. That is a question which would require to be sifted very carefully. I cannot give an opinion, but I am satisfied that the district which the railway has served has received great benefits from it in connection with the timber trade in the Grey Valley, and also in the passenger traffic to Reefton, but I would not know how to compute that. In fact, Westland is some fifteen or twenty miles away from it, so that it has never realised any benefit from the railway.

31. How much of the Midland Railway is in Westland County?—Not a mile. Oh, *Dr. Findlay*, a gentleman near me draws my attention to the fact that a part of the Midland Railway is in Westland County, from Jackson's to Poerua, but there would not be much traffic on that portion until the railway has been completed to Canterbury.

32. *The Chairman.*] I understand it is the Westland Land District you are talking about?—Yes.

33. *Dr. Findlay.*] Is there not some thirty miles of railway, from Stillwater to Jackson's, in Westland?—Yes, there is. It did not strike me that it was in Westland. I thought it was on the other side of the Arnold. This would assist greatly in the timber industry.

34. Could you estimate what would be the gain to the Westland District of having these thirty miles of railway in it?—No.

35. Another point: You suggested a very large loss, although not to the colony precisely, to the Westland District from the non-expenditure of money there in the timber business?—Yes.

36. You fairly admitted that the timber is there still?—Yes.

37. And there is prospect of money being spent on the business?—I have only calculated the loss of interest.

38. You spoke of a loss of £500,000 which would be circulated in the district?—Yes.

39. That might still be circulated?—Yes; but the help may come rather late.

40. Do you mean that it was only during the last few years that the circulation of money was wanted, and that the timber trade was in such want of help that it could not get on without that money?—I do not say that.

41. No doubt there would be a loss of interest between the two periods, but that is all?—Just so.

42. I want to remind you of sawmills between Stillwater and Jackson's. How many mills are there?—I cannot say. The last time I was there was in connection with the Midland Railway Company, in 1895.

43. I understand that eight have been opened, and that these are open in consequence of the railway being there. Is not that an advantage which the railway has conferred on Westland?—Oh, certainly.

44. Are you prepared to admit that some of them would not have been in operation if the railway was not there?—I am quite sure of that; but if the railway had been finished in 1895, what should we have had?

45. Where do you suggest the mills would be opened if the railway was completed: would mills be opened along the line?—No; it would not affect it in that way.

46. So the construction of the railway would not affect the opening of mills?—It helped them, but I am not sure of how much land has been taken up for timber purposes. For instance, on the east side of Lake Brunner there is a large extent of timber country which has never been touched.

47. Do you know that 10,000 acres of bush land were offered to the National Bank recently?—I do not know.

48. And that £1,000 was offered for it?—I do not know.

49. Is it not suggestive to you, as showing that there is not the demand for land which you suggest?—It looks very much so from what you state.

50. You suggested that the total number of persons who would have been in Westland if the railway was completed was 47,250?—I do not think I spoke of the total number who would be there. I spoke of the total loss in population, and estimated it at 2,700.

51. You went on to the Customs, and estimated a loss of £47,250?—Yes.

52. And you claim the whole of that as a loss to the colony?—No; I claimed that as the loss to Westland, and said that it should be reduced by one-third to show the loss to the colony, which would, therefore, be £31,500.

53. What proportion of these people must have gone away?—Say two-thirds, or, roughly speaking, eighteen hundred.

54. You suggest that eighteen hundred people who left Westland left New Zealand altogether?—That is my estimate. I have cross-examined old settlers there, who have complained to me that their sons had no opportunity of obtaining land, and had, therefore, gone away to the other colonies.

55. *Mr. J. Allen.*] About these timber areas where the sawmills are, how did they get their licenses?—They got them partly from the Warden off the mining reserves and partly from the company's land. It was understood that the money received by the company for the timber licenses was to be placed in a suspense account, which it was intended to deal with when the Government came to square up with the company.

56. Was there any difficulty in getting areas for sawmills?—There were great difficulties. In my time Mr. Alan Scott, Mr. Wilson, and the Government had meetings and correspondence about the matter over and over again. At that time they would not allow anybody to get timber on the land in the area marked blue in the map; but afterwards it was arranged in that way that the proceeds from the timber should be placed in a suspense account until there should be a final settling-up between the Government and the company.

57. In later times there has been no difficulty in getting sawmill areas because of the reservation?—I believe there are sawmillers here who will be able to speak definitely on that point. I can only speak from hearsay.

58. *Dr. Findlay.*] Do you know clause 33 of the contract, which provides for meeting any difficulties in the way of settlement, and that, although the company cannot issue license, there can be an arrangement by which it can be granted?—I know that section was in existence, and it was in question when the matter was arranged.

59. *Mr. J. Allen.*] I understand the railway is constructed from Stillwater and then on to Jackson's. That is all there is in Westland?—That is so. I do not know how I got mixed up, but somehow I thought the line went along the east side of the Arnold River.

60. *Mr. Guinness.*] You are quite right; it is not all in Westland. It goes along the north side of the river and then crosses the boundary-line and comes into Westland again.

61. *Mr. J. Allen.*] I want to know the loss on account of the timber. There is no difficulty in getting a timber license, and the railway is constructed to the port, and they can get the timber away by sea, and the only difference is in the means of transit to the port?—Yes.

62. Are there other areas for which licenses have been granted?—Yes.

63. How did they get them?—It must have been under this section of the contract that the Government made the arrangement. Before I left the district the Government were asked to draft timber regulations, and they did so; but some of them were objected to. Then the company were requested to draft regulations, and they did so; but there were objections to them also on the part of the Government. I do not know what was done afterwards, because I left for Auckland.

64. I do not know upon what you ground the estimate that two out of three of those people who have left the district have gone out of the colony?—It is very difficult to prove that. One person is very optimistic, and another is quite the contrary in regard to the matter, but I think that is a fair estimate.

65. *Mr. Guinness.*] You said that you estimated that in fourteen years 760 applications would have been made for 88,000 acres?—That is so.

66. In giving that answer and calculating your estimate have you taken into consideration the area of land in the district available for settlement?—Yes. I know pretty well what is the area available for settlement. I would put it down roughly at about half. There are about 220,000 acres in the "blue" reservation. Of course, that would be pasture land.

67. Is it not a fact that the lands applied for were principally for agricultural purposes?—I think so.

68. Do you not think this 88,000 acres would exhaust nearly the whole of the agricultural land in the 220,000 acres in the reservation which you say would be available for settlement?—Perhaps it would. I could not say definitely.

69. Out of the 220,000 acres what quantity do you think would be available for grazing purposes and what for agricultural purposes?—Say, 100,000 for agricultural and 120,000 for grazing.

70. Is that a mere guess?—It is more than a guess; it is taken from the knowledge I have of the place.

71. Have you any papers or documents to show it?—No, I have not got any.

72. *Mr. Bell.*] Your estimate is that about 220,000 acres are available for settlement out of the "blue" reservation in Westland?—Yes.

73. When you speak of settlement do you mean for close settlement or for pastoral purposes?—Large areas for pastoral purposes.

74. How many sheep would it carry to the acre?—One sheep.

75. The rest is not capable of carrying one sheep to the acre?—It is not.

76. *Rt. Hon. R. J. Seddon.*] Do you remember the fifteen-miles limit on Lake Brunner where the original line was laid off? Does that take in the goldfields?—Round where the line is now or on the south side?

77. Where it was originally to go?—It would have taken in very little of the goldfields area.

78. If stated it would be to the advantage of the company owing to its right to take auriferous land it would not be correct?—It would not be correct. It might touch some mining land, but it would be very little.

79. Would it be to the advantage of the colony or of the company to make the reservation?—It would be an advantage to the company.

80. So that the alteration of the contract was in favour of the company?—Yes; because under the original contract we had the right to take alternate blocks.

81. The alteration would give them an advantage in raising money?—Yes.

82. You know the deviation round Lake Brunner: was that an advantage to the company?—Very much so. The work of construction was very much easier, and the line passed through far better timber country than going round the south side of Lake Brunner. There was much better land for cultivation all along the Puerua Lake.

83. The application for the deviation came from the company, and not from the colony?—It came from the company.

84. The line would be taken through good country, and although there was time lost in going on with the work during the litigation which took place, still that time was made up by the easier construction of the line?—That is so.

Mr. HENRY LESLIE MICHEL in attendance, and examined on oath.

85. *Mr. Bell.*] You reside on the West Coast?—Yes; at Hokitika.

86. What are you?—I am a merchant and shipowner.

87. You are also Mayor of Hokitika?—Yes.

88. How long have you lived there?—Some thirty odd years.

89. You are quite familiar with the conditions of population and trade on the Coast?—I should think so.

90. You had one experience of effects of the construction of a railway—in the construction of the railway between Hokitika and Greymouth?—Yes.

91. Did the construction of that railway make any difference in trade and traffic between the two places and also in settlement?—I should say distinctly, Yes. The number of passengers travelling between Hokitika and Greymouth before the railway was constructed was not more than a hundred or a hundred and fifty a month. Now it is to be numbered by thousands. Some six sawmills have been erected along the line, and the traffic has far exceeded the most sanguine expectations of those who advocated its construction.

92. Were you one of those who took part in the agitation in 1884 for the construction of this Midland Railway?—Yes. We had a branch of the Railway League in Hokitika, which was connected with the principal body in Christchurch. We raised a considerable amount of money, and held many meetings to urge its construction. The Municipal Council voted £100 to the object, and other sums were contributed by the residents in order to carry on the agitation.

93. You thought it would be a great advantage to the Coast?—Decidedly so. We were anxious to break up the state of isolation in which we were placed, and we thought we never could make any headway unless we had a railway to the East Coast.

94. And now you have practically made no headway?—None whatever. We are practically in the same condition as we were in thirty years ago.

95. You and Canterbury would have been joined together for the purpose of breaking up this isolation if you had the railway?—Yes.

96. Have you seen any reason to change the opinion you then held?—None whatever. I still attribute the want of progress on the West Coast to the want of the railway. I believe the want of the railway has kept us back a decade.

97. I want you to confine yourself to that question, and not to the question of the loss caused by the reservation for the company with which we were dealing through the last witness. There are two matters in which the colony has suffered serious loss—first, there is the area of six million locked up from settlement; and, secondly, that the railway which you gentlemen agitated for in 1884 has not been constructed. It is to the second point I wish you to keep your attention. The railway should have been completed in January, 1895, and it is estimated that it cannot be completed for another five years, so that that gives a period of ten years in obtaining the advantages to be derived from it?—Yes. I have said that it has kept us back a decade. We believed that this railway was necessary to us from both a social and a commercial point of view. It would have led to the expansion of trade and greatly improved the social position of that part of the colony. Instead of that the West Coast has now become, through its isolation, not one of the most pleasant places to live in, and many people have left there.

98. As to Canterbury, did the people there justly anticipate an advantage to trade by the completion of railway communication with the West Coast?—Yes. I think that even our experts did not sufficiently estimate the advantage to trade by opening up communication between the coasts.

99. There are two questions to consider. There is the question of the actual profit you would have made, and then there is the question of the disadvantage to the district through being left without the railways?—Yes.

100. I want you to take into consideration what you anticipated and what has been the actual result, and to tell me whether the difference is to be computed at hundreds or hundreds

of thousands of pounds?—The question is, of course, a very difficult one to answer, and I can only give you an opinion on it. I should be very sorry to go into details, for I have not come here prepared with statistics, but I should say the loss would be very great. In looking at the matter from a colonial point of view, there are many losses that would arise. One would have to take into consideration the great loss in the railway traffic between Lyttelton and Springfield. Then there is the loss of revenue to the local bodies and the stagnation in the mining industry. These are matters in which there has been a loss not only to the Coast, but to the colony. If you take these and many other industries into consideration, and spread the loss over ten years, it would be very great indeed.

101. Can you state what the amount of damage might be estimated at?—It would be my opinion only. I should take these things into consideration: the loss of traffic to the Government railways, the stagnation in Westland through the non-completion of the railway, and the general loss that necessarily implies. I think, taking those matters into consideration, the loss would be £100,000 a year. Taking that for ten years it would not be an extravagant estimate to put the loss at a million of money. The people of Canterbury and Westland must have thought that the gain from the construction of the railway would be a large one, seeing that they invested so much of their money in getting up the agitation for the construction of the railway.

102. You were one of those who advocated the railway and anticipated great advantages from it?—Yes.

103. Would you have been a party to getting the colony or anybody else to spend £3,000,000 on a matter which would only return £25,000 a year, or 1s. a head all round?—I should be very sorry to do so.

104. *Dr. Findlay.*] You have followed closely the history of the railway?—Yes.

105. You think the loss would be a million?—I think that is a reasonable estimate.

106. You have not gone into figures on the question of the traffic and of the cost of construction?—No; I have only a very superficial knowledge of it.

107. Do you know Mr. James McKerrow, the late Commissioner of Railways?—I have met him.

108. Do you know Mr. Maxwell, who was also one of the Commissioners?—Yes; I have met him.

109. Do you know Mr. Gordon?—I know him well.

110. He had some experience in mining and so on?—I think his opinion is worth considering in regard to mining matters, but I do not know what it may be in regard to railway matters.

111. Mr. McKerrow and Mr. Maxwell went there in 1892?—I believe so.

112. Your figures agree pretty well with those given by Mr. Acton-Adams. Mr. McKerrow gives the estimated loss as £815,000, Mr. Maxwell estimates it at £683,000, and Mr. Gordon at £1,262,400. The statutory cost of the construction of the line from Springfield to Reefton is £1,706,000, and the interest on that would be, at 3 per cent., £51,180. Taking the mean of the three estimates the loss would be £11,700 per annum. The value of the land grants by the Government is £618,000, which at 3 per cent. would give £18,540. It works out that the total loss between the £51,300 for interest on the cost of construction and the B1 value of the land granted would be £18,540, so that the net loss to the company would be £30,000 a year. If you take that for the ten years it is fair to say that it should be put as a set-off to the profit of a million which you suggest would have been made?—From the company's point of view it would be.

113. If the Government constructed the line and I can show that there would be a loss of £30,000 per annum that would have to be deducted from the advantage of the line?—Yes, assuming that your figures are correct.

114. Of course, that leads to this from the company's point of view: that this would be a most disastrous contract to undertake, and if the Government took it over it would be a great advantage to the colony at the expense of the company?—I should say these losses would not have continued for any length of time, because traffic would have increased, and that would have tended to reduce them.

115. Mr. Gordon considers that the increase would not be as rapid as the West Coast people estimated. He puts it at £2,000 a year for the first three years, and that would take a great many years to work off the estimated loss?—That is so; but in the case of the Greymouth-Hokitika Railway and other lines constructed the experts always underestimated the increase of traffic there would be.

116. But the Greymouth-Hokitika Railway cannot be taken as a fair basis in estimating the result of working the whole of this line?—Our experience is that the same conditions have been found in other cases.

117. If you have two large centres of population, such as Greymouth and Hokitika, and a line connecting them, it would be very much more profitable than a line from Christchurch to Springfield?—From that point of view it would, but still the cases are almost identical. You have there very large populations to connect, as compared with the small populations at Greymouth and Hokitika, which are connected by the coast railway.

118. I am arguing on the question of principle, and say that on principle you cannot apply the basis of the Greymouth-Hokitika Railway to another railway on the estimate of its length. If it were five times longer you would not expect that it would return five times more?—No. It would not be a safe guide. Of course, I concede that point, but if I concede many more points you will want to know what has become of my £1,000,000.

119. It is wise to keep in the region of generalities?—Perhaps it is better.

120. *Mr. Bell.*] I venture to remind the Committee that when I make a claim in respect to

the disadvantage to the colony I claim that it is a disadvantage to the people of Canterbury and Westland as well.

Mr. J. Allen : Does Dr. Findlay claim that there is a set-off against that of £30,000 a year.

Dr. Findlay : If you take Mr. Gordon's figures that is the loss on the railway.

Mr. Allen : Do you rely on his figures?

Dr. Findlay : Mr. Gordon is an expert called by the Crown. He may be right or he may be not; but assuming that his estimate of export of gold from the mines is right, then in ten years the company would lose £300,000.

Mr. J. Allen : Do the company rely on Mr. Gordon's figures?

Dr. Findlay : We do not take any of the figures.

Mr. J. Allen : If you did it would point to the fact that that was the reason you wanted to get rid of the railway.

Dr. Findlay : A witness comes here who has agitated for the construction of this line, and makes out that the colony has suffered a large loss through its non-construction, and I pointed out that it would be a large loss to the company: I am only testing the statement he has made.

Mr. Bell : I have taken very slight notice of the evidence given in 1892. The Committee is aware of the fact that the company adduced evidence before the Committee of 1892 showing that the line would pay, so that all the Committee has to do is to read the evidence of the company in 1892.

125. *Mr. Guinness* (to witness).] Can you give the Committee any idea as to what would be the increased value given to the private land on the West Coast by the completion of the connection between Westland and Canterbury?—Of course, that would depend to some extent on the increase of population.

126. I want you to take everything into consideration in basing your estimate as to general increase in value. I am speaking of the rateable property. Can you give the Committee any percentage of increase in value of the rateable property through the construction of the railway?—Property on the West Coast has remained very much the same value until within the last three years. The value of the rateable value of the property in Hokitika has increased from £105,000 to £109,000 during that period, but if we had a line through to the East Coast it would have doubled in value during the last ten years. There is no doubt that the property in Greymouth has increased in value through the construction of the railway to Reefton.

127. Has the construction of the section of line from Brunnerton to Reefton and from Brunnerton to Jackson's, in your opinion, increased the trade on the Coast?—I should say it has in Greymouth very materially.

128. What about helping to develop industries?—The only development that has taken place in that direction is a few sawmills that have sprung into existence on the northern part of the Coast, which could not have carried on their operations without the partial construction of the line.

129. *Mr. Dalston*.] What about the Blackball Mine?—That would not have been developed without the construction of the line.

Mr. JAMES FRANCIS BYRNE in attendance, and examined on oath.

130. *Mr. Bell*.] You are a settler on the Coast, Mr. Byrne?—Yes.

131. And Chairman of the County of Westland?—Yes.

132. How long have you lived on the Coast?—Since 1866.

133. You have heard the evidence given by Mr. Michel?—Yes.

134. Do you agree with that evidence or do you differ from it, and if you differ from it will you tell the Committee why?—I agree on the whole with what he has said.

135. Do you think he has overestimated the amount of damage?—I think he has underestimated it. I think there would have been more benefit than he has reckoned if the railway was constructed. He has not given enough value to the settlement which would have resulted from the construction of the line.

136. I asked him to exclude that point, and I ask you to exclude it, because I want to keep the two things separate. I do not want you to take into consideration the blue mark on the map, but just to take the disadvantage to Nelson, Westland, and Canterbury through the non-construction of a railway, at an expenditure of three millions of money, which has been stuck up for ten years. Has he overestimated or underestimated the disadvantage?—Underestimated it.

Mr. DAVID JOHN EVANS in attendance, and examined on oath.

137. *Mr. Bell*.] What are you, Mr. Evans?—I am clerk to the Westland County Council.

138. And you live where?—Hokitika.

139. How long have you been on the Coast?—I was born there.

140. How old are you?—Getting on for thirty-five.

141. With regard, first of all, to the Hokitika-Greymouth Railway, did the construction of that railway make any difference to the population on the Coast and to the condition of trade there?—Oh, yes, a considerable difference.

142. In what direction?—It was a great convenience in the matter of communication.

143. You have heard Mr. Michel say that the number of people passing from one place to the other had increased from less than a couple of hundred a month to several thousands: is that so?—Yes.

144. And due to the railway?—Due to the convenience given by the railway.

145. Mr. Michel told us sawmills had been erected there since the construction of the railway: is that so?—In Westland County about five have been erected along that portion of the line which is in the Westland County—that is, fifteen miles.

146. You have had experience of the position of the local bodies?—Yes.
147. Is it a fact that they have been very much hampered in their revenue?—The Westland County has been “starved.”
148. It has no taxable area?—Very little.
149. Are the taxpayers so few?—Yes.
150. To what is that due? Is it due to the want of land for settlement?—It is due to the locking-up of land by the Midland Railway reservation.
151. Do you know of your own knowledge of people who have left the district?—Yes.
152. A few or many?—A number of young people have left the district, especially the Kokatahi district, and gone to the North Island or to other countries.
153. Is it because they could not get land to settle on?—Yes. Families grow up, and the young men of a family want to get land to settle on to start for themselves, and as they cannot get it in that district they go away to where they can.
154. You heard the evidence of other witnesses with regard to the disadvantage of the non-construction of the railway and its postponement for ten years?—Yes.
155. You have heard it stated by Mr. Michel and Mr. Byrne?—Yes.
156. What do you say? Have you formed an estimate?—With regard to the reservation of the land, I say that it has a very great effect upon my answer, because from the county point of view it has been a very considerable loss indeed.
157. If you have formed an opinion on that subject for the purpose of making an estimate will you give it to the Committee?—I think Mr. Michel’s estimate of a loss of a million is a low one.
158. You are taking into consideration the land in the reservation as well as the other land?—Yes.
159. Taking the two together, you think the estimate of a million is a low one?—Yes.
160. *Dr. Findlay.*] You have not gone into figures to show what the loss would be?—No. I speak from general knowledge of the country.
161. Have you gone into an estimate of what would be the loss under the different heads?—No.
162. It is merely a guess then?—Not altogether, because you have the areas given, and taking it at a very low calculation the loss would be very considerable.
163. You have not gone into any calculation?—No; it is a general idea.
164. *Mr. Bell.*] You have not estimated each different kind of loss, but have added them together?—Yes.
165. Have you endeavoured to form a judgment of the minimum amount of loss according to the best of your information and belief?—Yes.
166. *Mr. J. Allen.*] With regard to the loss of population, you say that some went out of the colony and others went to other parts of the colony. Can you give us from your own knowledge the proportion of those who went out of the colony?—No.
167. Would it be two out of three?—No, not that proportion; probably a half.
168. *Mr. Graham.*] What means have you of judging of that?—By knowing the people who went away.
169. You know where they went to?—Yes, mostly. We are not a large population there, and we generally know one another’s movements.
170. *Mr. Guinness.*] Can you give us an estimate under the different heads?—No; I have heard what the other witnesses stated.
171. I do not want you to give an opinion from what other witnesses said, but your own opinion as county clerk?—It is a loss to the local bodies and an inconvenience to the people generally from the want of roads. There has been a large loss of people there through the isolation of the district, and consequently there has been a great loss of prosperity. These are things which must be taken into consideration.
172. Do you think that the completion of the connection between the East and West Coasts would have had any effect in generally increasing the value of particular properties?—Yes. I take it the land would be thrown open, and there would be a rush for settlement, which is now impossible.
173. Could you tell us what percentage would be the increase in the rateable properties in the Inangahua, Grey, and Westland Counties?—I do not know the northern counties. In the north part of our county a lot of land is held under the 219th clause of the Land Act, and we get very little from that. If the land were under a better tenure it would in many cases increase twenty-fold.
174. *The Chairman.*] Do you know whether that applies to the other parts of your county?—Yes; to the greater portion of the county down as far as the Waiho River.
175. What proportion of that land is suitable for settlement?—Nearly all the railway areas down as far as the Waiho would be available for settlement. There would be a great rush for that land. I should say considerably over 100,000 acres would be very good land, and that would be taken up in a very short time.
176. *Rt. Hon. R. J. Seddon.*] You stated the condition of the Westland County finances is not satisfactory?—They are not.
177. You attribute that largely to the non-completion of the railway?—Oh, yes. If the land were available for settlement the rating-value would be increased immensely, and the revenue would go up by leaps and bounds.
178. Would the whole of it be valuable if this line were constructed?—The whole of the Kanieri land would be taken up, and a large proportion of the other land.
179. Who maintains the main roads there?—The Government.

180. If that land was settled would the county be able to support itself?—Yes.
181. How much a year for the last ten years has it cost the State to do what the county would otherwise have done?—Taking into account the Great South Road down to Okarito, they would have spent thousands each year on the road.
182. Has the non-construction of the railway militated against the miners?—If we could get more people there we should be much better off in respect to the mines.
183. Generally, the non-completion of the line has kept the district back for years?—Very materially.
184. With a loss of population?—Undoubtedly.
185. And depreciation of property?—Oh, yes.
186. Do you say that £100,000 would cover that loss?—Oh dear, no. I think it would be very considerably more.
187. If a statement were made that £250,000 would cover it, would you agree to that?—I think that is ridiculously low.
188. Anybody giving that evidence would not know much about it?—Well, their ideas and mine would not coincide.
189. A person who had not been on the Coast?—Probably.
190. Nobody on the Coast would say that?—No.
191. Is Westland the part which would be most particularly affected?—In my opinion, yes.
192. To persons who have not been on the Coast the disadvantage would appear to be less than to those who have resided there?—Yes, no doubt.
193. An opinion given by a person who had not lived on the Coast and did not know the conditions there would be simply speculative?—Yes.

THURSDAY, 13TH SEPTEMBER, 1900.

Mr. THOMAS HENRY BANNEHR in attendance, and examined on oath.

1. *Mr. Bell.*] What are you, Mr. Bannehr?—I am editor of the *Nelson Colonist*, and was for many years secretary to the Railway League in Nelson.
2. Did you give evidence before the Committee in 1893?—Yes.
3. At that time, and also at the time when you were secretary to the Railway League in Nelson, you believed the construction of the railway would be a great advantage to the district, and also to the colony?—Yes; and I am still convinced that it would have been.
4. Before you go into that, may I ask if you have a copy of a speech delivered by Mr. Brodie Hoare at a banquet at Nelson on the 31st January, 1887?—I have an extract from it.
5. That appeared in your paper?—Yes.
6. Will you read the extract to the Committee?—It is this:—

He might say that in London and in the colony he had seen discouraging reports, and when he left London he confessed that he was not without misgivings at the bottom of his heart. He had met croakers here, and a man ready to throw cold water down one's back there, but he was now perfectly convinced that the line could be made, and that when made it would be a great success, so that his firm determination was, as far as in him lay, that it should be made. (Loud and continued cheers.) Gentlemen, he said, his determination would not overcome the difficulties of the Otira Gorge, tunnel through the Arthur Pass, or carry the line through the Buller Gorge. It would require more than the determination of one man to do this, but he assured them of his determination. He had now travelled the length and breadth of New Zealand. He landed in Auckland and went over nearly every yard of the North Island. He then went to Christchurch by steamer simply because he could not do so by coach; and thence he travelled to Riverton, back to Christchurch, and overland to West Coast, and on to Nelson. If ever a globe-trotter saw New Zealand he had, and he ventured to think there were not more than ten men in that room who had seen so much of the colony as he had done. He had inspected crops, seen gold- and coal-mines, and had travelled by rail and by steamer and coach, whilst the more he had travelled the more convinced had he been of the great resources of the colony, and the great wealth that must pass over the Midland Railway. He believed the railway would not only benefit the towns along its route, but the whole trade of the country. He was also convinced that the whole trade of the colony would benefit the railway. He had been asked by his friends to give some idea of his impressions of New Zealand, and would do so. (Cheers.)

7. *Dr. Findlay.*] Where is that taken from?—From the *Nelson Colonist*. The speech was made on the 31st January, 1887, and the report appeared in the paper on the 1st February.
8. *Mr. Bell.*] Now with regard to your own opinion. You know the land in the Nelson District through which the railway would have passed?—I know a great deal of it.
9. Do you agree with the evidence given by other witnesses that a large part of it is suitable for settlement?—Yes.
10. Will you tell the Committee in what respects, in your opinion, giving the heads and, if possible, the items, the colony has suffered through the non-performance of the contract?—In the first place by the prevention of settlement, then by preventing the utilisation of timber, and coal, and gold, and the other minerals which are spread throughout the country.
11. Is it your opinion that the population of Nelson would have largely increased if the railway had been constructed?—Certainly it would.
12. Would it have increased without the railway if this block on settlement by the reservation of land had not been made?—Yes.
13. Without that blocking do you think the gold industry would have been developed?—Yes. There is a large extent of country in which there is gold, perhaps not sufficient to warrant its being worked by itself, but in conjunction with settlement it would have enabled people to make money out of it. There are the Tadmor Valley, and the Sherry Valley, and other valleys containing gold.
14. You say the condition of trade and commerce remain in the same condition as they were in 1880, when you promoted the league, as far as communication between coast and coast is concerned?—Very much so. The coach service has been improved, but otherwise the conditions are the same.

15. And the facilities for travelling?—Yes; they are very much in the same condition, except in regard to the portion of the line which has been constructed to Belgrove, and also to Reefton.

16. But that is not communication between coast and coast?—No.

17. Could you give the Committee your opinion as to the minimum amount above which it is clear to your mind the colony has suffered through the non-construction of the railway?—I do not think any one man could estimate the amount of injury the colony has suffered. There is no actual basis on which to work in many respects. I am convinced of this: that, in addition to settlement, there would have been a large coal trade opened. There is coal within fifty miles of Nelson, but there is no railway to enable it to be worked. Had that land been open I am convinced that, even without the railway, there would have been dairying factories put up, and even freezing-works established.

18. You think that the loss to the colony is a matter that cannot be computed, but do you think that it certainly exceeds a sum of, say, £100?—Oh, yes; certainly more than that.

19. Can you give a limit of the extent to which the colony has suffered injury?—I can put it in this way: that the Railway League had evidence before it that there was 775,000 acres of land fit for settlement between Belgrove and Brunner. The value of that without the railway was £430,000. It was computed that 50,000 acres of the land in the railway reserve would be worth £10 an acre. I have run out a very rough estimate of the loss upon that would be 3 per cent. on £840,000, or £137,000 compound interest in five years. You may say that that land is still there for settlement, but in the meantime the compound interest has been lost. I have also considered that there should have been some 2,400 people settled on that land, and there would have been a gain to the State if these lands had been settled. The State would have had the advantage of the Customs duties and other things from that land. I have also considered that there should be at the lowest estimate a thousand people obtaining gold. I believe the average obtained per miner per annum is £66. If you put that at £60 it comes to £100,000 in five years. The reason why I say five years is this: that I think if the company had worked properly and expeditiously, and had constructed the railway within the contract time, and had sold their land, they would have got an increased value for the land, and the railway should have been completed five years ago.

20. Then there is the question of the convenience to people in Canterbury and Westland?—Yes.

21. Quite apart from the locking-up of the land, is that, in your opinion, a matter that can be estimated by a trifling sum?—I know that at the present time if there are a few days' rain it is impossible for people in the Tadmor Valley to cross the river. They may be detained for three days, and then, if they get across, they may be detained in the town for another three days before they can get back home again.

22. Have you heard me read the figures showing the difference that the Manawatu Railway has made in the commerce and trade in the North Island?—Yes.

23. Do you or do you not believe that the construction of the Midland Railway would have produced something of the same result in Nelson and Westland?—If we had not been convinced of that we should not have urged that the work should be undertaken.

24. *Dr. Findlay.*] Do you think it is fair to make a comparison between the Wellington District and that of Nelson? It is put to you that, by the construction of the Manawatu Railway, the commerce and trade of the Wellington District has been greatly increased. I put to you this aspect of the question: Wellington is the chief distributing port of the colony, and it has a fine harbour, and you cannot argue that the same causes which have led to the increase of trade and commerce in Wellington will apply to Nelson?—In some respects I think the advantages from the construction of a railway would be greater in Nelson.

25. How can you distinguish between the benefits conferred on Wellington by the construction of the Manawatu Railway from those which it has from its being the distributing centre of the colony, and from its fine harbour?—But it had the harbour before the railway was constructed.

26. Just so; but it is the distributing centre for the rest of the colony, and the benefits from that would not be due to the Manawatu Railway?—No.

27. Nelson is not a distributing centre?—It is for the West Coast, and to a certain extent for Wanganui.

28. Every town is to a certain extent a distributing centre, but Wellington is the great distributing centre of the colony, and its prosperity is great in consequence?—Mr. Bell mentioned the Wellington District, and you cannot say that Palmerston and these other places gained because Wellington is the distributing centre.

29. But we were to take the increase in the population of Wellington, and in the value of land in the Wellington District, and the inference was that that was all due to the construction of the Manawatu Railway?—I may say that, so far as our information goes, there is a very great prospect that had this Midland Railway been completed coal would have been exported from Nelson, and that would have been a great advantage.

30. You say that the league expected that a considerable area of the 775,000 acres of land would be worth £10 an acre?—Yes; 50,000 acres.

31. Unimproved?—Yes.

32. What class of country is it?—Bush land—mostly bush.

33. Unimproved as it stood?—Yes.

34. What do you allow for clearing it?—That would be done by the sawmillers. The calculation was that it would have readily fetched £10 an acre for sawmilling purposes.

35. How long would it take sawmillers to clear it?—That is a question I cannot answer.

36. Would it not take some years to bring it into profitable occupation?—No doubt; but at the same time there are many sawmill areas wholly timber land, and the sawmillers do not only look to the immediate future, but to some distance in the future.

37. But the timber is there yet?—Yes.
38. It is not lost?—I spoke only of the interest on the capital.
39. The interest on £10 an acre; but land admittedly does not become profitable until it has been cleared by the sawmiller, who would have to pay that interest for some years?—That is so.
40. The land is there still?—Yes; but the interest on the money it would realise is lost.
41. Take it this way: if the land was not available for five years would you be right in charging interest on it?—I do not think you conceive my contention. If the land were worth £10 an acre to the sawmiller to purchase it, the interest on its value has been lost during the five years it has been idle.
42. The reason why the land was worth £10 an acre to the sawmiller is because the timber was there?—Yes.
43. The timber is there still, and you suggest that there has been a loss of £137,000 on it for five years?—No; that loss is on the whole land and timber.
44. Now we come to another point: you put down £300,000 as the loss for five years during which miners might have been earning so-much per annum?—Yes.
45. But these miners must have devoted their labour to the production of the minerals: would you not put that as a set-off against the loss which you say has been suffered?—I think, myself, that if the company had carried out their engagement they would have induced those who worked for them in the construction of the line to take up land and enter upon the production of minerals, and we should have had the advantage of that.
46. That is not the question. You are taking the gross production from the labour?—No; because they would be earning something from the railway.
47. Do you not allow for the cost of producing the minerals?—Yes; but the whole of that money has been lost to distribution.
48. You go on to the loss on Customs, and that is put down as an unascertainable loss. I want to know the net loss from the non-production of gold?—I could not give you the exact figures.
49. It is something under £300,000?—I dare say it is, but there is the interest on it.
50. *Mr. Dalston.*] With regard to the speech made by Mr. Brodie Hoare when he visited Nelson, I want to know whether you agree with this opinion. Here is an extract from a speech made by the Premier in 1894: "It is said that Mr. Brodie Hoare and others had their eyes open when they undertook this contract, including the extension, but they could not have known so much of the country as I do, or as the senior member for Wellington City and other honourable members do, because, taking the portion of the country which this branch would go through, there is no chance for some years of settlement in that part." Do you know of that expression of opinion by the Premier, and do you agree with it?—I am quite convinced he is entirely wrong. I saw the land just before the contract was entered into. I was riding, and I came across a man who was building a house. He told me that less than three years ago he had run away from a ship, and that now he had a number of head of cattle, and was obtaining gold, and, as I say, he was building a house. If all that could be done by a runaway sailor in three years, it shows that the land must be good for settlement.
51. But the Premier made that statement?—I am not responsible for what the Premier says.

Mr. JOHN STAINES in attendance, and examined on oath.

52. *Mr. Bell.*] How long have you lived on the Coast?—Thirty-three years.
53. You have been Chairman of the Westland County Council?—Yes.
54. And you are now a settler in the Kokuratahi Valley?—Yes.
55. You have taken up some land on the tenure given by section 216 of the Land Act?—Yes.
56. Have any others round you taken up land under that section?—Yes.
57. A number?—Yes, a large number; and a great many of them have put improvements on their land, notwithstanding the tenure on which they hold it. There are thirty different settlers holding land in this way within a radius of five miles from my place.
58. That is south of Hokitika?—Yes.
59. What is the area of fairly level land in the valley?—Do you mean available for settlement in the Midland Railway land?
60. Yes?—I should say about 60,000 acres of agricultural and pastoral land in the Hokitika Valley. It is all good land.
61. What do you generally use it for when you have partly improved it?—I am grazing cattle on mine, and am going in for dairying. I took up 400 acres, but the title to it is very bad. Still, I laid down about 350 acres in grass. It is timber land, and it cost from £3 to £3 10s. an acre to improve it.
62. What is the value of the land as improved?—The original value of the land would be £1 an acre. That is the upset price.
63. What is the value now?—At the last valuation the 400 acres were valued at £1,200 with improvements.
64. Are you and your neighbours doing fairly well on the land?—Of course, it has been all money laid out up to the present.
65. Some of your neighbours got land before the reservation was made for the Midland Railway?—Yes; there is Mr. Diedricht, who is turning out forty head of cattle a week. He has about 700 or 800 acres of freehold.
66. Besides this land there are other lands within a fair distance south of Hokitika which are available for settlement?—Yes; all the way down to the boundary of the "blue" reserve.
67. Will you give the Committee an idea of the fairly level land in the reservation south of Hokitika?—I should say there are 150,000 acres at least.

68. Are you well within the mark in estimating it at 150,000 acres?—Yes.

69. As a matter of fact, you gave me a higher figure at first, so that you are quite within the mark now?—Yes.

70. Is that good land?—Yes. Besides the level parts you could take the tops of the hills and use them. There is a lot of country there which could be utilised if it were not for the reservation.

71. What would be the value of the land if these valleys were improved?—If you take the value to-day, I dare say it would be about £4 or £5 an acre. These are small holdings.

72. Has there been a demand for land for settlement in your district?—Yes, a great demand.

73. For how long?—I should say for the last eight or ten years. Of course, there has always been a certain demand, but during the last eight or ten years it has been much greater. The principal portion of the land there has been applied for under section 216 of the Act.

74. A large portion is held without being improved?—A good portion is held on speculation. People speculate in it with the idea of coming into the country and settling down there.

75. Then, according to your view, the existence of the blue-marked reservation has to a very large extent blocked settlement in the Hokitika district and to the south of it?—It has practically ruined the southern portion of the riding. If this reservation had been lifted ten years ago Hokitika would have been one of the most profitable parts of the country for settlement. As it is I have figures to show that during these ten years the number of cattle and sheep imported has greatly decreased. That shows what it would have been but for the reservation.

76. Then, settlement is prevented by the "blue" reserve?—Yes. There have been 200,000 acres applied for in that reserve.

77. You were Chairman of the County Council and will be able to tell the Committee whether the local bodies have suffered in their finance by the existence of the "blue" reserve?—Yes, terribly. The Westland County Council would benefit by the increased rateable value of the land, if there were more accommodation for settlers. These are mostly along the South Road, within a radius of ten miles from the town. Take my section. The upset value of it was £400, and at the next valuation it will be valued at £2,000, and we derive rates from the improvements as well as from the land. It would be thousands a year to us if freehold property could be taken up. The land itself would be worth £10 an acre, and we should have had many dairy factories established in the district.

78. In addition, you say there would be an increase in gold-production by the increase of settlement?—I did not say that; but one thing goes with the other. If we had population they would have ample means to invest their money, whereas now we are locked out from investment.

79. When you were living on the Coast you were a storekeeper?—I am a storekeeper.

80. Then, you know something of the condition of trade between Christchurch and the Coast. Would the construction of the railway be a benefit to the Coast?—A very great benefit.

81. In what respect?—In the facilities it would give to people travelling. If we had the railway from the Coast we could get to Wellington in a day; and we could get to Christchurch in a day, get our business done, and get home again in a very short time, whereas now it takes us five days to get there. Then, our harbours are bar harbours, and you cannot always be certain of being able to get away. We could do with the railway constructed in a day what it takes us a week to do now. In the same way we have very few visitors from Christchurch now, but if the railway was completed we should have a number of people coming across, and that would set a lot of money free.

82. Do you think it would cheapen the necessaries of life to people on the Coast?—It would in certain respects. It would not cheapen produce, but it would cheapen such articles as tea, tobacco, and other stores of that description. Such things as potatoes, onions, oats, and chaff it would not cheapen.

83. You have timber and coal on the Coast: what would be the effect in regard to them?—It would be a benefit to Canterbury if they could have them placed in the trucks on the Coast and taken across the Island without change.

84. Is it possible that it could be said that every person in Westland would not benefit by the construction of the railway. I do not mean necessarily in pocket, but that they would be better off in their mode of life?—Certainly, they would benefit. The whole district would increase in prosperity, and every one must go on with it. The value of property would increase, and we should have the social conditions of life altered for the better. We should have many persons taking advantage of excursion fares on the railway to come across, and in every respect the conditions of life would be made more pleasant.

85. This would also apply to the people of Nelson?—It would.

86. And to a considerable extent to the population of Canterbury?—Yes. A great many of them would come across to the West Coast for their health, and so on.

87. It would be a great advantage to the Canterbury trade to have the railway?—Yes.

88. Besides the advantage to tourists?—Yes. Even now, with the bit of line that has been constructed, we have had three thousand more tourists in the last ten years than we ever had before.

89. You have heard the calculation given as to the advantage the railway from Hokitika to Greymouth has conferred on the district?—Yes. I used to be a storekeeper up in the Valley, and it used to take me three days to get to the town, and now it can be done in a day.

90. Then, it is an advantage to all the people on the Coast?—Yes.

91. You have had an opportunity of thinking the matter over, and perhaps you could offer to the Committee an estimate of the sum which the damage and loss to Westland, Nelson, and Canterbury through the non-construction of the railway must necessarily exceed?—It is a very large

question, and I am not conversant with Nelson and Canterbury, but I think that the loss to Westland through being shut out from communication with other parts of the country for fourteen, or at least ten, years must be very large, and cannot be estimated too highly. If we could get people down as far as the Waiho and further, it would be an immense advantage to the district, but it is very hard to estimate what we have lost. I am sure that it may be estimated by hundreds of thousands of pounds in Westland alone.

92. *Dr. Findlay.*] Have you made a calculation of what it amounts to?—No.

93. You have not made an estimate of any one loss?—No.

94. You have the line on to Jackson's, and that is a facility to traffic which has been given by the East and West Coast Railway?—Yes.

95. Then there is the line to Reefton: is that an advantage?—Yes.

96. It has tapped large forest areas, and has enabled sawmills to be set up. We were told that there were eight mills along the railway?—There are more along the Reefton line.

97. These are illustrations of the great advantage the railway already constructed has been to the West Coast?—Yes.

98. In regard to figures, would you be content to value the whole of these advantages to the West Coast at £150,000 for ever?—I would certainly be content to value them at that.

99. Supposing the whole of the West Coast affected by this railway were asked to say what sum they would give to retain the railway there, do you think they would be content to give £150,000 rather than see it go?—Yes, I should think so.

100. You will not give us a sum?—I did not go into figures on every item.

101. However, you have mentioned the sawmills, and the advantage the railway has been to them. Could that be measured by £150,000?—Certainly not.

102. Then, it is not a worthless line?—Certainly not.

103. You say you have a piece of land of 400 acres?—Yes.

104. The value of that land in an unimproved state is £1 an acre?—Yes. The land adjoining was sold at 10s. an acre.

105. You have spent from £4 to £4 10s. an acre on that land?—Yes.

106. And the land has been valued at £1,200?—Yes.

107. That is, land is valued at £3 an acre which cost £4 to £4 10s.?—Yes.

108. That does not show any great increase in the value of the land?—I took the land years ago, and have done a lot to it.

109. But it really has resulted in a loss to you instead of a gain?—But I have improved 350 acres of it, and have the improvements on them.

110. What have you spent on the whole up to two years ago?—I should say I had spent about £900.

111. Is the 150,000 acres in the reserved land bush land?—It is scrub and bush land. It is very good grazing land.

112. Is any of it fit for agriculture?—Yes; about 80,000 acres.

113. We have been led to believe up here by the evidence which was given before a previous Committee that there was not much agricultural land there?—Of course, we could not grow wheat or oats, but we could grow chaff.

114. To meet your own requirements?—Yes.

115. You would not expect to export it?—No; we could not export it. You could produce things here cheaper than we could.

Mr. Bell: I ask permission of the Committee to read an extract from the Appendix to the Journals, 1880, E.-3, page 9; it is the report of the Railway Commission. It has been suggested that the conditions of this railway are quite different from those of the railway between Wellington and Palmerston North. The report of the Commission on the latter railway is as follows: "This line would be in direct competition with that which we recommend should be constructed by way of the Manawatu Gorge. But, apart from that fact, we consider that the proposal is premature, on the ground that a large part of the country it would open is still in the hands of Native owners, and inexpedient, on the ground that the value of the land which the line would serve has been greatly overrated, and that the undertaking would be an unprofitable one, which the colony would not be justified in entering upon. We advise that the expenditure now going on at the Wellington end of the line be at once stopped and the labour employed thereon transferred to the Masterton and Mauriceville Section." I put that in to emphasize to the Committee the fact that exactly the same thing was said about the Manawatu line as has here been said about the Midland Railway, and that by a Royal Commission.

SUMMARY OF COUNTER-CLAIM FOR LOSS SUFFERED BY THE COLONY.

Mr. Bell: I wish to summarise the estimate of damage and loss suffered by the colony through—(1) Land locked up from settlement for fifteen years; (2) railway not constructed as contracted; (3) loss of profit on Government lines.

Under head (1): The reservation would never have been made nor a single acre allocated but for the contract to complete both lines from Springfield across the pass to Brunnerton, and from Brunnerton to Nelson. Mr. Dalston has pointed to a clause in the contract under which they might have kept lands reserved till 1898. But surely that has no application from the point of view of the argument I present. The colony was induced by a promise, which has not been performed, to make the reservation and to block settlement. To get the railway built the colony agreed to suffer that great loss from 1885 to 1898. It does not get the railway, therefore I contend it must be recouped the loss. Besides, if they had built the railway they would have selected and settled large areas as they proceeded. Items under this head: (a.) In Nelson District, nine hundred to a

thousand new selectors of an area of 200,000 acres, as shown by Mr. Humphries. In Westland, 760 selectors and 88,000 acres, as shown by Mr. Mueller. All this land out of the 6,000,000 acres is good—suitable for close settlement, and eagerly sought for. The loss in actual rents is: Nelson, £30,000; Westland, £23,100; or a total of £53,100. But what does the colony as a whole lose by having this 300,000 acres lying waste, instead of improved and settled for fourteen years, or, say, 150,000 for seven years; not only in Customs and trade from the settlers, but in the value of the colonial estate? Mr. Humphries says the 200,000 acres would have been increased in value to £600,000 from £90,000. The 88,000 acres, on the same ratio, would be increased to £250,000 from £80,000. Therefore we have to-day an estate worth £180,000 in these properties which should be worth £850,000. Surely it is no exaggeration to put the loss to the colony on this head alone at £200,000, or, adding the cash loss of revenue, at £250,000. (b.) Then, as Mr. Humphries points out, you have a further item to take into account in the "loss to come" by starting settlement of these lands fifteen years later than it should have been. He puts this at £200,000 for Nelson alone, but I will assume only £100,000 for both Nelson and Westland. (c.) Then there is the loss of settlers and diminution of population by reason of the younger men having been driven away from both districts. A moderate estimate of the damage and loss thus suffered is £5,000 per annum, or £75,000. (d.) On local bodies and districts, through non-settlement, want of rateable lands, loss of "thirds," say £5,000 per annum, £75,000. This estimate of the damage under some only of the heads under part (1) amounts to: Rents, £50,000; loss of improved value, £200,000; future loss on this head, £100,000; loss of population, £75,000; loss to local bodies, £75,000: total, £500,000. This is all on the assumption that no railway is to be made.

(2.) But by far the more serious loss is incurred through the non-construction of the railway. It would have benefited the whole population of Canterbury, Nelson, and Westland, made the conditions of life better and easier for every man, woman, and child, created trade and traffic, and greatly promoted settlement. It would have revolutionised the coal trade and the timber trade; immensely increased the population of the Coast and the population of Canterbury, which would manufacture for and supply the Coast; would have increased the gold output; would have created a new tourist traffic. The population of Canterbury and Nelson is 200,000. Surely those who say only 100,000 persons would be better off by £1 each per annum by having the railway—would pay, say, £1 a year more rent for a house if the railway were there—are understating it and not overstating it. Yet £1 per annum for the 100,000 persons is £1,000,000 for the ten years, since we have a further five years from 1895 to look forward to before the lines can be completed. What were all the people agitating for in 1884—for something that was not worth £1 per head per annum to them? I submit that the 15,000 people in Westland alone would be more than £5 per head per annum better off if the railway were made. It cannot be estimated exactly in figures, but it is easy to see what it must exceed. I put it that the evidence is just and correct which states the loss of convenience and comfort to the population, of trade, of Customs, of increased rateable values, of timber and coal development, of development of the mining industry, of tourist traffic, at a sum of at least two millions. Very nearly the same result would be arrived at if the estimate be taken only on the loss of trade in timber and coal, loss of gold output, and prices of supplies to each head of population in Westland. Even if the whole important item of public convenience to every individual be omitted, it is safe to say that the populations of Westland and Canterbury would be actually better off in pocket and profit to the extent of £150,000 per annum if the railway were made. The item of public convenience must not, however, be omitted. It is as if the Union Company contracted to run boats of 3,000 tons to Sydney and ran sailing-ships instead. They might charge the same price for a passage, but would they not be liable in heavy damages? Or, again, it is as if A contracts to build for B a house, with stoves and baths and other comforts, at a large cost, and, instead, puts him up a comfortless hut at a small cost. Would it be an answer to B's claim for damages if A pointed out that B could really live as cheaply in the hut, and was no worse off in his earning-power at his office? The Committee have before them the manifest proof of the immense impetus given to trade, population, and prosperity by the construction of such a railway in the official figures of the results to the Wellington District of the Manawatu Railway. The population of Palmerston quintupled and of Wellington doubled; the rateable value of Horowhenua County increased from £260,000 to £1,900,000, the rateable value of Wellington from £4,000,000 to £8,000,000. These are only a few figures from that return, and in Wellington we all feel we owe the increase chiefly to the construction of the Manawatu Railway, a railway which, the Royal Commission reported, could not pay, and which, like this, was committed to private enterprise under the Act of 1881.

(3.) Loss of profits to the Government railways, as estimated by Mr. Ronayne, £120,000. Thus I submit to the Committee, as demonstrated, a total of nearly £3,000,000 as a moderate estimate for the loss which the colony has sustained and must sustain through the default of the company. I ask honourable members to read the evidence given before the Royal Commission of 1880 (E.-3, 1880), evidence as to the value of land and timber—all the more valuable because given long before, and without reference to, the dispute between the present parties. A study of that evidence will, I trust, convince them the estimate I have submitted is more than justified.

THURSDAY, 20TH SEPTEMBER, 1900.

Mr. NORMAN HOWARD MAXWELL DALSTON in attendance, and examined on oath.

1. *Dr. Findlay.*] You are general manager of a company known as the New Zealand Midland Railway Company?—I am.

2. How long have you been general manager of that company?—Since January, 1896.

3. And before that time what office did you hold in the company's service?—I was sent out by the directors in 1889 as accountant.

4. And continued in that capacity until 1896?—Yes.

5. You have been continuously in the service of the company since 1889?—I have.

6. Can you tell me the length of line constructed by the company at the date of the seizure by the Government in 1895?—82 miles 43 chains.

7. Can you give the mileage at each end and in the middle?—The mileage from Jackson's to Reefton is 71 miles 34 chains; the mileage of the Springfield section is 5 miles 54½ chains; and the mileage on the Belgrove section is 5 miles 34½ chains.

8. In addition to the mileage constructed, was there any survey made of the remaining portion of the line?—Yes; there has been a complete detailed survey made of the unconstructed line from Jackson's to Springfield. That survey cost the company some thousands of pounds. The plans are all complete, and in the hands of the Receiver.

9. I understand those plans are of no use to the company now that the line has been seized?—None whatever to the company, but they are of considerable value to any one completing the line.

10. They would be of some use to the Government as being the original plans?—Certainly they would.

11. Can you tell me the actual cost of doing this work, including the surveys?—The actual cost of constructing this 82 miles 43 chains amounts to £751,232.

12. It has been said that the company paid a sum of £12,500 to get rid of certain contractors: is that included in the £751,000?—I exclude that.

13. Does the amount include anything for interest on the money in the concern during the construction?—No, it does not. It simply means payments to the contractors, compensation paid for land taken for railway purposes, engineering fees, &c.

14. What was the rolling-stock seized by the Crown?—The rolling-stock seized by the Crown was: Six locomotives, seven passenger-cars, three brake-vans, fifteen high-side wagons, forty-five low-side wagons, six goods-vans, twenty-four bolster timber-wagons, three cattle-wagons, three sheep-trucks, two horse-boxes, six bogie timber-trucks, thirty-six tarpaulins, one portable station-yard jib-crane, one air-compressing engine with air-lock, one 6-horse power vertical boiler, one 7½ in. screw-cutting gap-lathe, and one weighbridge.

15. What was the total paid by the company for these chattels?—About £30,000.

16. In addition to that there were numerous buildings along the line, including stationmasters' houses, and so on?—Yes; on the section from Jackson's to Reefton, which the Crown asserts is the easiest piece of the whole undertaking, there are two tunnels, some fifty bridges, one of which is 968 ft. long, one 748 ft. long, one 706 ft. long, one 673 ft., two of 396 ft., one 264 ft., one 206 ft., one 176 ft., and the rest of lesser lengths. These do not include the very heavy bridge-work erected by the company at the Springfield end, nor does it include the tunnel at the Belgrove end, about a mile long, constructed by the company.

17. Is it correct to say the company deliberately selected the easiest part of the line to construct, and that which would pay best?—Well, we could not deliberately select any easy part of the line. Naturally the engineers would have to start from a base of operations. The base of operations would be at Springfield, at Belgrove (where we were bound by the contract to expend £120,000), and at Greymouth, where the junction of these two lines takes place.

18. You proceeded to construct this work in the way any proper engineer would proceed if he intended to complete the whole line?—Quite so.

19. Now I pass to the question of traffic on this line up to the time it left your hands. Have you prepared any statement with regard to that?—Yes; I have here a statement showing the number of passengers, &c., carried on the company's railway from August, 1889—the day of opening—until May, 1895, when the Crown seized the line. In practically every instance the returns show an annual increase. The passengers increased from 22,000 to 34,000. The figures for 1895 should be increased by one-twelfth, because the line was in our possession only eleven months in that year. The parcels increased from 1,287 to 4,757; horses and dogs, from 272 to 446; cattle, sheep, &c., from 397 to 3,443; bales of wool, from 44 to 273; timber, superficial feet, from 539,800 to 5,413,400; grain, from 415 tons to 1,728 tons; minerals, from 1,351 tons to 31,593 tons.

20. Now, dealing generally with the constructed portion of the line, we have been told it is a useless piece of the line. Will you give me some figures which, in your opinion, show the value to the West Coast of the portion constructed?—It has certainly benefited the whole of the West Coast. It has made the whole of the West Coast easier of access with the East Coast.

21. In what way?—By constructing forty miles of railway towards Greymouth, prior to which the passenger traffic was conducted by coach.

22. Has it in point of time shortened the distance between Christchurch and Greymouth?—The difference is this: that now the train arrives at Greymouth to time, whereas in the old days the coaches might come in at any time. Sometimes they used to be stuck up altogether if the rivers were flooded.

23. As a matter of fact, the train comes in at 3 p.m., and the coaches might come in at any time?—Quite so; and possibly the coach might not come in at all. On the same basis the merchants on the West Coast have received benefits from the great improvement in the postal service. In the old days when the coach ran they got their mails very irregularly. Time is

money with these merchants, as it is with all other merchants. In the old days the mails closed on the West Coast at midnight, the mail-coach starting next morning. Now the mails close at 9 o'clock in the morning, or one hour before the train starts, so that there is a saving of nine hours in that respect. Again, the making of the railway has relieved the local bodies of a large amount of expenditure in the repair of roads. The Midland Railway from Greymouth to Reefton is somewhat similar to the Manawatu Railway, inasmuch as it runs parallel with the main road; the construction of the line has relieved the road of all traffic, and, consequently, has saved the local bodies the expense of keeping the road in repair.

24. We have been told that the local bodies have lost considerably through the non-construction of this line. I would ask you, have not the company paid largely in local rates?—Yes; some thousands of pounds; at the same time it has relieved the local bodies of the up-keep of these roads. A further benefit to the Coast was the paying, during the seven years of construction, by the company of about £7,000 a month to the contractors, who employed a large number of men on the works.

25. *Mr. Palmer.*] Were those rates paid on the line or on the land?—On the line. When the company was running its own line it employed some seventy men, and expended about £8,000 a year on the Coast in wages, fuel, and stores generally. Then we come to the Blackball Coal-mine. That mine is sixteen or eighteen miles from Greymouth. Its annual output is about 60,000 tons. The company employs about one hundred men, and the carriage of its coal has largely added to the revenue of the Government line from Brunnerton to Greymouth. This mine could not have been worked but for the making of the Midland line.

26. *Dr. Findlay.*] It would be impossible to work it without its being tapped by the Midland Railway?—Absolutely impossible. It had no means of getting its coal to the port before the railway was constructed. Then we come to the question of timber. The export of timber from the West Coast is largely attributable to the opening of the Midland Railway. When the line was started in 1888 not a single foot of timber was exported from Greymouth. Last year 14,000,000 ft. of timber were exported from that port, and the company, moreover, at a very large expense, opened up a timber-trade with Australia. I would like to put in a return showing the export of timber from Greymouth from the opening of the company's line in 1888 to the year 1895, when the line was seized by the Crown. The export of timber in that year was 8,000,000 ft., and if you look at the return of timber carried by the Midland Railway in that year you will find that it was 6,000,000 ft. Another result of the construction of the Midland Railway has been the opening of a number of sawmills. These sawmills were opened at places to which access was previously impossible, and the making of the railway enabled them to be opened. These mills generally employ some six hundred men, and these men with their wives and families use the railway to Greymouth extensively. About £9,000 per annum is paid to the Railway Department for the haulage of this timber.

27. The Government railway?—Not all to the Government railway, seeing that the timber is carried over the Midland line and then on the Government railway to Greymouth; but of the total haulage of £9,000 a great proportion per annum would be earned by the Government railway from Brunnerton to Greymouth.

28. Would it be more for the Government or for the company?—That would depend upon the distance of the mills from Greymouth. Some of them are nearer to the port. All this will be earned by the Government in future, because the line no longer belongs to the company.

29. Then the question has been raised as to whether there was not too much expended on the line by the company, and as to whether it was prudently expended. Can you tell us what was actually spent in the colony on the construction of the line?—Of the sum of £751,000 about £619,000 was spent in the colony. The balance of £132,000 represents the cost of material for the railway—such as rails, fastenings, rolling-stock, and bridge-work—which in the early stages of this company could not be made in the colony. Latterly we had our bridge-work made in the colony.

30. Well, in round numbers, that means that about £600,000 was spent in the colony, and £150,000 spent in bringing into the colony material which the Government afterwards seized?—Yes. Of course, that material is in the railway now.

31. Do you know what the traffic has been on the line since the Government seized it? Has it increased or decreased?—I will come to that. Notwithstanding the extravagant way in which it is alleged we have run this railway, we have always managed to make a decent profit on this small section. I shall quote figures on this point, and I may here say that the accounts of the company were annually audited by Mr. Arthur Olivier, of Christchurch, a member of the New Zealand Institute of Accountants. The net receipts were as follows:—For the eleven months to June, 1890, £1,609; for the year to June, 1891, £4,000; to June, 1892, £4,289; to June, 1893, £4,409; to June, 1894, £6,572; and for the eleven months to May, 1895, £3,257.

32. *Captain Russell.*] What is meant by net receipts?—I mean the balance of receipts after paying all the railway working-expenses.

33. *Mr. Palmer.*] It does not include interest?—No. It is the total receipts from the railway, deducting the expenses of working the railway.

34. *Mr. Bell.*] Might I ask how you account for the falling-off in the last year?

35. *Dr. Findlay.*] If you added one-twelfth, as there were only eleven months in that year, it would make a difference?—No, that would not make up the difference. I cannot account for it on the spur of the moment. However, that is the way in which the receipts stood when the Government seized the railway. We now come to the results since the Government have had the management of the railway. There is a slight difficulty here, because their periods do not coincide with the financial year of the company's returns. However, I will take the twelve months. The net receipts from May, 1895, to February, 1896, are £3,681; for the twelve months ending

February, 1897, £3,699; for the twelve months ending February, 1898, £5,331. For the twelve months ending February, 1899, the expenditure exceeds the receipts by £2,840; for the six months ending August, 1899, the expenditure exceeds the receipts by £1,353; and for the six months ending February, 1900, the receipts exceed the expenditure by £3,325.

36. Now, as to the rate of construction. There were eighty-two miles constructed in 1895. How long did the company take to construct those eighty-two miles?—Seven years.

37. How much has the Government constructed in the last five years?—I can only take the figures given by Mr. Bell, and I understand it is twenty-six miles.

38. Completely constructed?—No. I do not think there is a section open and running yet.

39. *Mr. Graham.*] None of the sections?—I fancy the twenty-six miles represent the section from Jackson's to the Otira Gorge.

40. *Dr. Findlay.*] You lived on the West Coast for some time?—Not continuously.

41. For what period continuously?—I think the longest time would be about a year.

42. You were then in the service of the company?—Yes.

43. Can you say from your own knowledge that the line constructed has been of very great service to the West Coast?—Yes. I think the Government witnesses admit that it is so.

44. *Mr. Bell.*] With regard to your opinion as to your having constructed the cheapest and easiest part of the line, do you mean to say that the company did not construct the cheapest and easiest part of the line?—I do not mean to say so; but what I mean to say is that you wished the Committee to understand that we deliberately picked out the cheapest and easiest sections, and it is not so.

45. But, as a matter of fact, you did construct that which was the cheapest and easiest part of the line. I refer you to the return of the estimated cost. The estimated cost of the whole line from Springfield to Brunner is £1,500,000, and the estimated cost from Springfield to Jackson's is £1,296,500?—Yes.

46. The section you did complete constituted the difference between those two?—Quite so; but from that difference you must deduct the £60,000 which we spent at Springfield.

47. Jackson's to Paeroa, £34,100; Paeroa to Laketown, £21,300, and so on?—Quite so.

48. You did not touch the section which was estimated to cost £1,296,500?—No, except the £60,000 just referred to.

49. Then, with regard to the other portion, from Stillwater to Belgrove, the estimated cost of the whole is £1,330,000, and the estimated cost of the portion you did not touch—that is, from Reefton to Belgrove—is £1,055,000, the sections which you did touch being sections estimated to cost from £20,000 to £60,000?—Quite so; but you will remember that we spent a further £60,000 at Belgrove. I think it will be admitted that the directors would naturally construct—not because it was the cheapest—that portion of the line which would most quickly return receipts.

50. That is what I said?—Quite so.

51. Do you suggest to the Committee there was any difficulty in the company proceeding with the work from the Nelson end or from the Springfield end?—Most distinctly there was.

52. Distinctly there was?—Yes.

53. But you know that Nelson and Lyttelton are better ports than the Port of Greymouth?—I am not going to admit that.

54. Will you state to the Committee the difficulties which the company have had in continuing the construction of the line from the Springfield end or the Belgrove end at the same time that they went on at the Greymouth end?—I have already answered that.

55. I did not catch your answer?—I say the line was constructed at the end which would most rapidly return a profit and enable the company to go on with further construction.

56. Then, it was not a difficulty of construction, but a difficulty of finance?—You will remember that in 1892 you admitted it was a difficulty of finance.

57. Never mind what I said in 1892. I am asking you whether there is any difficulty, except a difficulty of finance, in the company performing its contract by continuing the construction from the Nelson end of the line and from the Christchurch end?—

Dr. Findlay: I will admit that at once.

58. *Mr. Bell.*] Well, you have given the Committee a list of the benefits which the Coast has derived from the construction of the railway. You say that the Coast has been improved by the easier means of access from Greymouth?—Yes; and from Christchurch, too.

59. Is that an advantage to the people on the Coast?—Yes; certainly.

60. An advantage in which the settlers have shared?—Certainly.

61. It improved the condition of their lives and made them more comfortable?—Yes.

62. And it improved their financial position, too?—I could not say.

63. But what is your opinion: you gave an opinion on the other matter?—One is a fact and the other is only a matter of opinion.

64. What is your opinion as to whether they are not better off by having the railway and these means of access?—I think there is but one opinion, that where there is a railway every one is benefited.

65. And they are better off in pocket as well as in social matters?—I could not give an opinion on that.

66. You believe that one of the benefits is a greatly improved postal service. You point to the fact that time is money to the merchants, and that they are considerably better off through the facilities which the railway has afforded them?—Yes.

67. Then you say that during the construction of the line the company spent over £7,000 per month in wages?—Paid to the contractors.

68. Which the contractors expended in wages?—Yes.

69. And you employed seventy men permanently on the line open?—Yes.

70. All that expenditure was beneficial to the Coast: is that what you say—or beneficial to the colony?—I said it was beneficial to the Coast, and it stands to reason that it should be so.

71. I understood you to put it as a benefit to the colony?—No; to the Coast.

72. Then you point to the fact that you were enabled to open up a large coal-mine at Blackball?—The construction of our railway enables the coal-mine to be worked.

73. And that connection has created a large traffic, and put money into the pockets of the traders and people on the Coast?—Yes.

74. Then you referred to the timber, and said that the export of timber from that district was largely owing to the construction of the railway?—Yes.

75. That is to say, where the railway runs through the forest land the timber is made available for export from the port?—Yes.

76. Then you referred to the opening of sawmills, and the £9,000 per annum which is paid for the haulage of the timber and the large number of hands employed, and you say this is all part of the benefit from the construction of the railway conferred on the colony. Now, Mr. Dalston, will you or will you not admit that if all you say is true—and I have not the least doubt it is—that the construction of the piece of railway on the Coast has conferred such a benefit on the colony, that the construction of the whole line by the company would have conferred a much greater benefit upon the colony and on the Coast than the construction of this piece of the line?—Certainly, I admit it.

77. You did not, I think, give us any estimate of the advantage which you thought the bit of railway constructed had conferred upon the colony?—Oh, no; I could not give that. There are a great many things to be considered.

78. You admit that this bit of railway is an advantage, and you must admit that the construction of the railway from Nelson *via* Brunner would be a far greater advantage to Nelson and to the Coast?—That is so, of course.

79. With regard to working-expenses and profit on the railway, do you in making up your charges for working-expenses charge any office expenses?—Yes.

80. Do you know what proportion of them?—I could not say off-hand. The salaries of the staff other than the working railways staff were apportioned to the various departments—the timber department, the working railways department, the land department, and the audit department—all bore their own share of the office expenses.

81. Would Mr. Wilson's salary be charged to working railways expenses?—A proportion of it would.

82. Were any portions of the commissions charged to working railways expenses?—No.

83. In your return you show "Engineer-in-chief (salary and commission), £43,192." How much of that was charged to working-expenses, or was any portion of it so charged?—None of the commission would be charged working railways.

84. Were there any engineers' fees paid by you except those contained in the £43,192?—Well, a locomotive driver is called an engineer sometimes: do you include them?

85. Leave them out. Did you pay any engineers' fees out of the working railway account?—No; none. The fees in the statement I put in were paid to Mr. Wilson in connection with the construction of the railway, and not for working railways expenses.

86. *Dr. Findlay.*] They did not all go to Mr. Wilson himself?—No. He had a large staff to keep up.

87. *Mr. Bell.*] But no part is charged to working railways expenses?—No. I might as well make that expenditure plain now. Mr. Wilson was paid no salary as engineer, but received a commission on all amounts paid to contractors. Out of this commission he maintained, free of cost to the company, the entire engineering staff, including Mr. Napier Bell, Mr. H. W. Young, and also the inspectors, clerks, draughtsmen, &c.

88. You have told us that in the last year but one of the company's working the line the profit increased from something over £4,000 to over £6,000?—Yes.

89. Then, in the last eleven months the profit was a little over £3,000?—Yes.

90. Or very nearly 50 per cent. of the previous profit?—Yes.

91. Is it not a fact that during that last eleven months you had entirely ceased construction of the railway?—That is so.

92. You were not carrying any contractor's material or any contractor's passengers?—No. You remind me, that will no doubt account for the jump in 1894—the carrying of construction material.

93. That would be not a normal profit but simply a profit resulting from the fact that the construction was going on?—Yes.

94. With regard to the dead loss made by the Government, are you aware that the Government have properly charged maintenance to the cost of working-expenses?—I think Mr. Blow says that should properly be charged against capital account, and if there had been a capital account opened this charge would have gone against it.

95. Are you aware that in the year you speak of there being a dead loss to the Government there were serious floods on the Coast?—I am not.

96. You do not know that large sums had to be expended in restoring the line?—I can only take what you say. I know that at various times I made applications to see the vouchers, and asked for more detailed accounts of the expenditure on the railway, and I could never get them.

97. Have you been refused them?—Yes.

98. By whom?—By Mr. Blow. He told me the vouchers of the expenditure on this railway were bound up with the general vouchers of the colony, and if I wished to see any one voucher I could do so.

99. Have you had copies of every voucher?—I have had copies of none of the vouchers.

100. Have you seen copies of them?—I have not.

101. You were told they were bound up?—Yes.

102. And that was the reason they could not be picked out for your inspection?—Yes.

103. Do you mean to say you were refused permission to see the copies?—I have not said so.

104. Were you refused inspection of copies or duplicates?—I never asked for duplicates. I was acting as auditor, and would not be satisfied with duplicates. I asked for the original vouchers, and was told they were bound up with the general vouchers of the colony, and it would not be right to show them to me, but if I wished to see any particular vouchers I could see them in the book, and that I reported to my directors.

105. Were you not told you could have a copy of any voucher you wished to see?—I do not know; if I was, I do not remember. I am sorry there has been a misunderstanding about the matter. I only wish to state what is in my mind. I thought it was not a proper thing to withhold these vouchers, seeing that at the time the Government were simply trustees. Originally the accounts were sent in in a somewhat bald manner, and Mr. Blow, when I asked for these vouchers, said he would give more detailed accounts.

Mr. Bell: I am sure the Committee will allow me to call Mr. Blow. This is quite new matter, and must be explained.

The Chairman: Certainly.

106. *Mr. Bell* (to witness).] I was upon the question of floods. You say you do not know that floods have necessitated the restoring of the line?—I have not been on the Coast since 1896, and cannot say.

107. But you read the papers?—Yes.

108. I mean the newspapers?—Quite so.

109. You point to the fact, or inferentially draw the conclusion, that the Government delayed the construction of the line since they took it over, when you say the Government constructed this twenty-six miles of railway while it was in their hands. What do you say about this? Supposing the Government had pressed on the expenditure, as they might have done, do you not see that you and Dr. Findlay would have been here complaining that the position had been made impossible?—The debenture-holders might say it. I am not going to admit that. I leave it to Dr. Findlay to deal with.

110. Is it not a fact that you have been unable or unwilling to raise money sufficient to pay the six months' demands?—The later demands have not been paid.

111. Do you say it would not have been more impossible if the calls were for hundreds of thousands of pounds?—I am not prepared to admit that.

112. I understand the complaint was made that the Government had proceeded with only twenty-six miles of railway, on which they had expended only £200,000?—

Dr. Findlay: No complaint whatever. It is only an illustration of the rate of progress under the company and under the Government.

113. *Mr. Bell* (to witness).]—Then you have no complaint against the Government?—I shall leave that to the debenture-holders.

114. Then, the company has no answer to the question as to whether the company has any complaint against the Government in regard to the manner in which the Government has gone on with the construction of the line at an expenditure of not more than £50,000 a year?—It is hardly fair to say it is a question of complaint. I think the position is this: The Government has seized the railway from us because we were not going on fast enough. They say to us, "In ten years you have only constructed a third of the railway"; they seize the line from us, and because of our delay, say they will go on with it themselves. We spent about £90,000 a year on construction.

115. *Dr. Findlay*.] With regard to the piece of railway constructed by the company, could the company have constructed any piece out of the whole line which would be of more service to the colony than this piece?—What do you mean?

116. Take the total line, and it is said you chose a cheap piece of the total line to construct. I ask you whether you could have constructed another eighty-one miles out of the whole line which would have been of more service to the colony than this piece?—No; certainly not.

117. Then, as a matter of fact, so far as the West Coast of the colony is concerned, the company constructed the piece of line which is most valuable to the Coast?—Yes.

118. *Right Hon. R. J. Seddon*.] Of the total amount of money expended on the construction of the line on the Coast, how much was spent between Reefton and Brunnerton?—I shall have to ask for time to answer that question. I should have to calculate the cost of bridge-work, rails, &c.

119. Would that section cost a quarter of a million?—I could not say.

120. How many miles is it between Brunnerton and Reefton?—About forty miles.

121. What is the average cost per mile?—About £9,000 per mile.

122. And it is forty miles from Brunnerton to Reefton. Then, half the money spent has been spent between Reefton and Stillwater?—Yes.

123. Was not that a most profitable piece for the company to construct, seeing there is a large population in that part of the district?—Yes; at Reefton and at Greymouth.

124. Comparing the advantage to the colony, it was also a source of profit to the company?—Yes; but I do not admit it was the most profitable part of the line to construct.

125. Where was there any other more profitable?—We always anticipated more profit when the line was through from Springfield to Greymouth.

126. But when it was made to Reefton the railway connected a population of about two thousand?—Yes; and when we connected with Springfield we should have had a much greater population.

127. Then the most profitable part for the company to construct was between Brunnerton and Reefton?—I do not say that.

128. Where have the principal returns been from?—On the Reefton line.

129. How much at the Springfield end have you got in the way of profit?—For the five miles from Springfield we have got practically no revenue.

130. From Spooner's Range to Motupeka?—No revenue.

131. From Jackson's to Stillwater you have got revenue?—Yes; that is a large timber district.

132. Was there not any source of profit in respect to the Blackball coal?—Yes; to the company and to the Government railways.

133. Why not say it was the most profitable part which you have constructed?—I understood you to mean that we could make.

134. At any rate, the section made was the easiest made, and the most profitable?—Most profitable as against what other part? At any rate, we made this railway, and it has turned out a profitable section.

135. How much money was spent between Stillwater and Jackson's during the time the line was being constructed between Brunnerton and Springfield?—I could not answer that question without looking at the books.

136. Was not the railway finished between Reefton and Greymouth before you communicated with Lake Brunner on the other side?—I could not answer without looking at the books.

137. How many miles is it from Lake Brunner to Stillwater?—About twenty miles.

138. You have forty miles to Reefton?—Yes.

139. And twenty miles to Lake Brunner?—Yes.

140. Did you go on to Reefton, or did you stop at the Greymouth end of it?—The railway-station is on the Greymouth side of the river.

141. Then you stopped. You did not make the bridge over the Inangahua River?—No.

142. It would be rather expensive?—No doubt.

143. How much did you spend on the Nelson end, and how many miles did you make?—We have made five miles and a half, and spent something over £60,000 on it. Under the contract we had to spend £60,000 at Belgrove and £60,000 at Springfield.

144. And you did not go much beyond the stipulated amount at either end?—No. We came to the Committee in 1892, and asked for an alteration in the contract, in order to enable us to go on with the section from Belgrove to Reefton and from Springfield to Jackson's.

145. Had not the company an interest in the Blackball Coal-mine? Were they not promoters of that coal-mine?—No. We had nothing to do with it. It is news to me to hear it said that the Midland Railway Company promoted it.

146. Did you know a gentleman named Leonard Harper?—Yes.

147. Was he not one of the promoters of the Midland Railway Company?—He may have been one of those who sent the delegates Home, but I do not know.

148. Was he not connected with the Blackball Company?—I believe he went Home to float it, but not in connection with the Midland Railway Company.

149. Do you know Mr. Alan Scott?—Yes.

150. He was manager of the Blackball Company?—No.

151. Not in connection with Leonard Harper?—He was his partner once, and was afterwards manager for the Midland Railway Company.

152. And his partner was manager of the Blackball Company?—I do not think that he was manager.

153. There was a tunnel made at Brunnerton before you started operations?—On the Government line.

154. Did the Government hand you over a piece of line with the tunnel between Brunnerton and Stillwater?—I do not know.

155. You would not say it was not so?—No. It must have been before 1889.

156. You have referred to several tunnels. Is there not a large tunnel outside Brunnerton?—I know it; but I referred to the tunnels we made—one at Kaimata, another at Reefton, and another about a mile long at Belgrove.

157. You did not include this tunnel?—No. It was not made by the company.

158. On this forty-mile section is there not a large tunnel between Stillwater and Brunner-ton?—Yes; I referred to the tunnels made with the company's money at Reefton, Kaimata, and Belgrove.

159. If the colony had spent a large sum of money in constructing a line between Brunnerton and Stillwater, would not the company get the benefit of that?—I do not know that it is a benefit to the company.

160. Were you not here at the start?—No.

161. And you do not know, notwithstanding all the time you have been with the company, that this tunnel was made by the colony and given to the company?—But that tunnel is not on the Midland Railway at all. The Midland Railway peg is north of the tunnel. That tunnel does not come into our property.

162. I always thought it was on your property?—No; it has nothing to do with us at all.

163. Now I come to the timber trade. When was the Greymouth-Hokitika line finished?—I could not tell you. I will take it from you.

164. Are you aware there is a large timber trade on that line?—Yes.

165. Do you know Stratford and Blair's mill?—Yes.

166. Do you know Morris's?—Yes.

167. Do you know Gardner and Wilson's?—Yes.

168. Do you know the mill at Paeroa?—Yes.

169. Do you know the Westland mill?—No; that is since my time.

170. If it was said that there were six mills cutting timber owing to the completion of that line, what would you say?—If you say so I am prepared to admit it.

171. If that is the case, then the two railways combined help the trade?—Yes; and, as I pointed out, of the 8,000,000 ft. exported in 1895 the company carried 6,000,000 ft.

172. It would not be all owing to your company's railway that this timber was exported, more particularly as the Greymouth-Hokitika line was first completed. Do you say you were denied the vouchers or information at any time?—I was told I might see any particular vouchers I asked for.

173. Did you ask for specific information?—In 1896 I several times asked to see these vouchers, and I was told by Mr. Blow that the vouchers were bound up with the vouchers of the colony and it was not convenient for me to see them, but if I would put my finger on any particular payment the voucher would be turned up.

174. Did you write to your controlling head complaining of that? Did you place anything on record to show you complained?—I wrote to the English Receiver's solicitor in Christchurch, and also to my directors.

175. Did you write to the Government intimating to them that you had been denied these vouchers?—I am under the impression I did not do so.

176. Do you think it is proper to raise the question now when the Government themselves have never been asked?—I did not wish to raise the question. It was brought forward by Mr. Bell, but, as we were on it, I gave my answer.

177. Did you have reason to believe that there was anything of material importance which was being kept back, or that if you had it would put a different complexion on the working or payment for the line?—I looked upon it that we were paying demands made on us, and it was our duty before we paid them to see what we were paying for.

178. What was the nature of the matter to which you took exception, and in connection with which you wanted to see the formal documents—anything you believed the Government was putting against the line which you thought should not be charged?—I went there as auditor, and said, as any ordinary man of business, "I am entitled to see the receipts."

179. It was not that there was any amount charged against the company that should not have been so charged?—I should be very sorry to make any such charge against the department.

180. *Captain Russell.*] You told us that £751,232 were payments to the contractors?—Yes.

181. Was that altogether cash found by the company, or was it partly from land sales?—It was entirely cash found by the company and debenture-holders. With the exception of the first contract in England, we called for tenders in every case, and the contractors were paid in cash from the company's coffers.

182. Did that £751,000 include any money derived from land sales?—No.

Mr. H. J. H. Blow in attendance, and examined on oath.

183. *Mr. Bell.*] You are Under-Secretary for Public Works?—I am.

184. You have heard the evidence given by Mr. Dalston on the subject of the request to see vouchers?—Yes.

185. Will you explain to the Committee what took place on that head?—When the first accounting period had elapsed a balance-sheet was prepared, and sent to the company. Shortly after receiving this they applied for details of the expenditure, and most voluminous details were furnished them.

186. *The Chairman.*] Were the vouchers furnished?—No; not the actual vouchers, but most voluminous details were given, including the substance of every voucher. Then Mr. Dalston called upon me, and said he would like to see the original vouchers. I said he could see any one he wished to inspect, or, if he suggested that he wanted to see the whole, he could still be satisfied, but it would have involved the hiring of a large hall, and the display of cartloads of volumes. The total of the Government vouchers and sub-vouchers number hundreds of thousands a year, and they are bound up in book-form with a hundred vouchers in a book. The Midland Railway vouchers are not by themselves, and every one of these books would have had to be produced to satisfy Mr. Dalston. The expense and inconvenience would have been so great that I should have had to submit the matter to the Minister. I, therefore, asked Mr. Dalston to consider whether it was necessary to press the matter, and I never heard anything more about it.

187. The expenditure upon the Midland Railway was an exceptional thing, entirely apart from ordinary Government expenditure. At that time the railway did not belong to the company?—No; and the accounts were kept entirely separate.

188. Then, how was it the vouchers were not kept separate?—They could not be conveniently. Every voucher passing through the Treasury is given a separate number, so that when returned receipted it may come in its proper order and due place, in case it should have to be referred to afterwards. These vouchers are numbered throughout, and when they are returned they are bound up in books according to the numbers. It would be practically impossible to keep the Midland Railway vouchers separate.

189. That is not my question. Supposing—it is very unlikely that it should be the case—but supposing the company found itself in funds, and took the railway back, they could demand a complete statement from the Government of all the expenditure and the vouchers for that expenditure?—As regards the actual vouchers I should say not. Of course, they could demand a complete and audited statement of accounts.

190. The vouchers would have to be produced for the purposes of audit?—Yes; but that would be simply a question of labour and inconvenience. There was no insuperable difficulty in giving Mr. Dalston the vouchers, but I put it to him that the labour would be very great; and I

asked him whether he thought the game was worth the candle, and he did not press the point. I produce a letter, dated 21st September, 1896, in which Mr. Dalston agreed with my suggestions :—

Wellington Club, Wellington, New Zealand, 21st September, 1896.

SIR,—

Midland Railway Account, rendered at 29th February, 1896.

With reference to our conversation lately on the above subject, I understand that as the vouchers relating to the payments contained in the account rendered at 29th February last are bound up with the general Treasury vouchers, it is not possible, at all events during the session, for me to see each voucher for each item of expenditure. I shall therefore be glad if you will, as suggested by you, render the account with fuller details of expenditure; and I may add that under the circumstances I agree with your suggestion that for present purposes any particular vouchers which I may require to inspect shall be produced, but payment of the account will be made without prejudice to the company's right to see, later on, if necessary, all the vouchers relating to the account rendered.

I have, &c.,

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED),

(Signed) NORMAN H. M. DALSTON, General Manager.

The Under-Secretary, Public Works and Railways, Wellington.

Dr. Findlay : I think, sir, Mr. Bell is to be congratulated upon the very complete case he made out for you on behalf of the Crown, and I think he is chiefly to be congratulated upon the industry with which he has collected every scrap of material which tells in any way against the Midland Railway and the claims of the debenture-holders. The Recording Angel could scarcely have presented a more complete schedule of the sins of the Midland Railway Company than that which his labour, knowledge, and ingenuity furnished forth. I think I may fairly appeal to the Committee to say whether the case for the Crown could possibly have been more completely and forcibly presented, or the case for the petitioners more exhaustively or adversely criticized. Nothing has escaped the scalpel-knife of the counsel for the Crown.

The Defence of the Colony's good Faith.

He declared he was delivering the answer of the colony. Answer to what? Plainly not an answer to merely what is stated in the petition now before you; for the main portion of his address was an answer to charges against the good faith of this colony. I should like to know who made these charges. Certainly not Mr. Coates or the other petitioners now before you. They were charges which have in the past been made by a section of the debenture-holders who had no official or other authority to speak for the whole of the debenture-holders. The conduct of these petitioners, at least in petitioning the Stock Exchange, was reprehensible, but why the whole body of the debenture-holders should be punished for their action does not appear very clear. Neither Mr. Parker, the first Receiver, nor Mr. Young, who succeeded him, nor Mr. Coates has ever reflected on the good faith of this colony; and I gave this Committee such assurance as I could that neither in this petition nor in any other way did we reflect on that good faith. I submit, therefore, that the whole of Mr. Bell's elaborate defence of the good faith of the colony is irrelevant and unnecessary: ingenious, no doubt, and admirably calculated to confuse the position and the issues which I strove to place before you. It would seem, in my humble opinion, that counsel for the Crown really laboured this "injury to good faith" side of his case in the spirit of one who sought justification for a reprisal. I put his plea bluntly thus: We have taken your (the debenture-holders') line of railway and we are going to stick to it; but then you reflected on our good faith and the account is squared. I do not care what the avowed reason for it may be, to me it seems, on calm perusal, that Mr. Bell's artistically presented *rechauffé* of everything that has been said, written, and done in the wretched past by unauthorised debenture-holders against this colony was largely addressed to prejudice, and not to the grounds and prayer for equitable treatment of this petition.

Mr. Bell : It would be only fair for me to say now, that if any words I used appear to have that effect I had no right to use them or to so address the Committee. But you will find in my speech that I say on behalf of the Crown that it desires the Committee should not be affected in coming to its decision by the action of these gentlemen at Home. I said that on the part of the Government, and I repeat it now: that if any word of mine can be interpreted as conveying such an impression, it is not the desire of the Government that it should be so, and I do not desire it.

Dr. Findlay : Of course, I accept Mr. Bell's assurance as he accepted mine when I told him at the beginning that we did not reflect on the good faith of the colony, and that the word "illusory" did not bear the meaning which he said it was capable of bearing. But I must say now that, whatever Mr. Bell's intention may have been, his elaborately prepared statement of what the debenture-holders at any time did or said in England will bear the impression that it was an address to prejudice, and not an answer to the petition. I stated and reiterated in my address that Mr. Coates, representing as he does the whole body of debenture-holders, representing as he does an influential committee which has also addressed you, makes no charge of want of good faith on the part of the colony. We have said, and I now repeat it, that we admit the colony has done no more than strenuously stand upon and exercise its strict legal rights. The exercise of these strict legal rights has resulted in great hardship, but that is a very different thing from acting *mala fide*. The pursuit of one's legal rights to the very last letter may be harsh and reprehensible; it cannot be *mala fides*.

The Case for the Debenture-holders.

I now put the debenture-holders' case on two broad grounds: (1.) We were induced to lend our money by our reading of the provisions of your Act of 1884. That our reading was wrong the Privy Council has definitely settled; but that our reading was a natural one and a *bona fide* one we emphatically still maintain. And, more, I will show that the colony, the debenture-holders, and the Crown thought so, and that all parties acted on the faith of that belief. (2.) If a reasonable but, in law, unsound construction of one of this colony's Acts led us to lend our money on a

worthless security, this colony cannot take advantage of such mistake of law and confiscate without compensation the very security a reasonable interpretation of the Act seemed to give us. From the legal point of view, if two men enter into a contract in the common belief that the law confers certain rights upon one of them, and it turns out afterwards that that belief was erroneous, and that the law really places one completely at the mercy of the other, that is a mistake of law. Still, in equity and good conscience, to take advantage of such a mistake would be highly reprehensible—would be condemned by every fair-minded man. I put it, then, that that is the test here. Mr. Bell himself felt the force of this ground, and devoted great time and ingenuity in attempting to prove that the debenture-holders did not really believe, or, if they had addressed their minds to it, could not have believed that in lending their money they were getting an absolute first charge upon this railway. In other words, they knew or must have known that it was not an indefeasible first mortgage at all. I confess this part of his address surprised me. First let me state the security which, according to Mr. Bell, the debenture-holders must have known they were getting. Something like £3,000,000 was required. The subscribed share capital of the company was one-twelfth of that, or £250,000. The debenture-holders were then, as Mr. Bell pointed out, to rely not upon the shareholders, but solely upon their security. Now what must they, we are told, have known was their security? (1.) Merely a charge upon the venture—a lien up to the point of the final construction of the whole line—not on the railway constructed, but on the right to construct. (2.) Let the debenture-holders, we are in effect told, advance £2,500,000, still if there was a mile of the line yet to complete they had no charge or security over it. They had their remedy against the company, forsooth; but the company's capital was only £250,000 and had been all spent. So that at the time they lent their money they must have known says Mr. Bell, they had absolutely no remedy except against this shadowy security, a security which was not tangible in any way until the last length of rail of this great undertaking was completed. Shortly put by Mr. Bell, the debenture-holders must have known they were merely getting a charge upon the final results, a contract which the Crown witnesses in 1892 said was an inevitably ruinous one. Is this conceivable? You must remember that the debenture-holders had no control over the construction of the line. They were not the contractors. They could do no more than demand and compel payment of their interest. The company was the contractor, and the whole security of the debenture-holders, they knew, depended upon how the company behaved itself. They had no control over the contract, and yet the contract was their only security. Let us see the result of this. Supposing £2,500,000 has been spent on the line, and the company then became guilty of unreasonable delay in prosecuting the work. The Crown can then seize the line, and the Crown can either finish it or keep it at it is, unfinished; and although it has to account for any ultimate profits, the line can never be got back from the Crown. There is no legal means in our hands of compelling the restoration of the line. It has gone for ever, although three-fourths or five-sixths of the whole railway has been completed, and £2,500,000 of our money sunk in it. And that is the kind of security we must have known this statute of 1884 gave us. But that is not all. Suppose there was a quarrel between the debenture-holders and the company, or even without a quarrel, suppose the company has, out of the debenture-holders' money, constructed one million or two million pounds' worth of the line, and then failed or neglected, without reasonable excuse, to run trains for twenty-one days, at the times and in the manner fixed and determined by or in any regulation to be made by the Governor under the Act of 1881, what happens? The Crown can seize the railway: can run it as it pleases—as its own, in fact. It is true it must account for profits, if any; but the possession, control, and right to the railway has, if the Crown likes, gone for ever. You can see then how perfectly plain it is we knew we had under this Act no security until the line was completed to the last rail, and that we lent our money knowing that if for twenty-one days the company do not run a particular train a day, the whole of the debenture-holders' security would be swept away? I ask you, who would lend their money on a security like that? The debenture-holders would be powerless to prevent such a default. Their security, upon which, it might be, £2,000,000 or £3,000,000 had been spent, might be taken from them for a neglect for twenty-one days to run trains, while they knew nothing of it. But that is not all. Trains must be run at times and in a manner determined by the Governor. Suppose the company considered these regulations unreasonable, and refused to run trains at the time stated for twenty-one days, again the Crown can step in and seize the railway, and there is no way of getting possession back. Still, further, if the company, in the opinion of the Governor, suffers any other wilful breach of the contract, the Government can step in and seize the line and everything belonging to it. This might all take place behind the backs of the debenture-holders, and necessarily so, because they had no one in the colony to give them information on the matter. They were merely in the position of mortgagees, and were helpless to defend themselves. Suppose, then, a security were offered which could be destroyed in this way, by failing to run a train for twenty-one days according to regulation, would any sane man lend money on it? Can it be assumed that capitalists in England would lend three millions of money in reliance merely upon a contract of that kind? I submit it raises the strongest presumption of the fact that these men lent their money honestly, and really believing they were getting a first mortgage upon the railway. These considerations surely show that either the debenture-holders were lunatics or they were misled by the reading of the Act of 1884. I now propose to meet the contentions of Mr. Bell and show—(1.) That the debenture-holders' view that they were getting an absolute first charge was reasonable and fair; (2.) that not only the debenture-holders and the company, but responsible Ministers of the Government of this colony, thought that first charge an indefeasible one, and that it was in the nature of a first mortgage. Nay, I shall go further and show, from the Journals of the House, that even Mr. Bell himself once thought so, when he appeared before the Committee in 1892.

The Crown's Present Contention that the Debenture-holders did not Lend on the Security of the Act of 1884.

Now, the Crown attempt to escape from the overwhelming proofs that we honestly believed the Act of 1884 gave us a real first charge by the novel contention that the debenture-holders did not really lend their money on the faith of the Act of 1884 at all. This new contention may be easily disposed of. The Act of 1884 was passed avowedly to give further facilities for borrowing, and yet Mr. Bell suggests, to begin with, that advantage was not taken of those facilities, and why? "Because," Mr. Bell says first, "the Act was not referred to in the debentures or in the indorsed conditions." This would be a slender ground in any case to support such a startling conclusion, but, as a matter of fact, Mr. Bell is quite wrong. The conditions do contain this express reference: "The holders of debentures are entitled to the benefit of an indenture of charge upon the company's property, dated and made," &c. You will observe, then, that in the debenture there is a reference to the trust deed, and you will find that trust deed at page 33 of I.-7 of the Appendices of 1896. You will find the following provision: "Whereas by a deed of contract (hereinafter called the 'said contract') dated the 3rd day of August, 1887, and made between Her Majesty the Queen of the one part and the company of the other part, under the provisions of 'The Midland Railway Contract, 1887' (hereinafter called 'the said Act'), and pursuant to the provisions of 'The Railways Construction and Lands Act, 1881.'" Now, every lawyer knows that if you have a special Act incorporating and reciting the powers conferred by another Act, or Acts, you do not set out in the debentures the whole of those powers and conditions and all the Acts giving these powers. It is sufficient to refer to the special Act which embodies them all. Mr. Bell says that we concealed—deliberately omitted from the debentures—the Act of 1884. I will read the preamble to the Act of 1887. It says: "Whereas a Select Committee of the House of Representatives was appointed, to whom was referred the proposals for amending the contract for the construction of the Midland Railway, and which had been entered into under the provisions of 'The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884': And whereas such Committee has reported, 'That in the opinion of the Committee, a new contract should be prepared, embodying the several provisions of the Acts of 1884 and 1886, the contract of 1885 legalised by the Act of 1886, and the further draft contract amending the contract of 1885, and that an Act should be passed empowering the Governor to execute such a new contract.'" Now, to this Act of 1887, the trust deed in the plainest terms refers, and here is the Act of 1884 cited in the very forefront of the Act of 1887. It is surely plain that Mr. Bell overlooked this. Whoever drew the form of debenture did what every draftsman who knew his business would do. He puts in the debenture an express reference to the trust deed. In the trust deed is specially mentioned the Act of 1887. The Act of 1887 places the Act of 1884 in the first place among the Acts and contracts upon which the Act of 1887 is based. Is it fair, then, to say that we have intentionally concealed the Act of 1884? I submit that effectually disposes of Mr. Bell's suggestion that we were trying to conceal the provisions of the Act of 1884. But still Mr. Bell is not content with urging that we are not entitled to the rights conferred by the Act of 1884, because he thinks it is not mentioned or referred to in our debentures. He thinks we are disentitled on another ground. He has endeavoured to justify his contention by a curious piece of reasoning. He says the debenture does not comply with the provisions of the Act of 1884; and why? In the Act of 1884 there is a provision that the public revenues of the colony are not to be liable for the claim of any debenture-holder or other creditor. I will read this section, because, curiously enough, this is the section on which we have always relied as going to show we have a first charge on the line. Section 11 provides: "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 says: "The provisions of the last preceding section shall be stated on the face of each debenture and coupon respectively issued under this Act." Mr. Bell says that because these provisions do not appear on the form of debenture we have wilfully suppressed them and have disentitled ourselves from taking advantage of the Act of 1884. I want to show you how little there is in this, and how it arose, and I think I shall be able to show you while doing this how far we were entitled to believe our claim came in before that of the Crown. If you turn to "The Harbours Act, 1878," you will find that that Act empowers the Board to raise money by a first charge upon its funds—by the issue of debentures. Now, curiously enough, the provisions for borrowing contained in our Act of 1884 are almost word for word a copy of the borrowing-powers contained in "The Harbours Act, 1878." The man who drew our Act of 1884 seems to have slavishly followed the sections in that Act of 1878, copying the completely irrelevant section 197, which is, word for word, section 11 of our Act of 1884; but surely the meaning of section 11 is obvious. Why is that provision put in there? The same provision appears in the Municipal Corporations Act; and why is it put in there? For this reason: You will remember that a Harbour Board or a Municipal Corporation is in a sense an agent of the Crown. It has delegated to it certain public duties, and is empowered to raise money; but the State wishes to meet the legal principle that, as these public bodies are agents of the Crown, and the principal is responsible for the debts of his agent, the Crown might be held liable for the debts of the public body. So there is a provision inserted in the Act that in no case shall the colony be responsible for the debts of these public bodies. We could contend that the provision in the 11th section of our Act of 1884 raised the strongest reason for believing that the Government were treating the Midland Railway Company in the same light as a Municipal Corporation or Harbour Board, as a public body performing public duties, and entrusted with *quasi*-public borrowing-powers, and, in order to meet a possible claim by the company's creditors that they could come upon the

colony's revenues, that provision in section 11 was put in. If, then, section 11 is to be relied on, it really raises the strongest reason for the belief that the Government of the day were treating this Midland Railway Company as a public body, doing public work. If you will look at the Harbours Act you will find that section after section of that Act has been followed. I need not point to all the sections. You can, if you wish, compare them for yourselves. The whole of the machinery by which a public body can raise money is to be found in the Act of 1884. I have a tabulated statement here showing that the scheme is the same in different Acts. Now, what does that lead to? What light does it throw upon the position of these debenture-holders? Do they come under the same provisions as in the Harbours Act or of the Municipal Corporations Act? One would think so. Harbour Board debenture-holders have an indefeasible first charge upon the funds of that public body—not a first charge in name only to be suddenly cut away by some omission of the Board to comply with some of the conditions of a contract. Surely we had a reasonable conviction that we had the same security as was given under these other Acts to public bodies, who were in the same terms empowered to raise loans. We had, I repeat, a *bonâ fide* belief that we were getting a first mortgage on this line. But it is said that the non-inclusion of this 11th section in our debenture was done so as to mislead the public. Mislead the public in what way? Into believing that we could charge the public revenues of this colony? If this contention is not nonsense, it must mean that, in the absence of section 11 from the debenture, the lenders would assume our public revenues were liable to them. But who ever dreamt these debenture-holders had any claim on the colony's revenue. It has never been suggested throughout the whole of the proceedings that the debenture-holders have such a claim. I submit it is impossible to say that the omission of section 11 of the Act of 1884 was a fraudulent attempt to deceive the public. Mr. Bell said that we deliberately omitted that section from our debentures. What was the inference? That we were deliberately and *mala fide* acting against the provisions of the statute in failing to call the attention of the lender to this provision.

Mr. Bell: I gave two reasons. The Act did not require that its provisions should be on the face of the debenture, but it did require that there should be a statement that the whole of the assets of the company should be the security. The debenture omits this. But the Act also requires that the debentures should be a first charge on the entire assets of the company, and the debentures issued purport to create a charge on distinct portions of the railway. I said they desired to create a first mortgage on portions of the line, and therefore that they understood they could not issue debentures for that purpose under the Act.

191. *Mr. Palmer* (to *Dr. Findlay*).] You say that whatever the company borrowed was a first charge upon the line?—Yes.

192. I wish to clear that up. If they borrowed ten millions of money, and by your contention all they borrowed was to be a first charge on the line, or any portion constructed, were we to be unable to get back the line, or a portion of the line, on which they had expended £10,000,000, until we had paid them £10,000,000 for it? In that case, what then?—The Act gives power to the Crown to take the whole of the line, or any part of it, upon paying the cost of that portion of the line.

TUESDAY, 25TH SEPTEMBER, 1900.

Dr. Findlay: Mr. Chairman and gentlemen, before I proceed with my address I have been requested by Mr. Dalston to express his regret for some observations he made in replying to a question by Mr. Bell on last Thursday. Mr. Dalston desires me to say that he did not intend to cast any reflection whatever upon Mr. Blow or upon any member of the Government, or to convey the impression that the Government had in any way blocked his inquiry as general manager of the company; and if anything he said carries that idea he wishes to withdraw it.

Mr. Bell: I have not a word to say, except that I accept the statement most fully. I would, however, request the Committee to grant me permission to insert, after Mr. Blow's evidence, the following letter, written by Mr. Dalston to Mr. Blow on the 21st September, 1896: "I shall therefore be glad if you will, as suggested by you, render the account with fuller details of expenditure; and I may add that, under the circumstances, I agree with your suggestion that for present purposes any particular vouchers which I may require to inspect shall be produced; but payment of the account will be made without prejudice to the company's right to see later on, if necessary, all the vouchers relating to the account rendered." I ask permission to add that letter to Mr. Blow's evidence, so that it may show that the statement made by Mr. Blow is exactly in accord with the correspondence.

[Permission granted.]

Résumé of Grounds proving Debenture-holders and Crown made bonâ fide mistake of Law, and Crown's answer.

Dr. Findlay: In the half-hour which the limits of your time permitted me to address you last Thursday, I was striving to show that the Crown felt and recognised the force of the rule, "That where both parties to a contract enter into it in a *bonâ fide* and mutual misapprehension as to its legal effects, it is unconscionable for one of the parties to avail himself of that mistake in law so as to deprive the other of the very rights both parties thought the contract conferred." We say, and I am here to show, that all parties—company, Crown, and debenture-holders—believed and intended, when this money was lent by the debenture-holders, that they were, under the Act of 1884, getting a real first mortgage over this railway. The Crown, as I understand, meet this by two objections: (1.) The debenture-holders could not have believed they were getting such a security. (2.) Even supposing the Act of 1884 did confer such a security, we are not entitled to it—(a) Because the Act is not referred to in our debentures; (b) the Act provides only for a

security over the whole completed line, and our debentures purport to give security over a part; (c) the debentures do not contain the provision contained in section 11 of the Act of 1884, that the public revenues of the colony are not to be liable for their payment. I partly answered these objections as follows: The first, by showing that if the debenture-holders did not believe they were getting a first mortgage they then were deliberately lending on a security so intangible, hazardous, and worthless that no man in his senses would look at it. The second I answered by showing—(1) That through the debenture, trust deed, and Act of 1887 there is the plainest reference to the Act of 1884, and that any draftsman who knew his business would draw the debenture just as it is drawn here; (2) that section 11 of the Act of 1884 has merely been copied without point or purpose, probably from "The Harbours Act, 1878," and that, as no one ever dreamed the debenture-holders or other creditors of the company could have any claim to be paid out of the public revenues of the colony, the inclusion of section 11 in the debentures was not only unnecessary, but would have been absurd; (3) that the objection which has been urged by Mr. Bell at considerable length—that the debentures expressly give security over part of the railway, and have therefore no effect under the Act of 1884—is involved, and met by the broad answer that at the time the debentures were issued all parties, including the Crown, thought the Act conferred and warranted such security. I now proceed to establish these answers more fully. Mr. Bell, you will remember, discussed at length the terms of the Act of 1884, cited cases and read judgments to show how ridiculous would be the alleged assumption by the debenture-holders that they were getting a real effective first mortgage over the constructed portion of this line. Well, I am not going to follow Mr. Bell in rearguing here the Midland Railway case, as if it were before the Privy Council. I only desire to show you how our reading of this Act of 1884 misled us and others, and this I can do briefly.

How were the Debenture-holders misled by the Act of 1884?

What was the essential question for the debenture-holders? Did the borrowing power in the Act of 1884 appear to give the company a right to effectively and absolutely charge anything less than the entire and fully finished line? That was the essential question for the debenture-holders to consider when they lent their money—did the borrowing powers of the Act of 1884 give the company power to charge anything less than the whole line as completed? I submit, and Mr. Bell will admit, that we could borrow under our general powers as a company, give a security over our undertaking—give the security we now find we have got. Such a security could be given without any Act, and the Act of 1884 is absolutely useless as a means to help the company to raise money. A limited company has power under the Companies Acts to raise money on its property, and, if only its undertaking could be mortgaged, that could easily have been done under articles of association, and there was no need for a statute. Hence the first inference is that these borrowing powers given by the Crown were intended to have some special force—namely, to give the lender an independent statutory security over so much of the railway as was mortgaged to him. That was the natural assumption with which we began. Next, take the Act of 1881, and remember that the crucial question is, "Do the Acts give any power to charge a part of the railway?" I wish to show why we believed they did. Take section 52 of the Act of 1881. There it is provided that a company raising money can "charge the railway (and the whole or any portion of the lands granted or to be granted to it), or such part thereof as may be agreed upon, by way of mortgage, with all usual and necessary remedies, including a power of sale." Now, what is the meaning of the words "part thereof"? My friend says—and he is supported in his contention by the Privy Council—that they mean part of the lands; but we say it was reasonable that we should interpret them as meaning part of the railway as well as of the lands. Then, section 58 of the Act of 1881 provides, "The principal and interest secured by any mortgage over a railway shall be a charge not only on the railway, but over everything pertaining thereto, or upon such part or parts thereof as shall be expressed in the mortgage." This can have only one meaning, and that is where it refers to a part of the line without any reference to the question of whether the whole line has been constructed or not. Section 67 provides that, "if the principal or interest is not paid," the mortgagee may apply to the Court for an order that "such part of the company's property as is liable under the Act for payment shall be absolutely sold." Section 68 provides that "on such order such part ceases to vest in the company, and vests in the Receiver." As we say, we expected that the part of the line charged would vest in the Receiver on this order being obtained from the Court. All this, even under the Act of 1881 seemed wide enough to allow of an absolute mortgage of a part of the line. But now let us turn to the Act of 1884. Section 9 of that Act provides "that the company may from time to time under the authority of this Act take up at interest such sum of money as may be necessary for completing the construction of the railway, and for such purpose may issue debentures under this Act." I would ask your attention specially to the words "from time to time," and also to the words "be necessary for completing." I say the reasonable inference was that the company might raise money "from time to time" on the line as it was being constructed until it was completed, and give a valid security over such parts as were made. I pass on now to the question of on what were these debentures to be a charge. Section 13 of the Act of 1884 says: "All such debentures and the interest thereon shall be a 'first' charge on the entire assets of the company, including railway and everything pertaining thereto." Could anything be wider in terms. Note the words "first charge." The Act of 1881 says there shall be a "charge." I say this Act was drawn up by a lawyer, and, in using these words, "a first charge," he wished to intensify the provision that an absolute security was permitted over a part of the work. Surely it was intended to emphasize the absolute priority and unassailability of the security conferred by the Act. But the Crown now says this was never meant to give a charge on anything short of the whole railway. You gentlemen are familiar with the general way in which, when a company or individual lends money on chattels, there are words introduced into the security saying that it is over the entire assets of

the borrower. The security is unlimited, and yet Mr. Bell contends that the words "first charge" here, although they include the railway and everything pertaining thereto, do not include a part thereof. And yet we are told that no intelligent person perusing all this could believe there was power to charge a part.

Proof of Debenture-holders' and Company's bonâ fide Belief that a Valid Security over Part of the Railway could be given.

Now, I want to ask you, as touching on the question of the *bona fides* of the company, what did the company really give by its form of debenture? It expressly says,—(1) The portion of the said railway constructed out of the first issue of share capital, and (2) the further portions of the railway intended to be constructed out of the proceeds of the present issue of debentures, and (3) the grants of land. There, you will see there was no shuffling about it; the debentures expressly say the debenture-holders were to get a charge upon a portion of the line. Hence, in August, 1889, certain portions of the line were actually mortgaged to them. That is what their security said they were getting. Did they or did they not believe what was there said was true? Can it be said that this company was taking money from the lenders on something that was so absurd as a security that no intelligent person could be misled—taking money, knowing that a delusive and fraudulent charge was being given? And yet the *bona fides* of the belief of the company and debenture-holders is now questioned. Mr. Bell attempts to question a *bona fides* by the question, "Can it be supposed for a moment that the company or the debenture-holders could have believed that the company could construct the cheapest and best-paying portion of the line—a long line—and give an indefeasible mortgage over it, and then proceed no further, leaving the portion constructed in the hands of the mortgagees?" Mr. Bell made the very most of this. It has been raised against us at every point, as if it were a complete answer to my case. I say that both the statute and the contract give the plainest answer to such a question. They both specially provide for such a contingency. Section 17 of the Act of 1884 gives power to the Governor to come in and buy any portion of the line at bare cost. But this is more explicitly set out in the contract itself. I call your attention to clause 43 of the contract, which provides that if, under the provisions of the principal Act or of the contract, the Government takes possession of the railway or "any part thereof," then in lieu of taking possession he may purchase, although the ten years are not up, and although the railway is not wholly constructed, and pay only bare cost. I ask you to look specially at this second paragraph of that clause of the contract which provides for paying the bare cost. Is not that in precise terms what has happened here? First of all, the contract plainly contemplates the Crown taking possession of part of (not the fully constructed) line, and paying for it. I say the contract plainly contemplated what we have contended for all along, that we were getting a security which the Crown could only take from us by giving us a *quid pro quo*. Why should the Government pay for part of the line when they could get possession of it by forfeiture? The clause only applies where the Crown is entitled to take possession. Surely this clause 43 of the contract is intended to meet a case like this: it enables the Government to get rid of the debenture-holders who hold a part of the railway. The danger, as suggested by Mr. Bell, of the company constructing only the most profitable part and then stopping, is entirely met, for the Crown steps in, pays all the debenture-holders, and, having cleared-off mortgages, can deal with the company, taking the line constructed absolutely. There, then, is complete protection to the Crown, and there is the answer to Mr. Bell's criticism that we could not have believed we had security over a part. Suppose the Government had proceeded under clause 43 of the contract, what would the Crown have had to pay the debenture-holders? The bare cost of construction. There is 5 per cent. additional provided for under section 118 of the Act of 1881, but that would not then be added. Surely the debenture-holders, looking at all these things, were entitled to fancy the security safe, and that they could not be sacrificed for sins committed by the company; that they would at least be paid what their security cost them if it were actually taken from them.

Proof that the Crown shared the View that the Debenture-holders had an Absolute First Mortgage over Part of the Railway.

Now, let me turn to a further proof of their *bonâ fide* belief that they could take a valid mortgage of a part of the railway. You know that a draft of the trust deed and also the form of debenture were submitted by the company to the Agent-General, and by the Agent-General to his solicitors for perusal in 1889, before the debenture-holders lent their money. The correspondence on this subject was placed before the Committee in 1896, and is to be found in the Appendix to the Journals, 1896, I.—7, page 16. I wish to draw attention to the following letters:—

This letter is from the Agent-General to the Minister for Public Works, dated London, 26th July, 1899, and worded thus:—

SIR,—

[First part of letter on different subject.] The draft trust deed, of which I sent you a copy by last mail, having now been carefully considered in conference between Messrs. Mackrell and myself, the result is that they cannot advise me to accept the trusteeship under the conditions there expressed; in which view I quite concur. I enclose a copy of their letter to me, and I have accordingly requested them to inform the company's solicitors that my name must be withdrawn as a trustee.

I have, &c.,

F. D. BELL.

The enclosure was addressed to the Agent-General, and dated 26th July, 1889, from 21, Cannon Street, London, E.C. It ran:—

DEAR SIR FRANCIS,—

New Zealand Midland Railway.—We have perused the draft of the proposed trust deed and form of debenture, and send herewith a copy of the letter dated the 22nd instant, which we received from Messrs. Paine, Son, and Pollock, and which we read to you at our last interview. It is not possible to foresee what questions may arise

between the Government and the company in the future; and as the company propose to invest the trustees for the debenture-holders with rights, powers, and duties which, in the course of time, it may be necessary for the trustees in the interest of the debenture-holders to exercise and insist upon as against the company it may be (as has been the case under other contracts), that the trustees may be placed in a position in which their interests and duties may conflict with the powers and rights reserved to the Government under the contract with the company. In case it should become necessary for the Government to take any action in this country adverse to the company, or the interest of the debenture-holders, we presume that such action would be taken by the Agent-General; and in this view also, it seems to us, and we understood at our interview that you concurred in our opinion, inexpedient, to say the least, that the Agent-General should act as one of the trustees, unless indeed, after full consideration of the whole matter, the Government should desire that he should do so. You will, of course, not fail to remark that if the Agent-General accepted the office of trustee he would personally be bound to act to the best of his judgment, in concert with his colleagues, to protect the interest of the debenture-holders either as against the company (which the Government might wish to support) or against the Government if the company fell into difficulties, and the trustees were compelled to accept the responsibility of either carrying out the contract or making terms with the Government, which would secure as much as possible for the debenture-holders. Moreover, with an official representative as one of the trustees, the Government would be affected with notice of all that the trustees do or omit to do, and they might thereby, in time of difficulty, be far less free to act independently under the contract than if they had no voice, even indirectly, in directing or assenting to the course of action or inaction adopted by the trustees. On these grounds, therefore, we would recommend that you authorise us to reply to Messrs. Paine, Son, and Pollock's letter in the terms of the draft letter which we send herewith for your approval, subject to such alterations as you may suggest.

We have, &c.,

MACKRELL, MATON, AND GODLEE.

This correspondence shows that there had been a careful perusal of the form of debenture and of the trust deed, for it was then proposed that Sir F. Dillon Bell should be one of the trustees for the debenture-holders. I call your special attention to this clause in Messrs. Mackrell, Maton, and Godlee's letter: "In case it should become necessary for the Government to take any action in this country adverse to the company, or the interest of the debenture-holders, we presume that such action would be taken by the Agent-General; and in this view also, it seems to us, and we understood at our interview that you concurred in our opinion, inexpedient, to say the least, that the Agent-General should act as one of the trustees, unless, indeed, after full consideration of the whole matter, the Government should desire that he should do so." I pause here to observe how close was the relationship between the company and the Crown when it was proposed that the Agent-General should take the office of trustee. But this letter shows that the trust deed and debenture form were carefully examined, and the objections which I have read were specifically stated. Surely (1) If there had been any want of good faith on the part of the company in the way in which the debenture and trust deed were drawn they would never have been thus submitted to the examination of the Crown's solicitors in London; and (2) remember that the debentures expressly charge part of the railway. There is this further letter from Messrs. Mackrell and Co., dated 26th July, 1889:—

New Zealand Midland Railway.—We beg to acknowledge the receipt of your letter of the 22nd instant, upon which we have conferred with the Agent-General for New Zealand. After full consideration of the matter with us, the Agent-General instructs us to say that as at present advised, and in the absence of express instructions from his Government, he does not consider that he can properly and consistently with his position as the representative of the Government act as one of the trustees under the proposed deed. It will, we think, be evident to you, as it is to ourselves, that if the Agent-General were to act as a trustee he might in certain events be placed in a position in which his duty as trustee and as Agent-General would conflict. Under these circumstances we shall not, of course, attend the proposed meeting; but the fact of our not doing so must not be regarded as an approval by the Agent-General or ourselves of the draft trust deed or any of its provisions, upon which we should have had something to say if we had been instructed to deal with the draft on behalf of the Government or the Agent-General. The Agent-General desires us also to say that, even if he had felt able to accept the duties of a trustee of the deed, he would not in his position have accepted any remuneration, as proposed in the draft.

We have, &c.

And yet although we are told now that this was so obviously wrong that no intelligent person could have believed it possible, still the lawyers for the Crown in London to whom these documents were submitted never say a word about this. They knew, and the Agent-General knew, upon that form of debenture and trust deed it was proposed to raise some millions of money. And yet we must assume, I suppose, that they deliberately allowed these documents to pass without objection, although they contained the palpable deception of purporting to charge a part of the railway. I add this as a cogent proof that at the very commencement the Crown shared the view of the other parties that a valid charge of a part of the line could be given. Now, you will find, if you have traced the history of this matter as carefully as I have done, that every step from that date—1889—when the money was lent, speaks a genuine conviction in the company debenture-holders that this colony had by its statute of 1884 given them a real tangible security. But I appeal to a still higher authority. I appeal to the Premier and to Mr. Bell himself for convincing evidence that reasonable men—nay, that keenly legal minds—could believe, and did believe, as the debenture-holders did. You will remember that in 1892 a most elaborate inquiry was made by this Committee into the Midland Railway contract and into the provisions and the effect of the Acts of 1881 and 1884. The legal position of the debenture-holders was fully discussed and examined, and Mr. Seddon gave evidence before this Committee. I propose to show from his evidence that he undoubtedly believed that the debenture-holders had an absolute and indefeasible first mortgage on the parts of the railway referred to in the debentures. Let me read a few of the questions and answers showing this. Sir John Hall put the following questions to Mr. Seddon, then giving evidence:—

Can you tell me what would be the position of the debenture-holders at the end of the contract time and the railway not completed?—If we take the case put by Mr. Wilson that they are mortgaged, the mortgagees being secured to the extent of the debentures, then I take it they would foreclose.

Secured—secured on what?—On the railway.

The railway would become their property?—But still the Government might take it if they wanted it.

By paying for it?—Yes.

Again, further on, Mr. Seddon is still giving evidence, and this is what he said:—

Mr. Shera.] If the mortgage-holder foreclosed, have the company sufficient time to complete the railway itself under the contract?—It would all depend on their capital. We will suppose the capital were raised to-morrow; it would take three years; this is the opinion of experts—it would take three years to finish the line after they have got the capital.

Supposing they did not foreclose until the time had lapsed for completing the contract, have the company any further time to complete?—No.

In that case, would the line revert to the colony?—I do not think it. It has been taken for granted from beginning to end that the company is so strong that in dealing with it it has never been supposed for a moment that there would be a non-completion or breaking-down.

Mr. Bell (by permission of the Chairman.)] I should like to ask you, Mr. Seddon, whether the powers of the Government are not contained in the Railways Construction and Land Act—I mean in regard to the East and West Coast Railway—in the Act of 1881?—If so, they would be mentioned in the Act or in the contract.

Hon. Sir J. Hall: The Act of 1881 has nothing to do with this particular line.

Mr. Bell.] I am perfectly aware of that. The powers are contained in the Act of 1881, are they not, Mr. Seddon?—I think the whole must be read together.

What I want to know is whether your attention has been called to the powers of the Governor?—You have no power to impose any penalty.

In the event of unreasonable or inexcusable delay, does not the 123rd section of the Act give you power to complete the line?—Yes—that is, the main power. After reading the contract with the Act, I do not think, myself, that there are penalties.

This is the point I put to you: If the company does not go on with the work your only remedy is to complete the line, and you may work the two pieces at each end—you may work them and charge the company with the working-expenses and pay them any profits?—No; we have another remedy.

What is the other remedy, may I ask?—To take the two pieces.

And pay the cost of them?—Yes; it would be much better than to give the required guarantee.

I do not know whether you have power to take the railway at any time?—Yes; we can take any section of it.

You say you have that power?—I think so.

You might take these two ends and complete the space between, but if the railway is to be constructed you would not take these two ends, which you say are worthless, without making the line between them?—I think that would be a matter for consideration. You do not take into consideration this fact: that should the company do nothing under the contract there is such a thing as a Parliament in this country. I do not think Parliament, under these circumstances, would be dead altogether.

Are you aware that this railway would be the property of the debenture-holders, and not the property of the contractors, and Parliament could not take the debenture-holders' property from them?—Whether it is taken by foreclosure or otherwise, it will always be subject to the law for the time being. This will apply to the company.

Do you think *ex post facto* legislation would be passed by this Parliament to take the property of debenture-holders away?—I do not think it would be required for that purpose.

Then, I am to understand that this is the view you take of the present position of the Act as it stands?—I think the debenture-holders would be mighty glad to come to terms with the Government, and very easy terms. If they have dead money not paying interest, and not in the position of bringing anything in, they would be very glad to come to some arrangement. There is nothing to be feared from the debenture-holders; I do not fear them at all; they would be inclined to sell very cheap.

I think Mr. Bell will frankly admit that in Mr. Seddon's answers he acknowledges that this partial line was the property of the debenture-holders, and could not be taken from them because of this contract with the colony.

Mr. Bell: I think you should read question and answer 118.

Dr. Findlay: I will do so:—

I was asking you as to the powers of the Government?—I have formed my own conclusions. I have not been advised upon that point. I have formed my own opinion on that question.

The next is on page 106, where you will find this question put:—

How do you mean "losing their money" when they would get the line existing?—I mean to say that on the pieces of line constructed they would not get interest on their money, for it would simply take all they could get for working expenses.

I do not want to weary the Committee by reading further extracts from this evidence.

Mr. Bell: I think you should read question 9 and answer.

Dr. Findlay: I will do so. It is as follows:—

I think in your evidence yesterday you stated that the outcome would be that the Government would have to purchase the debenture-interest in the line?—I never said that. The question was put to me as a supposititious case, What would eventuate supposing the Government could not agree to the proposals, seeing that the debenture-holders had a mortgage on the property? I said I thought they could be very easily dealt with. Then Mr. Bell raised the question that we could not take over a piece of the line, but would have to take over the whole of it. Then he called my attention to a letter on the subject; and I said, and say again, that if the company did not make the line, the people who held the debentures would lose their money. There would have to be a re-forming of the company, and the debenture-holders would have to go into it or lose their money.

But question 10 shows as plainly as it is possible to be that in the minds of both questioner and witness there was no doubt that the debenture-holders had got as their absolute security "the existing line."

Rt. Hon. R. J. Seddon: You will find that repeated in what I told Mr. Young in London.

Mr. Bell: I say now, as I said then, that the Government could not take a bit of the line without undertaking to complete the rest.

Dr. Findlay: Well, I have read these questions and answers, and I will leave the inference to the members of the Committee. I do not blame any one, for I think we all, until the Act of 1885 came up in legal proceedings, and legal minds closely analysed these Acts—we all believed that the debenture-holders had a secure position. I am compelled to bring these matters forward to meet the statement of Mr. Blow and Mr. Bell that no "intelligent person" could read the Act of 1884 as giving the debenture-holders a first mortgage on the railway. Why, at page 175 you will find Mr. Bell himself summarising the legal position briefly, and plainly stating as a proposition of law that we had a charge over a part of the railway. He says there, "Clause 9 of the contract specially protects the rights of debenture-holders as assignees of the part of the railway charged in their favour." Now, Mr. Bell is there summarising the legal position as well as the position of facts, and he says, addressing this tribunal, that there is a charge on part of the railway; and I take leave to think that Mr. Bell honestly believed then, as we

all did, that this was a valid security and could not be confiscated by a Proclamation. I have done with that point, and will leave it there as a complete answer to the statement of Mr. Blow and Mr. Bell that no reasonable man could interpret the law as we did. I say it is a complete answer, for it is made out of the mouths of our own critics. Now, since 1892 the debenture-holders have consistently acted on the faith of this view of Mr. Seddon and Mr. Bell; but to still further make sure of their position, when the line was seized by the Crown they took the advice of the most prominent counsel in England, Mr. Swinfen Eddy and others, who advised them, without any reservation or qualification, that the statute of 1884 did give them an indefeasible first charge on the line constructed, and the colony could not confiscate their interests. But if a final and crowning proof of the *bona fides* of our belief in our legal position is wanted it is found in this: that, after the line was taken by the Crown, we met the earlier demands of the Government and paid some £38,000 to the Crown. That was money which was paid in cash out of their own pockets, and it went to the public coffers to enable the Government to construct the line. That money has, in the light of events, been absolutely thrown away as far as we are concerned, but surely its payment evinced a *bona fide* belief in our security. Can it be doubted that all these facts point to one conclusion? Can it be said that we were merely humbugging, and did not believe in the view I have placed before you? Such a contention is absurd. That ends the first part of what I have to say to you, and I now desire to summarise it in this way: (1) In 1889 all parties, including the Crown, thought that our security was unassailable; (2) in 1892 the Government still believed the debenture-holders' security could not be taken from them without paying for it; (3) from the very beginning the lenders were considered to be in a different position from the company; and (4) the colony had, by its right of purchase, its remedy, and protection against the debenture-holders getting possession of a piece of the line. I put it to you, sir, and to the Committee, that if there was an honest mistake in law—a mistake shared in by all parties—it is unconscionable of the Crown to say, "We will avail ourselves of that honest mistake, grab your security and pay you nothing." I venture to think that if a private individual were to take such an advantage of a mistake in law, which he himself shared, he would not be considered honest. If it was the honest belief of all parties, including the Crown itself, that there was a valid first mortgage, which the Crown could only dispose of by paying the debenture-holders the bare cost of their security—if that was the belief of all parties, how can the Crown now say to the debenture-holders, "Yes, it is true we thought our statute gave you a valid mortgage—it is true you and the company thought so too—but we find now that a strictly legal view of the statute gives us confiscatory powers under which we can take your security and pay you not a farthing." I say, then, this Committee should deal with this petition as if we had a real first mortgage; treat us as if you found it prudent, in the interest of the colony, to take this line from us under clause 43 of the contract—a clause plainly intended to meet such a case as this—and pay us the bare cost of the construction of our security. I have answered at some length Mr. Bell's criticism upon the *bona fides* of our belief in the validity of our security, because he made it one of the main, if not the main, grounds of his attack upon our position.

Part II.—Examination of the Counter-claim of the Crown.

I now pass to the counter-claim. The Crown says, "Even if you have constructed a valuable piece of the railway, which we have seized, still we have a set-off of something between £250,000 and £5,000,000 against you." Now, my first question regarding this set-off is, How does it arise? From what legal or moral grounds does it spring? The answer is: The Crown made a contract with the Midland Railway Company to build a line, and they have failed. Hence there are damages for breach of contract. But who made this contract? The company made it in 1888. The debenture-holders made no contract. They did not lend their money until a year or more after the contract was made. They have broken no contract. Why should this immense claim for damages be raised against them? "You are in the same boat as the company," says Mr. Bell. And having seized the debenture-holders' security for a default of the company alone, the Crown says, "We are now entitled to raise an account for damages for the company's default to justify our taking your security." Then Mr. Bell treated us to the Newfoundland case. Mr. Bell greatly relied on that case, but the case must be looked at in the light of its special facts. I am not going to weary the Committee by reciting all the facts of that case, but I say it is in no way helpful to a tribunal of this character. That case turned upon technical words in the company's charter. The facts were wholly unlike those in our case, and it is no help at all to this Committee to cite that case. But Mr. Bell has done so, and therefore I must ask you to be allowed to point out the differences between the two cases. The Newfoundland case was decided in February, 1888, before we lent our money, and Mr. Bell says it should have been a warning to us. Well, it is strange that if it was a good warning to us we should still have lent our money. The fact is the lending of our money is plainly consistent with our belief that our security was not affected by the decision of that case at all. English counsel of great eminence advised, regarding the Newfoundland case, before the Privy Council heard the Midland appeal, that it did not affect the position of the debenture-holders at all, and I submit that any business-man looking at that case and this would never have concluded that the two were at all the same in principle. In the Newfoundland case the company had assigned—what? "A portion of its undertaking and all their interest in the subsidy," to secure payment of certain bonds. The assignees were suing the Government of Newfoundland for payment of arrears of an annual subsidy and of certain lands which they said the construction of a portion of the line had entitled them to. That was not a case of the Government having seized the line and (as in the case here) the mortgagees trying to get their security or something for it. There the company had failed to complete the line, and yet the assignees were still suing for subsidy and land-grants. The Newfoundland Government naturally objected, and raised a counter-claim. But what was the test? Was there any-

thing in the company's charter giving the company power to borrow which would lead the lender to think the security was more than what the company could claim under the contract? What does the Judge say? The case is reported in Law Journals P.C.C. Vol. lvii., page 40: "The assignees, indeed, contend that the Act of 1881 and the company's charter contain certain provisions which in any controversy with the Government place them in a better position than the company. The charter contemplated that the company will borrow money, and says that it may do so and may issue bonds upon the faith of the corporate property. But their Lordships cannot find any indication throughout the whole of the documents which should lead a lender to think that the 'corporate property' is anything more than what the company may justly claim, or that he is in any other way to stand on higher ground than the borrower. That is the crux of the whole thing: Was there in our Act of 1884 anything which reasonably led us to believe that we were in a higher position than the borrower? What would the lender assume from the statutory power of borrowing given to the company? In the Newfoundland case the assignment was of part of their undertaking and interest in subsidy. Here the statute says a 'first charge on the railway and everything pertaining thereto.' To business-men, and evidently to eminent lawyers, the two cases were wholly different. The debenture-holders did find 'what should lead a lender to think that the "corporate property" was more than what the company could claim and that the debenture-holders did stand on higher ground than the borrowing company.' Hence it is idle to say that the Newfoundland case was a warning to us, or that the existence of that case shows we must have anticipated that our claim to the constructed line could be swamped by a counter-claim against the company. We are not in a Court of law, and, it is needless to remind us, as Mr. Bell seemed, in effect, to be continually doing, that we had no enforceable legal rights. I am not concerned, therefore, with the strictly legal aspect of this counter-claim; but on fair and equitable grounds I say: We, as debenture-holders, broke no contract with you, are not responsible in any way for the company's failure, and should not be punished for their default."

The Heads and Principle of Damages set up by the Counter-claim.

Now, I proceed to examine the heads of damage claimed. 1. What is the general principle upon which every Court limits the extent of the damages a man may recover for breach of contract? The party in default shall be held liable for all losses that may be fairly considered as having been in contemplation of the parties at the time the agreement was entered into. You cannot claim upon a contractor for losses which were never dreamed of when the contract was entered into. I need scarcely refer you to the leading case of *Hadley v. Baxendale* as ample authority for this. Another principle is this: the measure of your damages for breach of contract is what would it take you as plaintiff to complete the contract at the time the contract is first broken. I tell a man that I cannot or will not carry out my contract with him; or a plain breach arises in some other way. He cannot wait five or ten years and then come into Court and say, "See what I have suffered by this delay." The answer is, "The delay was yours. You are entitled only to such damages as would have arisen had you promptly, at the first intimation of breach, carried out the contract yourself, or had somebody else to carry it out for you." That is the rule of the law, and it is the rule of common-sense and justice.

Mr. Guinness: When was the first breach?

Dr. Findlay: The first breach or intimation of breach on which the Crown could act was in 1892. Now, let us see what kind of figure this counter-claim cuts in the light of these rules. 1. What was fairly in contemplation of the parties as to damages, at the time this contract was signed by the company and Crown? It is, in effect, contended that if this company had finished the railway—but had been ten years late in finishing it—that the Crown would have had a claim to £3,000,000 for damages for delay. Now, let us see where the company and the debenture-holders would have been if they had gone on till the railway was completed finding the money the Government demanded for its construction of this line. The Governor seized the line in 1895. We will suppose the work was pushed on and the line finished in five years.—(As a matter of fact, the Crown has constructed about four miles and a half a year since it took possession—that is, in five years.) All the demands of the Government for construction-moneys have been satisfied by the company or by the debenture-holders. The line is completed. Then the company or the debenture-holders come forward and say, "Will you give us our completed line back again?" "No," says the Crown. "Through your default the completion has been delayed for ten years. We have lost Customs duties, population, settlement, comfort, and convenience. We have a counter-claim for £3,000,000. The whole line is only worth, we say, £2,500,000. We will thank you to hand over to us the balance of £500,000, and we will cry quits." Can any one suggest that that kind of thing was in the contemplation of the parties when the contract was entered into? The claim would be laughed out of a Court of law even as against the company, and yet here—here it is urged against us as mortgagees in order to smother, so to speak, the equitable claim we have to this line. What would be the case between private individuals? I undertake to build a house for a man, and before the house is half finished the contractor abandons it, and I put on men and finish the job. I am entitled to claim all the extra expense I am put to, no doubt, in finishing the contract; but can I set up a further claim for deferred settlement, on the ground that my marrying and settling down has been delayed for want of a house, or that the girl has left the colony. I will not carry the analogy into the further head of loss of population, comfort, or convenience. But take a perfect analogy: A contractor undertakes to make a great main road through a rich district for £10,000, and breaks his contract after completing a third of it. Could the local body wait five or ten years, and then sue him for all the direct, remote, conjectural, and fancied damage the whole community thought it had suffered? Surely any reasonable tribunal would say, "What would it have cost you to construct this road promptly? What has it cost you to construct it more than

it would have done if your contractor had carried out his contract and constructed it? That and any other direct damage you have suffered you may get and no more." I ask you, then, to apply that rule here; and this brings me to the important question, What would have been the difference to this colony if it had constructed the line in five years from the date it took possession—finishing in 1900, and the company's finishing in 1900? I have worked this out on the Crown's own figures, and I think you will find the results are rather surprising. What, I ask, would be the difference to the colony between (1) the colony having completed the unconstructed portion of the line from 1895 to 1900; (2) the company having completed in 1900?

Total estimated cost of the whole line	...	...	...	£	2,830,000
Government says work done up to 1895	...	...	...		605,685
					£2,224,315

Hence, if the Crown had completed it, it would have cost it £2,224,315. But if the company completed it, Mr. Bell says the land-grants would be equal to 60 per cent. of the cost of construction. Hence the Crown would contribute towards the company's construction 60 per cent. of £2,224,315:—

60 per cent. of £2,224,315	...	...	...	...	£	1,334,589
Balance (portion of cost—40 per cent.—borne by company)	...	...	...	...		889,726

But if the Crown constructed the line the line would belong to the Crown. If the company constructed it, the line would belong to the company. Hence, if the company constructed, it would cost the Crown before the line could become Crown property—(1) the cost of the line, including 5 per cent. as provided by statute (saying nothing of interest) on cost of

Construction	...	...	...	...	...	£	2,335,530
But to this must be added what the Crown has already given in land-grants	...	...	...	...	...		1,334,589
Total cost to Crown to acquire (if company constructed)	...	...	...	...	...		3,670,119
Cost if Crown had itself constructed		2,224,315

Gain to colony by itself constructing since 1895		1,445,804
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But to this gain must be added what is saved to the colony by escaping the locking-up of the lands. If the Crown had determined the contract in 1895, and had broken up the reserved area, it would have had the gain of five years' freedom of about six million acres. What is this worth? Government says: Damage for fifteen years, £500,000; for five years, one-third, £170,000. Thus: £1,445,804; add £170,000: total, £1,615,804. This sum, then, of £1,615,804 is the gain to the colony if it constructed, instead of the company, the portion remaining unconstructed in 1895. Applying, then, the recognised principle that the damage is the difference between what it would have cost you to construct it yourself and what it would have cost you if the company had constructed it, we find on your own figures that you gain £1,615,804 by constructing it yourself.

Mr. Jackson Palmer: Would not that be a grand contract for the company?

Dr. Findlay: Probably so, if these figures are correct. I am taking the Crown's own figures regarding the cost to company and Crown of constructing, and am dealing with their counter-claim to show on these figures what they have lost. I say that is an answer to the contention that the colony has made this enormous loss, and that, if they had recognised the well-known principle that the damage is the difference between cost under the contract and the cost of the Crown's carrying out the contract, and if the colony had used due diligence in proceeding with this work, there could not have been this claim for damage. No doubt the comment of Mr. Palmer is perfectly right; but we meet it by the Crown's own figures. I say, then, that it was never in the contemplation of the parties—and could never have been in the contemplation of any reasonable man—that such a claim for such damages as this could be raised against us.

It was the Conduct of the Government that caused the Damage of which they now complain.

But let us look at the conduct of the Government in this matter. When a man comes into Court with a claim for damages, the Court will look critically at his conduct to see if the damages complained of could have been fairly avoided by prompt and proper conduct on the part of the plaintiff himself. Has he, in effect, been the cause, or one of the causes, of the damage of which he complains? That is the question. I propose to show that it would be most unfair for the Government to now make such a claim as they now raise, since, if damage there has been, they are responsible for it. Note the complaints: Land locked up for settlement for fifteen years; loss of population; loss of Customs; improved value of colonial estate, comfort and convenience of the public, &c. Suppose five-sixths of the line had been completed in 1892, and then the Government was informed that the company could go no further. Suppose such intimation justified the Government entering to finish the remaining one-sixth. Could the Government in such a case wait eight years to finish that one-sixth and then say, "Oh, we have now suffered £3,000,000 loss. The total line you have constructed is worth only £2,000,000. We will keep that to satisfy our claim for damages." It makes no difference that but one-sixth and not five-sixths was completed: the principle is the same. Surely the answer would be, "You had no right to wait eight years to complete the remaining one-sixth while this claim was mounting up. You might have entered and completed promptly." Well, what are the facts of the Government's conduct in this matter? In 1892 the company intimated perfectly plainly that they could not and were not going to complete their contract as it stood. The Government could then have determined the contract and entered and completed the contract. This was really their own view of their position. They

expressly claimed in the arbitration proceedings in 1895 that the company had given such an intimation of its inability to carry out the contract—such a declaration that it would not carry it out—that the contract was at an end. This is what the Crown expressly claimed in its reply to the company's claim in 1895. Counsel for the Crown says (see report of Midland Railway arbitration proceedings, page 4): "My second point is that the contract is at an end because the company have abandoned it, and expressly declared that they abandon the performance of a large portion of the contract—namely, the construction of the railway from Belgrove to Reefton." But this is more fully and explicitly stated in the Crown's formal reply (see appendix to the same proceedings, page 4):—

The respondent further avers that the claimant company not only failed to perform its contract, but has notified an intention to abandon a substantial part of the said works—to wit, that portion of the said railway-line which extends from Reefton to Motueka, a distance of over ninety-four miles; and, further, that, in pursuance of such intention, the claimant company in the year 1892 petitioned Parliament, alleging certain grievances against the colony, and, upon inquiry before a parliamentary Committee in that behalf appointed, counsel for the claimant company made the following explicit statement: "The company is at the end of its finance. To say that the contract is in existence for two years and a half is, in the sense Mr. Seddon says it, correct. But it is not so in the sense that I should use the words. The company is without funds to complete its contract: the company cannot raise the funds to complete its contract without some modification of the contract. It is true that the company has said that it could not raise the funds without the determination of the question of the incline, and of the question of extension of time; but the company has not said that the settlement of those two questions alone would enable it to raise the necessary funds. The real question which we have brought and desire to bring before Parliament through this Committee is this: Will you make a modification in the contract? because if not it is impossible for us to carry it out. We have not the funds, and without some modification we cannot procure the funds. Therefore, if the railway is to be carried out by this company, give us some modification. The claimant company by its attorney and general manager in New Zealand has repeatedly, both before and after the hearing of the said petition, unequivocally stated the intention of the plaintiff company not to proceed with the said works specified in paragraph 14 of this statement, except upon terms and conditions not included in the said contract.

What does that mean? That in 1892 the Crown was entitled to treat this contract as rescinded, and proceed with the construction itself. On their own representations they might in five years—the Premier says three years—from that date have completed the line, and hence avoid eight or ten years for which they now complain they will suffer enormous loss. But how did the Crown act in 1892? The company came in 1892 and said, "We have spent nearly a million on this line. Our finance is at an end; we cannot go on even if you give us further time. We cannot carry out that contract as it stands." Mr. Bell gave this Committee the plainest statement to that effect. What did the Government do? (1.) They would not agree to modify the contract. (2.) They would not agree to assist the company's finance as proposed. (3.) They would extend the time on certain conditions—a concession they might safely make, since the company had plainly said that would be of no use. They brought the most authoritative evidence they could get in New Zealand—their own Railway Commissioners—to prove that the company's contract was a disastrous one—one that could not pay, that would result in a loss, taking the mean of the Crown's estimates, of over £11,000 a year. "Help you?" they said in effect. "Help you? Oh, no. Your contract with us is too hopelessly ruinous." Surely if they could not help the company they should not have damaged its finance in that way. What the Government did was to maim the company's finance, and then leave it to crawl on broken limb until delay could justify seizure, confiscation, and then finally such a counter-claim as this. Why, if the colony was suffering this huge loss, was the contract not then determined, and the rights of all parties ascertained? That would have been the proper, fairest, and kindest course to the company. The one adopted was the cruelest that could be devised. It meant the company's sinking more money in this enterprise, doomed as it was to confiscation. It meant delay, irritation, and loss. And, again, what can justify the Crown's change of front from 1887 to 1892? In 1885, 1886, and 1887, up to the very time when the contract was signed, up to the time this money was lent, Ministers in the House, in their Public Works Statements, and on public platforms, were announcing in a most unqualified way that the line would pay from the very commencement as well as any line yet constructed in the colony. Did not one Public Works Minister (the Hon. Mr. Richardson) declare that it would pay 2 per cent. from the outset? He made that statement in a most elaborate speech, and giving data which had been furnished by his own department. Then, what a change there is in four years! When faith in the colony's prosperity was not so strong in London as it is to-day, when this company was struggling against financial difficulties—then, when it came to the Government for consideration, it got nothing in return but a blow in its weakest part. Up to the time the contract was signed public men told English investors that this was a fine, promising, profitable venture. But in four years the tune had changed! The contract had been signed, this money lent, and nearly a million had been spent by the company. Then the tune was that the company had a hopelessly disastrous contract. The best experts were brought to prove that it was hopeless to attempt to assist a company which had a veritable *damnosa hereditas* as this contract. Surely, Mr. Bell's indignation was justified, when, in addressing this Committee in 1892, he said (after quoting from the speeches of the Ministers of the Crown up to 1888 to show how magnificent a future was before this venture):—

It must be borne in mind that this is a speech of the Minister for Public Works, and that this, with the other statements I have read, was sent to England. These declarations of public men, and statements made by the Public Works Department, were sent to England to the delegates there, and used by them in the London market. They are not the statements of the delegates, but official statements of the Government of that day. And now I hear Mr. Gordon called by the Minister for Public Works to demonstrate that this railway can never pay; and Mr. Maxwell and Mr. McKerrow called with the intention of proving the same point, though their evidence has really shown that Mr. Gordon is utterly wrong. I am no expert, but I know that I am only prevented by the exigency of time from calling a mass of expert evidence to completely overwhelm and extinguish this evidence. But suppose Mr. Seddon is right in calling this evidence, what does he prove by it? Surely this, that the railway ought never to have been promoted, and ought not now to be made by the Government or by the company—that it is, and always will be, a white elephant. That is what Mr. Seddon is now proving—that the line cannot pay working-expenses in any hands, and therefore that it ought not to be constructed at all. But he is doing something more even than that: He is proving that the public men of the colony in 1886-87, with whom his district was practically associated, were utterly reckless in making the statements which induced this company to purchase a concession

which was worse than worthless; he is proving, from the Public Works Department, whose calculations the Minister for Public Works referred to in 1886 as showing a profit of at least 2 per cent., that the then calculations were utterly misleading, and he does not indicate when the discovery of their error was made, or why that discovery was not earlier communicated to the company. I submit that it is greatly to be regretted that this class of evidence was postponed by the Government till the close of their case—that we never had a hint from them that it was intended to present such a plea—and that they have thereby prevented us from meeting it. For the Committee know that we have now but a day or two at the outside when we can be heard before them, and I prefer to call no witnesses in rebuttal rather than to present hurried and partially prepared evidence on so important a part of the case.

And further on, referring to the statements or tables which the Government had put in to show that on the average we must lose over £11,000 a year on the working of the railway, Mr. Bell said:—

I must ask leave to speak two or three sentences with regard to these tables. The tables, sir, are unfair, misleading, and ought never to have been issued from any public department.

Now, Mr. Bell tells you that the real—the only—cause of the company's failure was insufficient share capital. I say that an appeal to practice will completely answer this criticism. I desire to say that a reference to railway company statistics will show that it is quite common to enter into large contracts with comparatively small share capital, the money necessary for the works being found by various means,—(a) mortgage debentures, (b) preferred shares, (c) deferred shares; and, provided there is a reasonable expectation of the works being reproductive, as we were led to believe by the colony this railway would be, there has never been any difficulty in raising the money necessary for constructing any number of railway lines. The New Zealand Midland Railway Company, it is true, had only issued £250,000 out of its authorised capital of £500,000; but it had power to issue the balance of shares, and its articles of association permitted the issue of preference stock as well as to increase the share capital if necessary. Then, there were the land concessions, valued at £1,250,000, which should materially have increased the facility of the company to borrow. Unfortunately, however, the decrying of the value of the land concessions throughout the colony, and also evidence I have just referred to, together with the many reiterated statements of public men throughout New Zealand in 1892 and onwards, that the line when completed would never pay oil for its wheels, debarred the company from being able to issue the further capital necessary or to finance. It must be borne in mind, too, that at the time the company was formed in 1885, investments in New Zealand were looked upon askance by the English investor, and it was only through the high standing and the great exertions of the directors that the company was formed and enabled to float the first issue of the £250,000 in shares and the £745,000 in debentures issued in 1889. Nearly all large British railway companies, as well as American and foreign companies, have had to rely upon various means of borrowing in excess of their ordinary share capital by preferred and deferred shares, as well as by debenture stock, to complete their original undertakings. The Midland Railway Company did then just what other similar companies did, and if the difficulties and opposition I have referred to had not been encountered, we would have been able to carry through. But still another change comes over the scene. In 1885, 1886, and 1887 Ministers of the day declared that success and profit safely lay before this undertaking. In 1892 the Government brought forward evidence to prove that failure and loss were its inevitable fate. In 1900 the Government lead evidence which is consistent only with the conclusion that the company's default in not carrying out the contract is inexcusable, and that it would have paid us well and been a success. The inference, indeed, from all we heard from increased traffic, enormous increase of population, tourist traffic, &c., is that we had a fine profitable undertaking, and should have gone on and prospered. Do these changes of front seem fair? Are they sincere? I say that, looking at the Crown's rights to enter and complete the line in 1892—looking at the Government's conduct then, and since then, and its effect upon our finance—it is really unjustifiable to now raise this claim against us, even if other grounds warranted it. If such a claim was contemplated why was the company not told plainly in 1892, "If you do not finish in contract time we will raise a counter-claim for damages." Instead of that a recommendation is made that the contract time shall be extended; and in 1893 and 1894 it is the same?

If this Huge Loss was being suffered by the Colony why has the Crown delayed Construction?

But look at another phase of this matter. It is over five years since this line was seized by the Government. There was no limit on the rate of construction. The Government might have put on any number of men, and have finished before to-day. But instead of that they crawled on, and in five years have constructed about twenty-two miles at most. And now they seek to make us responsible for delay. In 1895 they seized the line for wilful default. Why did they not end the contract then? In one way it plainly suited the Crown's purpose to keep the contract alive, for otherwise they would not have got a penny out of the debenture-holders, whereas they got, after seizure of the line, nearly £40,000 out of our pockets towards construction, and now they say they suffered a loss of £300,000 a year by the delay! I say, then, that that entirely alters the position, and that they must accept the responsibility for the delay. Dealing next with the second rule, that a man is not entitled to damages which his own prompt action should have avoided, I say the Government have either deliberately sanctioned this delay, being a party to it, or they are themselves solely responsible for it and for any loss they have suffered. "Oh, but," Mr. Bell implies, "this delay, this refraining from cancelling your contract, was out of consideration for you." Consideration for us! We told the Committee in 1892 that we could not carry on the contract: that performance by us was impossible, and that an extension of time alone was of no use to us. We said we could not carry it out as it stood. The Crown thereupon sat down and did nothing while we were hopelessly spending more money on the line. Then, after three years' delay the Crown seizes the railway, and says, "Clear out. We take your line and will give you nothing." Can it be pretended that it would not have been better for the company,

irrespective of the debenture-holders, if you had determined this contract in 1892? Everybody would have lost less. Then, as regards the debenture-holders and their position in 1895 after the Crown had seized the railway, Mr. Bell suggests that the slow rate of construction was out of consideration for the debenture-holders, because the demands upon them for greater sums could not have been met. Why, this was the cruelest wrong of all. Mr. Blow, in answer to Mr. Fraser, candidly admitted that the Crown, from the very time of seizure, never expected the railway to return to the company or debenture-holders—that they never expected we could find all the demands necessary for complete construction. Confiscation, then, we must suppose the Crown knew from the time of seizure was inevitable. But it was a kindness, we are told now, to construct slowly and demand only so much money as we could pay, for if the Crown had constructed promptly and greatly increased the demand we could not have paid. And what has been the net result of this kindness: this charitably slow construction? The Crown got over £38,000 in hard cash out of our pockets, which would have been there yet if your demands had been as great as a vigorous carrying-on of the works would have made them. Plainly, then, from no point of view has this delay been a kindness to us. We and everybody else are the worse off for it. And the Crown is responsible for it. I pass now from that subject and come to some analysis of the details of the counter-claim. First, as to the evidence by which it was supported. A number of worthy gentlemen have come here and talked of thousands, of hundreds of thousands, of millions. Most of them had made no calculations; could give no details. I confess it struck me very much like a guessing competition, in which the bigger your guess the better your chance of the prize of the Crown's approval. It was to their credit that while they answered readily enough to the rein in Mr. Bell's hands, they did not like the hurdle of an estimate in money. To name a figure seemed, even to themselves, too much like a solemn farce. I could not help recalling, while Mr. Michel, Mr. Staines, and Mr. Roper, and some other witnesses, as to damage, were giving evidence, and were hopelessly groping among hundreds of thousands and millions, a learned Judge's comment upon some one in a similar position, as "A blind man looking for a black hat in a dark room, the hat in question not being there." Let us glance at the figures. Here are the estimates of the loss to the colony given by the Government witnesses:—

	£
Thomas Humphries, Chief Surveyor, &c., Nelson	540,000
Charles Louison, Merchant, Christchurch	450,000
E. W. Roper, Merchant, Christchurch...	5,000,000
W. Acton-Adams, Sheep-farmer, Canterbury	250,000
A. D. Bayfield, Land Agent, Westport (something under)	1,000,000
G. Mueller, Commissioner of Crown Lands, Auckland (Westland alone)	569,650
H. L. Michel, Merchant, Hokitika (about)	1,000,000
J. F. Byrne, Chairman, County of Westland: "Agrees with Mr. Michel's estimate of loss, but thinks Mr. Michel has underestimated it."	
D. J. Evans, Clerk, Westland County Council: "Thinks Mr. Michel's estimate a low one, but has not gone into any calculation."	
T. H. Bannehr, Editor, <i>Nelson Colonist</i>	437,000
John Staines, Chairman, Westland County Council: Has made no calculation of what the loss amounts to, but estimates it at "hundreds of thousands of pounds."	
Colony's estimate—"Moderate."	3,000,000

It is difficult to take this evidence really seriously. In the hands of men who, like Mr. Acton-Adams, have gone into figures and attempted to work out by some kind of calculation their results it is little better than pure speculation. But in the hands of men who have not put down a figure or attempted a computation it is sheer waste of time. It requires no West Coast "Daniels come to judgment" to tell us that the construction of this railway would have been a gain to the colony. Is there anywhere in the world where the existence of a railway would not be a gain? I agree, then, with the Crown where they say this line constructed would have benefited the colony. But one has only to glance at Mr. Bell's estimate to see how misconceived and misleading it is as a counter-claim against us. There are three broad heads. First, the land has been locked up for settlement for fifteen years—that is, irrespective of railway-construction. The answers to that are these: (1.) The land was not reserved until 1885. Why was not that land settled earlier? For twenty years and more before 1885 there was a larger population on the West Coast than there has been ever since. Why, then, was there such small settlement? The East Coast was settled long before 1885. The fair inference is either that the land was not fit for settlement or was not greatly wanted. My second answer is clause 33 of the contract. It is claimed that owing to the contract the land has been locked up, and that as the Government was powerless to prevent that locking-up it can claim damages for this. I say (1) that a ready means was provided of settling the reserved area in Nelson and the West Coast; (2) that the Crown never tried to avail itself of that means; (3) that, in fact, it prevented that means being used. I refer to the contract, section 16, which provides that, subject to certain exceptions, the company may select over the authorised area. If now you will refer to section 33, and read its seven sub-clauses, you will see what its general object is. Section 33 is as follows:—

33. So far as respects any lands within the authorised area in the Nelson and Westland Land Districts, on the western side of the main range of mountains, and being available for selection by the company under clause 16 hereof, the Queen shall, from time to time, on the request of the company, sell any such lands for cash, or on deferred payments in such manner as may be agreed upon between the Queen and the company, or may let the same on lease, to any person or persons desirous of purchasing or leasing the same, subject to the following provisions:—

(1.) The company shall, in writing, authorise such person or persons to make choice of the land required, and choice shall be made in conformity with the Survey Regulations for the time being in force both as to the shape and frontage, and as to all other particulars.

- (2.) Upon the company requesting the Queen so to sell or lease any land, the Queen shall forthwith cause the value of such land to be assessed at a price not being less per acre than the certified valuation per acre of the block, and the value of the remainder of the block shall be deemed to be the certified valuation of the whole block, less such assessed value of the portion disposed of.
- (3.) In the case of a purchase, the amount to be paid by such person or persons for the purchase of any such land shall be fixed by the company, but shall not be less per acre than the value assessed by the Queen under the last-preceding paragraph; and on payment by the purchaser to the Queen of a deposit of 10 per cent. of the purchase-money, together with the estimated cost of survey of the land required, the Queen shall cause the same to be surveyed, and, after completion thereof and payment of the balance of the purchase-money has been made to the Queen, and on the further request of the company in writing, the purchaser shall be entitled to receive a grant of the lands so purchased.
- (4.) In the case of a lease, the rent or royalty and the terms and conditions of the lease shall be agreed upon between the Queen and the company; and the applicant for such lease shall, at the time of such application, pay to the Queen the estimated cost of survey, and, before the execution of the lease, shall also pay one half-year's rent in advance; and so soon as the company shall have earned such grants of land as to entitle it to receive a further grant of such value as may be shown by the assessment hereinbefore mentioned of any land so leased as aforesaid, then the Queen shall, on the request of the company, issue to it a grant of such land, subject to then-existing lease.
- (5.) All purchase-moneys, rents, or royalties received or collected under these provisions shall be paid to the Receiver of Land Revenue of the district in which the land is situated, who shall pay the same into the Receiver-General's Deposit Account; and all such moneys, rents, or royalties shall from time to time be taken into account as provided by these presents, and the whole or part thereof, as the case may be, shall be paid over to the company on its request, after it shall have become entitled to the same in respect of grants of land earned in accordance with these presents.
- (6.) In the event of any lands being sold under this clause upon any system of deferred payments, or being disposed of by way of lease, the duty and cost of collecting or enforcing all such deferred payments, or compelling payment of any rents or royalties, or enforcing the covenants and conditions of any such lease, shall devolve on the company, which shall collect and receive such payments, rents, or royalties as the agent of the Queen, and shall forthwith pay the same, without any reduction, to the Receiver of Land Revenue as aforesaid, to be dealt with under these presents; and the Queen shall from time to time grant to the company such power or authority as may enable the company, in the name and on behalf of the Queen, but at its expense, to recover or receive any moneys due or payable on deferred payments or under any lease, or otherwise to enforce the performance of the covenants and conditions contained or implied in any such lease or contract for purchase on deferred payment.
- (7.) When any land has been so sold or let by the Queen under these provisions the same shall be deemed to have been selected by the company, and the value thereof shall from time to time be debited against the company in the account mentioned in clause 24 at the price at which the same shall have been so assessed as aforesaid.

On selection by the company of the remainder of a block within which land has been so sold or let, the value thereof shall be the amount of the certified valuation of the whole of such block, less the assessed value of such lands as shall have been so sold or let.

Now, the East Coast land is open, and not bush. It could be taken up for pastoral purposes in large areas, and was so taken up. You will notice that the Crown has not in this claim made any great point of settlement being blocked in Canterbury. They know that the land there has been used for sheep-farming purposes under licenses, notwithstanding the restrictions, and has produced perhaps as much as it would have done had there been no reserved area there at all. It is on the West Coast and Nelson that they claim great loss for blocking settlement. Now, when the contract was made it was seen that land in West Coast and Nelson was not fit to be taken up in large areas; that it was mainly bush land—would have to be cleared; and that settlers would not be content—would indeed be unable to deal with and clear more than three or four hundred acres. It was also seen that it could not be expected that this clearing would be done by men unless they could get some security of tenure; and moreover, it was felt that if this security of tenure could only be given when the company had actually earned the grant of such land, the clearing and consequent settlement might be unduly delayed. What then was done? Clause 33 was inserted in the contract to enable the company to send on applications for such areas to the Crown, and get the Crown to give a title immediately—"forthwith cause value to be assessed." This applied to the whole of the land in the West Coast and in Nelson District, on the western side of the main range, so that the whole of these lands might have been settled as soon as applied for; the purchase-money or rent being paid into the Crown's hand, and held until the company should get all, because it was entitled to the money. Surely that was a simple means of avoiding this disastrous locking-up. And yet what happened? I proceed to show that the Crown, so far from facilitating this means, seemed to place every obstacle in the way of its operation. Upon this point there can be no doubt, because we have the whole correspondence between the Government and the company in respect to it. It all appears in the appendix to the proceedings when the Midland Railway petition was before your Committee in 1892. The correspondence is not new to my friend Mr. Bell, for he put it in on behalf of the company in 1892; and I use it now merely as an answer to the charge that we are responsible for this blocking of settlement, and have caused this colony's loss in this way alone of £500,000. I have taken only a few of the letters out, but if Mr. Bell wishes to have the whole of the correspondence put in I shall not object. Here is the correspondence:—

Correspondence relative to the Selection of Land under Clause 33 of the Midland Railway Contract.

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

SIR,—

New Zealand Midland Railway Company (Limited), Christchurch, 23rd June, 1890.

In dealing with small applications for land within the authorised area, under clause 33 of the Midland Railway contract, we have hitherto understood that the fact of the Commissioner of Crown Lands handing to the company his assessment of the land applied for included the assent by the Government to the sale of that land, and that before handing it over he had taken any necessary steps to ascertain whether the particular land might be so dealt with. As evidence of this the assessments have provided for applications about which there is any doubt being advertised. It was therefore deemed unnecessary to refer such applications direct to the Minister for the two months mentioned in clause 29 of the contract, but the Commissioner of Crown Lands for Nelson has written me, under date of 20th instant, stating that it is necessary to do so. This clause was not intended to apply to dealings under clause 33, but to selections by the company of whole blocks.

The delays which must necessarily arise from every small application having to be first referred to the Commissioner for assessment, and then to the Minister for a period of two months, will be so great as to be a serious delay

to applicants, and greatly hinder any dealings with such lands; while clause 33 was inserted to facilitate prompt dealings with small applications. Such delays will be made a public grievance if it thus becomes impossible for the company to meet the natural demands of settlement by dealing with lands under this clause.

The difficulty may be avoided by the Government authorising the Commissioner of Crown Lands for the district to give its assent at the same time as he makes the assessment; and I have the honour to suggest that you should cause such a course to be adopted.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works, Wellington.

This letter begins a series in which the company again and again try to remove obstacles to settlement. Here is the reply:—

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

SIR,—

Public Works Office, Wellington, 29th August, 1890.

Re *Midland Railway: Land Selection*.—In reply to your letters of the 23rd June and 4th ultimo on the subject of the procedure to be adopted in effecting sales or leases of land under clause 33 of the Midland Railway contract, and applying for authority to lease certain land to Messrs. Morris and Watson and party under the provisions of the clause referred to, I have the honour to inform you that this matter has received very careful consideration. The Government is, however, advised that, although clause 33 provides a special mode of dealing with the lands on the western side of the mountain-range, it does not shut out the provisions of clause 29, and that the usual notification under the latter clause must be made in all cases. The Government is further advised that there is no power which would authorise a Minister to delegate his functions in this matter to the Commissioner of Crown Lands.

With regard to the application of Messrs. Morris and Watson and party for the land referred to in your letter of the 4th ultimo, I regret to have to state that, as the land in question is partially auriferous, and in the opinion of the Governor is likely to be required for *bonâ fide* mining purposes, and the several purposes connected therewith or incidental or conducive thereto, it comes within the exceptions specified in clause 16 of the contract, and I have, therefore, to object to its being dealt with as desired.

I may add that steps will be taken to set apart and define such lands by Proclamation as required by the contract.

I have, &c.,

T. FERGUS, Minister for Public Works.

R. Wilson, Esq., General Manager, New Zealand Midland Railway, Christchurch.

This is the beginning of the impediments put in the way of settlement. But listen to a still more strongly worded appeal to the Government to avoid delay and co-operate with the company in facilitating settlement:—

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

SIR,—

New Zealand Midland Railway Company (Limited), 9th September, 1890.

In reply to your letter of the 29th ultimo, while not concurring in the opinion that a reference to the Minister under clause 29 of the contract is necessary in cases of dealing with lands under clause 33, I have the honour to point out that my suggestion was not that the Minister should delegate his functions under the contract to any officer, but merely that he should instruct the Commissioner of Crown Lands (whose duty it is, as already arranged, to assess the value of all lands to be dealt with under clause 33) to advise the Minister at the same time whether there is any cause for his objecting to the particular land applied for being dealt with, and that the request of the company for an assessment of the land shall be sufficient notification to the Minister under clause 29, assuming that he be entitled to such notice.

By this means much loss of time and inconvenience to applicants would be avoided, as, if necessary, the whole two months would have to elapse should the Minister, or the Commissioner of Crown Lands on his behalf, not earlier notify his agreeing to the company's dealing with the particular land; but if the notification thus came to the Minister, through the Commissioner of Crown Lands, whom I presume to be the official land officer, and who is consulted on all land matters in connection with his district, I imagine that the Minister could consent or otherwise to particular pieces of land being dealt with in much less time than two months. Already applications have to be advertised for a month, and it would seem possible, immediately that time expired, to ascertain, in the majority of cases, whether there is any need for delay. Should it be necessary to make further inquiries in particular cases, further time could, of course, be taken up to the two months or longer, if necessary, by arrangement with the company.

Shortly after the signing of the Midland Railway contract, 1888, an arrangement was come to with Ministers that the company should communicate direct with the Commissioners of Crown Lands on these subjects, expressly to save the delays which the exigencies of the post and other causes would create if a reference to the Minister was necessary in all cases.

In the past, owing to the peculiar difficulties of the situation, there has been among the inhabitants of the district concerned considerable dissatisfaction with the delay in dealing with the lands, and for this they have blamed the company; but it is becoming known that now and for the future the delays do not rest with the company.

In making such a suggestion the company is not asking the Minister to delegate his functions, but merely to execute those functions through some officer, with whom the company, to save time, can be in direct communication, the Minister obviously being unable to attend to all detail matters personally.

The company's chief wish and interest is to assist in every possible way the spread of settlement within its area by giving every facility, within the rights of the Government and the company, for carrying out speedily sales to all applicants, and I have no doubt that the Government equally wish to assist in such a desirable object.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works, Wellington.

Now, the tone and purport of that letter shows how anxious the company was to foster and promote settlement, and we will see how the Crown assisted this aim; but, first, take another letter from the company:—

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

SIR,—

New Zealand Midland Company (Limited), Christchurch, 15th September, 1890.

Referring further to your letter of the 29th ultimo, and mine of the 9th instant in reply thereto, as the company does not wish to cause delay in dealing with any western lands under clause 33, but is anxious to assist settlement, I have now the honour to enclose a list of 209 applications which the company wishes to deal with at the earliest possible date. Some of these have been assessed by the Commissioner of Crown Lands, others have been sent for assessment, but are not yet returned.

This list is forwarded without prejudice to the question as to whether it is compulsory for the company to refer the applications to the Minister, under clause 29 of the contract.

I have further to request that you would be good enough to notify your consent, or otherwise, as early as possible.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works.

[NOTE.—Similar letter of 23rd September, 1890, a list of twenty more applications was forwarded.]

You will note that these applications for land were sent in on the 15th September, 1890, and yet we will find none of them were dealt with by the Crown for over two years, and I will now give a sample of the kind of obstruction the company had to meet:—

The ASSISTANT UNDER-SECRETARY for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.
SIR,— Public Works Office, Wellington, 7th October, 1890.

Midland Railway: Land Selections under Clause 33 of Contract.—I am directed by the Minister for Public Works to acknowledge the receipt of your letters of the 15th and 23rd ultimo respectively, forwarding lists of lands which the company wishes to deal with in terms of clauses 29 and 33 of the Midland Railway contract.

In reply, I am to state that the several parcels of land referred to in the lists forwarded are so insufficiently described that in many cases it has been found impossible to locate them. I am therefore to request that you will kindly supplement the information already supplied by furnishing the numbers of the sections in each case, and also by indicating their position on a lithograph plan of the district.

I have, &c.,

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

Robert Wilson, Esq., C.E.,

General Manager, New Zealand Midland Railway Company, Christchurch.

Now, the reply to this letter shows how really frivolous is this objection and easily, if the Government were anxious to assist settlement, they could have expedited it.

The GENERAL MANAGER, Midland Railway Company, to the ASSISTANT UNDER-SECRETARY for PUBLIC WORKS.
SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 28th October, 1890.

Land Selections under Clause 33.—Referring again to your letter of the 7th instant, to which a reply was sent on the 9th instant by telegraph, as follows: "In reply your seventh, is it not sufficient that particulars asked for have already been supplied Commissioner of Crown Lands. What you will ask will take some time, and applicants irritated by delay"—though we have not heard from you in reply, I would again point out that sufficient information has been supplied the Commissioner of Crown Lands to enable him to locate the various applications. It would be impossible to furnish the numbers of the sections, as in most cases the applications are for unsurveyed lands, and in few instances are the existing lithographs of the Nelson District sufficiently accurate to enable us to locate the applications on them. The only maps on which they can be properly located are those in the possession of the Government or District Land Office. The large scale-plans of the authorised area furnished by the Government to the company are also so inaccurate as to be of little use in locating these applications.

I believe that the Commissioner of Crown Lands has been able, from the information supplied to him, to determine the position of all the applications, and will be able to advise the Government on the subject.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),

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

H. J. H. Blow, Esq., Assistant Under-Secretary for Public Works, Wellington.

That letter, I repeat, shows how easy it would have been for the Crown to have co-operated with the company to help settlement if it had really wished. Here is the reply:—

The ASSISTANT UNDER-SECRETARY for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.
SIR,— Public Works Office, Wellington, 31st October, 1890.

Re Midland Railway: Land Selections under Clause 33 of the Contract.—I have the honour, by direction of the Minister for Public Works, to forward herewith, for your information, copy of memoranda of instructions re the above, recently issued by the Hon. the Minister of Lands to the Commissioner of Crown Lands at Nelson and Hokitika.

I have, &c.,

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

Robert Wilson, Esq., C.E., General Manager, New Zealand Midland Railway Company, Christchurch.

Then we find inclosed memoranda of these instructions: you will find much made of regulations and instructions, ending finally in the Crown discovering they had no power to make them; but these regulations seemed almost intended to block settlement. Listen to what Mr. Wilson says:—

The GENERAL MANAGER, Midland Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.
SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 11th November, 1890.

I have to acknowledge the receipt of your letter of the 31st ultimo, forwarding copy of proposed instructions to the Commissioners of Crown Lands of Nelson and Westland, as to dealing with land under clause 33 of the Midland Railway contract, and to point out that in some respects these instructions would be unworkable, and are at variance with the Midland Railway contract. The chief objection is to advertising the lands before the assessment be made by the Commissioner. It is obvious that the applicants will not go to the expense of advertising until they have come to terms with the company as to the price, &c., and, of course, the company cannot fix their selling price until the assessment be made. It is necessary, therefore, for the assessment to be made before the application be advertised, and at the same time as the Commissioner makes his assessment he should state whether there are any objections within his knowledge to the land being dealt with, leaving only open any objections which may be called forth by the advertisement.

Further, if the routine proposed by these regulations were adopted, it would mean, first, that a month must elapse before the applicant had agreed to advertise; then, obtaining the assessment would probably take another month; and the consent of the Minister would occupy another two months. Thus, it would take four months before any piece of land could be definitely dealt with. The contract, however, provides that the value shall be "forthwith" assessed; and, even if the provisions of clause 29 apply to sales, under clause 33, which the company does not yet admit, the longest delay allowed by the contract is two months, and not four months.

For convenience I enclose a draft of some alterations which I would suggest should be made in your instructions to the Commissioners of Crown Lands.

As the present applications have been held over a long time, I have the honour to request that you will give the matter your earliest attention.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),

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

The Hon. the Minister for Public Works, Wellington.

Here again an honest desire shown by company to push on and facilitate settlement, while Crown really blocking it. I read another letter to further emphasize this:—

The GENERAL MANAGER, Midland Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.
 SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 11th December, 1890.
Regulations for dealing with Lands under Clause 33 in Midland Railway Contract.—Referring to the suggested amendments to the regulations which I sent you on the 11th ultimo, I have the honour to state that—on further inquiry, I find that it will be extremely injurious to the interests of settlement in the districts concerned if the two-months' reference to the Minister must always elapse before any land can be dealt with. I hope you will, therefore, see the necessity of devising some means for doing away with such a long delay.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
 ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works, Wellington.

Here is a telegram in the same strain, to stir up the Government :—

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

(Telegram.)

Christchurch, 27th January, 1891.

HOPE can count on your assistance to get regulations settled for dealing with lands in Westland. Waiting reply to letter 30th December to Minister Public Works.

ROBERT WILSON.

Hon. R. J. Seddon, Wellington.

Here is the reply, which again shows obstruction :—

The ACTING ENGINEER-IN-CHIEF to the GENERAL MANAGER, Midland Railway Company.

SIR,—

Public Works Office, Wellington, 7th February, 1891.

Re *Midland Railway Regulations for dealing with Lands under Clause 33 of the Midland Railway Contract.*—I am directed by the Minister for Public Works to acknowledge the receipt of your letter of the 30th December last relative to advertising applications for lands under clause 33 of the Midland Railway Contract as required by the draft regulations for dealing with these lands forwarded for your concurrence on 23rd December, and intimating that, should the Government be about to make large reserves for mining purposes, the system of advertising proposed would not be necessary.

In reply, I am to state that the question of the reservation of land for mining purposes has not yet been decided by the Government, but, under any circumstances, the Hon. Mr. Seddon considers that it will be necessary for all applications affecting lands under clause 33 to be duly advertised.

I have, &c.,

WM. H. HALES, Acting Engineer-in-Chief.

R. Wilson, Esq., C.E., General Manager, Midland Railway Company, Christchurch.

Does that letter look like anxious desire to facilitate settlement? Read it with this reply :—

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

SIR,—

New Zealand Midland Railway Company (Limited), Christchurch, 10th March, 1891.

Regulations for dealing with Lands.—We are being much pressed by applicants for land on the West Coast to deal with their applications, which have been held over some time pending the settlement of the regulations for dealing with these lands. As the interests of the district are suffering considerably, we must ask you for an early reply to our letter of 10th February, in order that we may proceed at once.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),

The Hon. the Minister for Public Works.

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

What was the reply? Mr. Wilson is asking for a reply to his letter of the 10th February, and on the 25th March, six weeks after, this is what the department writes :—

The ACTING ENGINEER-IN-CHIEF to the GENERAL MANAGER, Midland Railway Company.

SIR,—

Public Works Office, Wellington, 25th March, 1891.

Re *Midland Railway Regulations for dealing with Lands under Clause 33 of the Midland Railway Contract.*—In reply to your letter of the 10th instant, requesting an early answer to your previous letter on the above-mentioned subject, I have now the honour, by direction of the Minister for Public Works, to inform you that the matter awaits the return of the Hon. the Minister of Lands to Wellington, now shortly expected.

I have, &c.,

WILLIAM H. HALES, Acting Engineer-in-Chief.

R. Wilson, Esq., C.E., General Manager,

New Zealand Midland Railway Company, Christchurch.

This is a fair sample of the delay for which now we are told we are responsible. Still another protest from the company :—

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

SIR,—

New Zealand Midland Railway Company, Limited, Christchurch, 10th July, 1891.

Referring again to my letter of the 10th February last, forwarding draft regulations for dealing with lands under clause 33 of the Midland Railway contract, and to subsequent correspondence and interviews with yourself and the Hon. Minister of Lands on the same subject, I have the honour to again bring under your notice: (1.) That the districts concerned are being greatly retarded, and settlers put to much inconvenience, and are even leaving the districts through the locking-up of lands; (2.) that the company is not only incurring a present monetary loss through losing opportunities of making sales of land, but will also seriously suffer in the future from a traffic point of view through the delay of settlement along the line of railway.

I desire, therefore, again to point out that the responsibility rests with the Government both in respect to the stoppage of settlement in the West Coast districts and in respect of the restrictions placed in the way of the company realising its land grant, which are contrary to the terms of the Midland Railway contract.

Trusting you will give the matter your early attention.

I have, &c.,

For the New Zealand Midland Railway Company, Limited,

The Hon. the Minister for Public Works.

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

Now we find a striking example either of indifference or opposition to our efforts to settle these lands. The letters speak for themselves :—

The ACTING UNDER-SECRETARY for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.

SIR,—

Public Works Office, Wellington, 22nd July, 1891.

Re *Midland Railway Regulations for dealing with Lands under Clause 33 of the Midland Railway Contract.*—I am directed by the Minister for Public Works to acknowledge the receipt of your letter of the 10th instant, calling attention to the alleged delay in the matter of opening land for settlement, under the Midland Railway contract, on the West Coast of the Middle Island, and stating that the districts affected are being retarded thereby.

In reply, I am to state that the Government is not in any way responsible for any delay in this matter, as all the lands which have so far been earned by the company have been duly granted to it, and if the company has seen fit to make almost the whole of its selections on the east side of the range, instead of on the West Coast, the Government cannot be blamed therefor. No impediment has been placed in the way of your company selecting lands within the railway area on the west coast of the Middle Island.

It would, moreover, appear that the company desires to avoid publicity being given to the proposed selections of land in localities where gold-mining operations are being carried on. This has already been—and is likely to be—an obstacle in the way of approval being given to the draft regulations submitted by the company for dealing with lands under clause 33 of the Midland Railway Contract.

I have, &c.,

H. J. H. BLOW, Acting Under-Secretary for Public Works.
Robert Wilson Esq., C.E., General Manager New Zealand Midland Railway Company, Christchurch.

This is plainly an evasion of the point of the letter under reply. You will remember that clause 33 was expressly inserted to enable lands to be settled which the company had not earned. See how this evasion is exposed in this letter:—

The GENERAL MANAGER, Midland Railway Company, to the UNDER-SECRETARY for PUBLIC WORKS.

SIR,—

New Zealand Midland Railway Company (Limited), Christchurch, 28th July, 1891.

Regulations for dealing with Lands under Clause 33.—I have the honour to acknowledge receipt of your letter of the 22nd instant on the above subject, in reply to mine of the 10th instant, calling the attention of the Government to the injury caused by their not permitting the company to proceed with dealing with lands under the above-mentioned clause.

After careful examination of the correspondence which has passed between the Government and the company on the subject, I am reluctantly forced to the conclusion that the Minister has either not studied the correspondence or has entirely misunderstood the subject, the Minister's statements, as expressed in your letter, being inaccurate.

In the first place, the lands earned by the company have not all been granted to it, as there are earnings to the amount of £50,000 (about), over and above what has been selected, now due; and the only block of western lands (No. 240) which the company has applied to select (notice of which selection was given on the 24th November, 1888) is still awaiting a final reply. The Minister's remarks, however, about the company's selections of blocks on the eastern side of the range are quite foreign to the point at issue, and my letter to which you reply did not attempt to cast any blame on the Government *re* the blocks which the company has found it expedient to select, and did not even mention the subject in any way. The subject of my letter was clause 33, which was especially inserted in the contract to enable the West Coast lands to be dealt with irrespective of block sections, it being obvious that the selection of a block, say, of 5,000 acres to 10,000 acres, near Westport, would not in any way facilitate settlement, say, near Hokitika. Successive Governments have caused the delay in settlement, which would have been going on under the clause during the last two or three years, by the unworkable regulations issued by the late Government, which have not been withdrawn or altered up to the present time, though reasonable and workable modifications were proposed by the company, and sent with my letter of the 10th February last. Though this is now nearly six months ago, yet, judging from your letter under reply, consideration of the subject by Government has not apparently advanced.

As to the allegations that the company desires to avoid publicity being given to the proposed selection of land in localities where gold-mining operations are being carried on, if the Minister refers to the correspondence he will find the contrary to be case, and that the company has been urging the Government to adopt the system of advertising all applications where any question of the land being payable auriferous is involved—*vide* my letter of the 10th February, and regulations therewith, and subsequent letters, in which I urged the adoption of advertising instead of making at once large mining reserves, which would, I consider, be a useless and needless hindrance to settlement, without profiting the gold-mining industry. Of course, the company would object to the advertising if these large gold-mining reserves were made, as once they are made there can be no necessity for advertising, as the question of auriferous lands would then be done with. There can, therefore, be no obstacle in the way of approval of the draft regulations on this account.

I must ask you for a further explanation of the Minister's statements on these points, as contained in your letter under reply.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),

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

Under-Secretary for Public Works, Wellington.

But here is a beautiful example of the eagerness of the Crown to promote settlement. Applications were sent in in September, 1890, and now, fifteen months after, the Government make this discovery,—

The UNDER-SECRETARY for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.

SIR,—

Public Works Office, Wellington, 23rd December, 1891.

Re Midland Railway: Proposed Regulations for dealing with Lands under Clause 33, of the Midland Railway Contract.—Referring to former correspondence on the above-mentioned subject, I have the honour, by direction of the Minister for Public Works, to state that, upon a closer examination of the provisions of the contract relating to the matter, it would appear that no provision is contained therein for making regulations such as those proposed by your company.

I have, &c.,

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

Robt. Wilson, Esq., C.E., Engineer-in-Chief and General Manager,
New Zealand Midland Railway Company, Christchurch.

They had sent us draft regulations, had discussed them, and we had written about them, and yet fifteen months afterwards, during all of which time applicants are waiting for land, they make the discovery that they cannot make regulations at all.

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

SIR,—

New Zealand Midland Railway Company (Limited), Christchurch, 24th December, 1891.

Proposed Regulations for dealing with Lands under Clause 33, and Proposed Timber Regulations.—In reply to your two letters of the 23rd instant, in which you state that "upon closer examination of the provisions of the contract relating to the matter it would appear that no provision is contained therein for making regulations, and also that there is no power under the contract to make timber regulations such as those proposed by this company," I have the honour to point out that in the first paragraph of clause 33 of the contract it is provided that "The Queen shall from time to time, on the request of the company, sell any such lands for cash or on deferred payments in such manner as may be agreed upon between the Queen and the company, or may let the same on lease to any person or persons desirous of purchasing or leasing the same."

This clearly shows that there is power to make an agreement for mutual convenience between the Queen and the company as to the method of dealing with western lands under clause 33, and this is all the company has been asking to have arranged on a workable basis.

In consequence of your letters under reply, the company will be compelled to cause applicants for land and timber to proceed in the manner provided under clause 33, without waiting for any further or more detailed agreement to be made.

I have, &c.,

For the New Zealand Midland Railway Company (Limited).

The Hon. the Minister for Public Works.

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

Still the company send in applications and try to get them through for settlers, notwithstanding all this disheartening obstruction. Here is another letter:—

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

SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 21st January, 1892.
I have the honour, by direction of the general manager, to forward herewith, under separate cover, a number of applications (139) for land, which the company desires to deal with under clause 33 of the Midland Railway contract, and to request that you will "forthwith cause the value of such lands to be assessed," as provided in section 2 of the above-named clause.

These applications can all be located by the Commissioner of Crown Lands for the districts from the information given. There is therefore no reason why they should not be dealt with at once. For convenience the Westland and Nelson applications have been divided according to lists enclosed.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works, Wellington.

[Further lists of eight more applications for assessment sent 7th March, 1892, and of four more on 6th May, 1892.]

The general manager still keeps pegging away to move this Government, which now charges us with delaying settlement. Here is further proof of this:—

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

SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 28th April, 1892.
Sale of Land under Clause 33.—The company has recently agreed with certain persons for the sale to them through the Government of small blocks of land, under clause 33 of the contract, and has given the necessary authority to the purchasers to make choice of the land, and pay the deposit and estimated cost of survey to the Receiver of Land Revenue.

The Receiver of Land Revenue at Reefton has declined to receive such deposits; will you therefore kindly have him and other Receivers instructed to carry out the sales.

The lands referred to are those which have already been assessed, and the Government has had more than two months' notice of intention to deal with them.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works, Wellington.

Now, we see from the following letter that already for over two years applications have been neglected by the Government:—

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

SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 28th April, 1892.
Applications under Clause 33, Midland Railway Contract.—I have the honour to point out that the company has, between February, 1890, and January, 1892, sent to the Government more than two hundred applications for western lands for assessment, under clause 33 of the contract, and without receiving any replies. This delay is quite contrary to the terms of the contract, which states that upon the request of the company "the Queen shall forthwith cause the value of such lands to be assessed," &c., and has already entailed much loss and inconvenience to the company and the public. I have therefore to again request your early attention to the matter, and that you will cause the assessments to be forwarded without further delay.

I have, &c.,

For the New Zealand Midland Railway Company,
ROBERT WILSON, Engineer-in-Chief and General Manager.

The Hon. the Minister for Public Works.

Surely this protest is expressed even too mildly; but what was the reply? Here is a fine example of red-tapeism and departmental delay:—

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

SIR,— Public Works Office, Wellington, 25th May, 1892.
Re *Applications for Land under Clause 33 of the Midland Railway Contract.*—Referring to our recent interview on the above subject, and the understanding then arrived at in reference to the matter, I have now the honour to state that the Government is advised that all applications already received from the company for land under clause 33 are informal, as they are addressed to the Minister for Public Works instead of to the Queen, as required by subclause (2) of clause 33 of the contract, or the Governor, in terms of clause 49 of the same; also, that you have omitted to state whether the land referred to in the applications is to be sold for cash or on deferred payment, or to be leased, as the case may be.

I pause here to point out that this wonderful discovery has taken two years and three months to make. Does it look like helping the company to settle the land? But I finish the letter:—

To save the company any unnecessary trouble and delay in the matter, however, the Government is willing to treat the applications so far made somewhat exceptionally, provided that the company agrees to the following conditions, namely:—

(a.) That the company will, as quickly as possible after being informed of the value at which the land is assessed on behalf of the Queen (but only as regards such of the lands as are not within mining reserves already made or proposed, and have not been dealt with under any of the Mining Acts), formally request the Queen or the Governor to have the same sold or leased, and also formally notify the Minister for Public Works that they have selected the same under clause 33 of the contract, and advised the Queen or the Governor accordingly.

(b.) That all applications for land within any of the mining reserves (present or proposed), or land that has been dealt with under any Act relating to gold- or silver-mining, will be withdrawn.

(c.) That all applications with regard to which any complication may exist, or any doubt be held as to the lands affected being auriferous or argentiferous, will be advertised, if and as required by this department.

As regards future applications, I would propose (1) That the company's application to have the value of lands assessed should be regarded as a preliminary proceeding merely; (2) that on receipt of the Government valuation the company should address a formal request to the Queen to sell or lease the land referred to, and forward the same through this office for submission to the Governor; and (3) that at the same time formal notice of selection be given to the Minister for Public Works, as required by clause 29 of the contract.

Will you kindly intimate your concurrence or otherwise in these proposals as early as possible, so that the applications which are now waiting to be dealt with may be disposed of without loss of time.

Herewith please find list of applications for land that have been assessed. The applications numbered by company 682, 683, 684, 688, 705, 730, 742, and 793, will not be objected to if the company will formally ask to have the same sold, and duly notify the Minister, as mentioned in paragraph 1 on page 2 hereof. In regard to applications numbered 780 and 789, no objection will be offered, provided the conditions suggested by the Surveyor-General on the schedule enclosed are complied with.

As regards applications numbered 152, 476, 648, and 689, these are objected to, and, as arranged at our interview, should now be withdrawn.

In regard to applications numbered 381 and 835, the same must be advertised for one week in some paper published nearest to and circulating in the locality.

I have, &c.,

R. J. SEDDON, Minister for Public Works.
Christchurch.

This is the reply, which still shows the same desire for prompt settlement:—

The GENERAL MANAGER, Midland Railway Company, to the Hon. the MINISTER for PUBLIC WORKS.
SIR,— New Zealand Midland Railway Company (Limited), Christchurch, 31st May, 1892.

Application under Clause 33.—I have to acknowledge the receipt of your letter of 25th instant. With regard to the first portion of your letter, the company is willing, of course, to amend the applications sent in in the direction you point out; but I am glad to learn from your letter that the Government is willing to facilitate dealing with these lands by dispensing with the somewhat needless formality of having the application addressed to the Queen instead of the Minister for Public Works. In future the applications shall be so addressed.

As to the conditions upon which you say the Government is willing to deal with the applications already sent forward, I have to remark as follows:—

(a.) The company agrees to the course suggested; but it does not appear that the words contained within the brackets are necessary, as it is presumed that the Government will disallow any applications which are required for *bonâ fide* mining purposes, and the words "dealt with under any of the Mining Acts" are too wide, as they would prohibit the company selecting lands let under occupation license subject to termination without compensation at three months' notice.

(b.) It seems unnecessary for the company to withdraw applications which may be within mining reserves, present or proposed. The Government will presumably exercise its power of disallowing such applications, and, of course, then they cannot be dealt with.

(c.) To facilitate matters, the company will agree to the advertising of such applications as the Government may think necessary. The Government must bear in mind that advertising is to be done at the expense of applicants for the land, and therefore any undue expense of this sort must be a hindrance to settlement.

It will therefore be seen that there is no reason why the Government should not proceed immediately to deal with the applications already sent in.

As to future applications, the company is quite willing, for the sake of getting them dealt with as expeditiously as the Government will allow, to act as indicated in your letter; but with regard to paragraph (2), which reads, "That on receipt of the Government valuation the company shall address a formal request to the Queen to sell or lease," &c., this should read, "That after receipt of the Government valuation, and upon the company having agreed with the applicant for the sale or lease of the land applied for, the company," &c. (as in letter under reply).

It is understood, of course, that after assessment the company's formal request to have the lands sold or leased is dependent on an agreement having been made with the applicant for sale or lease of the land in question. This is not apparent in your letter; further, there is no necessity for the notice mentioned in clause (9) of your letter, as by section 33, clause (7), of the contract it is provided that lands sold or let by the Queen for the company "shall be deemed to have been selected for the company," and that "the value thereof shall be from time to time debited against the company," &c.

I note your remarks with reference to the applications which you now return assessed, and about which I will write in another letter.

I have, &c.,

For the New Zealand Midland Railway Company (Limited),
ROBERT WILSON, Engineer-in-Chief and General Manager.

Hon. Minister for Public Works, Wellington.

And now at last, nearly three years since the first applications were sent in (they were sent in in February, 1890) we get this letter:—

The UNDER-SECRETARY for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.

P.W. 32/1808. No. 93/899.

SIR,—

Public Works Office, Wellington, 22nd December, 1892.

Midland Railway: Applications under Clause 33 of the Contract.—I am directed by the Minister for Public Works to forward to you herewith a further list of applications for lands to be dealt with under clause 33 of the contract, with the assessment of value duly noted against each. There is no objection to these lands being now dealt with as provided in the contract, and in terms of the letters from this office of 25th May and 14th June last.

I have, &c.,

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

General Manager, New Zealand Midland Railway Company, Christchurch.

[NOTE.—Enclosed with this letter is list of sixty-six applications, with assessments thereof.]

The wonder after all this is that the company tried as hard as they did to help settlement; and yet we are told it is we who blocked it.

Mr. Bell: There is a letter on the 20th August which states that mining reserves were about to be made. The difficulty was that the mining reserves were not then made, and these applications from the company could not be dealt with. I think the whole of the correspondence should be put in.

Dr. Findlay: I prefer to let the correspondence speak for itself.

Rt. Hon. Mr. Seddon: I should like to call Dr. Findlay's attention to the fact that there is an answer, which I considered complete at the time, given by a series of letters which I contributed myself, in reply to letters by Mr. Wilson, which appeared in the West Coast papers, complaining of this difficulty. We had those letters before one of the Committees, and the whole thing is summed up very shortly by both sides. The difficulty was that a number of these applications were for land which was known to be auriferous. The mining reserves had not been made, and we could not deal with those lands. I do not mean to say that the company were doing this wilfully, but a number of persons who sent in applications were trying to get these auriferous lands.

Dr. Findlay: I have not read that correspondence.

Rt. Hon. Mr. Seddon: I shall be glad to let you see a copy.

Dr. Findlay: I only desire to say, in conclusion of this part of my address, that even if the land had to be reserved for mining purposes, still we sent in applications as early as February, 1890, and we did not get an assessment until the month of December, 1892. In the meanwhile, there was ample time to ascertain whether the lands were auriferous or not. We are now dealing with the question of whether we were guilty of the delaying settlement, and I think the correspondence which I have read shows that we did not.

Mr. Bell: The complaint that we had in regard to these applications was brought before Mr. Blake in the Arbitration Court, and was decided distinctly in our favour.

Dr. Findlay : I am not answering any legal point. We acknowledge that our legal rights are now gone, and I am merely answering the question of whether we are responsible for the delay. I say that we have not caused the delay, but that it is the Government who are responsible.

Rt. Hon. Mr. Seddon : The point was this which was put before the Arbitration Court : that the company could not complete its contract in consequence of reserves not having been made, and that we made mining reserves which should not have been made. The Arbitration Court held that we had made the mining reserves properly, and that we had in no way hindered the company.

FRIDAY, 28TH SEPTEMBER, 1900.

Résumé of Facts disclosed by this Correspondence, showing who was Responsible for delaying Settlement.

Dr. Findlay : Mr. Chairman and gentlemen, when the Committee last adjourned I had submitted to your consideration a number of letters which passed between the general manager of the Midland Railway Company and the Public Works Department; and from those letters I endeavoured to show that the company had persistently from the beginning of 1890, right on until the end of the record of correspondence, struggled to get the Government to put into operation clause 33 of the contract, whereby a ready means would have been afforded of settling the lands in Westland and Nelson. I showed, also, that on one side—that is, our side—there had been a persistent effort to have that settlement which we now hear so much about, while there was persistent obstruction on the other side—the side of the Crown. I hope those letters will be read by you, as I have no doubt they will be, and they will be a convincing proof to you that the charge made against us that we were blocking settlement on the West Coast is totally without foundation; and that, on the contrary, we are entitled to put that charge on the Government and say that they alone were the cause of this locking-up of settlement. It is alleged by Mr. Bell and Mr. Blow that this action of the Government is excusable. It is suggested that the delay in dealing with the applications sent in by the company was due to the necessity for ascertaining whether the land was or was not required for mining purposes. But I submit to you that that is not the reason given in the correspondence with the general manager of the company, and also that even if it were the reason given it would not be a sufficient answer. There were other reasons given which were pure red-tapeism, and how-not-to-do-it-ism. They say it was a question of whether these lands were required for mining purposes or not; but I hope I have shown that that is totally insufficient to justify the Government for delay in getting the land settled on the West Coast and in Nelson under clause 33 of the contract. I will ask you to bear in mind that applications were sent in as early as 1890—something like two hundred—under that clause. The provisions of the clause, as I have shown, provide that, immediately upon applications being sent in to the Government by the company, the Government will have the value of the land assessed, and co-operate with the company in selling or leasing the land—that is, whether the company has earned such land by way of grant or not. The words of the clause are, that the Government shall “forthwith” take the steps mentioned. Now, what happened? As early as February, 1890, a large number of applications had been sent in. We sent in letter after letter to the department urging that expedition should be used in dealing with these applications; but for various reasons the department still took no action, and no advance was made. Then, we come down to May, 1892, or over two years afterwards, and then it was found that these applications could not be granted, because it was necessary to ascertain what lands were required for mining purposes—that is to say, it took the Crown two years and two months to find out that some or all of these areas of land applied for might be required for mining purposes. Surely it was as easy for the Crown to determine whether these lands were required for mining purposes as it was to have the value assessed under clause 33 of the contract, and yet the Government which complains of this loss from delayed settlement took over two years to ascertain whether the lands were required for mining purposes. It cannot in the face of these facts be contended, as Mr. Bell really contends, that the Crown was all along eager to promote settlement, and that we and our contract alone were the obstacles. But there is another point which is raised by the Premier, and that is that all these matters were before Mr. Blake and were settled in 1895. What was before Mr. Blake? It was a claim by the company, not by the debenture-holders, for money. It was a claim made by the Midland Railway Company, based on legal grounds and dealt with strictly as a legal claim against the colony. What does Mr. Blake’s award say? “I find and award that the company has not any claim against the Crown or any right to recover any sum of money from the Crown in respect to the premises”—meaning the alleged delay. Mr. Blake does not say whether the Crown was guilty of delay or not; all he said was that a legal claim had not been made out by the company against the colony, and no doubt as a lawyer he was right. His award is no more than this: that a right to recover damages had not been legally made out. But we are in a totally different position now from that in which the company was when it was then suing the Government. We are now before you really as defendants. It is the Crown that is in a sense suing us, and raising as a counter-claim against us, for blocking settlement. We are now merely defending ourselves. We are not making any claim against the colony, but are attempting to show that we are not really the culprits in regard to this delay. I say that we are entitled to show that the real culprits were the Crown, and not us. Mr. Blake’s award does not touch this aspect of the matter at all. I have no doubt if he had been called upon to decide merely the bare question, who was responsible for this blocking of settlement, he would have certainly said the Crown. I am content to let the correspondence put in and the facts it establishes speak for themselves. I am satisfied that an impartial review of the whole of this correspondence will show from beginning to end an eager

desire on the part of the company to facilitate settlement. But surely it also shows as much indifference or obstruction to settlement on the part of the Crown as the refinements of red-tapeism are capable of. As instancing this I can do no better than refer to a letter written by the Premier himself on the 25th May, 1892, or two years after the applications had been sent in by worthy people on the West Coast who were anxious to take up land. This letter has already been read by me. This is the part of it to which I refer :—

SIR,—

Public Works Office, Wellington, 25th May, 1892.

Referring to our recent interview on the above subject, and the understanding then arrived at in reference to the matter, I have now the honour to state that the Government is advised that all applications already received from the company for land under clause 33 are informal, as they are addressed to the Minister for Public Works, instead of to the Queen, as required by subclause (2) of clause 33 of the contract, or the Governor, in terms of clause 49 of the same; also, that you have omitted to state whether the land referred to in the applications is to be sold for cash or on deferred payment, or to be leased, as the case may be.

I ask you, is not that trifling with the matter, when it took two years and two months for the Crown to discover that the applications were informal? And you will remember that during all that time we had been pestering the Government with letters in respect of these applications, and begging them to help us in getting the land settled. But I go further and say the obstacles and impediments disclosed in this correspondence are strangely characteristic of the attitude of the Crown throughout towards this unfortunate company, culminating, as I have shown, in the attempt to prove in 1892 that our contract was a ruinous one, and thus helping to kill our finance. I am content to leave that phase of the matter there. Luckily, the correspondence speaks for itself, and that list of letters shows out of what material and with what justice this huge claim for blocking settlement has been brought against this unfortunate company and its debenture-holders.

The Crown could have avoided and yet deliberately allowed Settlement to be delayed.

I pass now to another answer to this huge claim for damages on account of this locking-up of these lands from settlement. Supposing the company had gone on strictly under the contract. You will remember that the reserve area was to be reserved until 1898; then it was to be free. Well, the Crown entered to complete the line early in 1895, and even if the contract were not determined the line might have been completed in three years. Mr. Seddon told you when he gave evidence before you in 1892 that it could be finished in three years, and that was about the time which Mr. Wilson on our side thought it would take. So that you have this result: that, the Crown entering in 1895, and no untimely difficulty arising, the line should have been finished in 1898—that is, at the very time at which, under the contract, the area would have been freed. Where, then, does the claim for loss come in? I say the blame lies at the door of the Government. I say it has suited the Crown to delay the construction of the line. I say that they have thus deliberately caused the delay, and that they cannot throw the blame for it back upon us. You will observe that what I have said is on the assumption that the Government chose to finish the line, and to make demands upon the company for the construction-money. If that had been done, then the land would have been freed in 1898. But, again, and more important still, it is admitted by every lawyer, and by Mr. Bell himself, that on the Crown's entering in 1895 they could have determined the contract. Determination of the contract would have freed this land at once—that is, three years before it would have been freed under the contract. If the contract had been determined, then the colony would have had the whole of this 6,000,000 acres of land freed at once for settlement. Why did they not take that course? That they did not do so is a matter of fact; and while I can state the fact, I cannot as positively define the motive. I say, however, that one of two motives can be fairly ascribed to the Crown. One is that it suited them better to delay and pile up this claim against us. They thought that by standing still, or "marking time," they would have a substantial claim for damages against this unfortunate company. This is an unfair motive, and the other motive I suggest is equally unfair. It is that it paid them better to keep the contract alive, so as to force construction-money out of the pockets of the debenture-holders. If they had determined the contract in 1895 they would not have received the £40,000 which we have since paid into the coffers of the Government.

Mr. Bell: I do not want to interrupt Dr. Findlay; but I shall claim the right to reply if the colony is to be subjected to attacks which were not made in the original proceedings. If this line of attack is to be followed I submit to the Committee that I should be entitled to make a reply on the part of the Government of the colony.

Dr. Findlay: I claim that I am not doing anything more than answering the very vigorous charges which have been made against us in regard to the loss to this colony. I do not desire to raise any new ground, and I have striven as far as I could not to do so; but when dealing with this counter-claim, and with the charges against us of causing such enormous losses to the colony that they amount to £3,000,000, I think that I am entitled to show that the colony cannot make such a claim against us without exposing itself to the observations I have made. I am showing by what method since they have seized our line they got from us a sum of £40,000, and that the cause of the delay of which they complain is their own, and they are to blame for it. Surely I am entitled to put before the Committee the reasons why I think the Crown has no right to make this huge counter-claim against us on account of the delay.

The Chairman: I think Dr. Findlay should be allowed to proceed, and then if Mr. Bell thinks that any new matter has been imported I am sure the Committee will be happy to hear him in reply.

Mr. Bell: I do not want to reply, but motives are now being ascribed to the Government which I cannot allow to pass, and I must ask the Committee the right to reply on these points.

Dr. Findlay: I hasten to say that I do not impute any discreditable motive to the Government, I know that it was acting strictly within its legal rights. I repudiate the suggestion that I

am imputing evil motives to the Government. But I am striving to show that this enormous burden of £3,000,000, which they are endeavouring to place on us as the damage which we have caused to the colony, cannot now be thrown upon us without exposing the Government to the charge of unfairness. If, in any words I have used, there appears to be any reflection on the moral conduct of the Government, I hasten to withdraw it.

But even in the Counter-claim the Crown is charging Damage twice over.

I pass on to a new phase of the question. The Government are now trying to make us responsible for all loss consequent upon the non-construction of the line, and also for all the loss in consequence of the locking-up of the land. This is a most surprising charge to me, and I am sure it will also be to you. It is, in fact, palpably a case of claiming twice over. We might reasonably have expected that once would have been enough, but here we have a claim made twice over. For if we had constructed the line, finishing it in 1895, the area would be reserved until 1898, and the colony would have had, of course, no claim against us in respect to locking-up the land until then, as that is what the contract provides for. You will observe that the Crown asks now to be credited with all the gain that would have resulted to it from the unlocking of the lands, and it places its loss in that respect at something like £500,000. I think I shall succeed in showing you that this is a palpable case of charging twice over. If we had completed the line the colony would have had no claim against us for the locking-up of the land. The Crown would have had the advantage of a completed railway, but in order to gain that it would have had to submit, under the contract, to the locking-up of the land until 1898. The Crown, however, asks to be credited, as damages, with all the results which would have flowed from a completed railway, and, in addition to that, to £500,000 for the locking-up of the land. Let us make this still clearer. Mr. Bell's second claim is that the loss through the railway not being constructed includes—(a) benefit to the whole population of Canterbury, Westland, and Nelson; (b) better and easier conditions of life to every man, woman, and child; (c) greatly increased promotion of settlement; (d) revolutionising of the coal trade; (e) immense increase of population of the West Coast and Canterbury; (f) increase of gold output; (g) increase of tourist traffic; (h) increase of Customs duties; (i) increase of rateable values of land; (j) public convenience and comfort; (k) loss of profits to Government railways—£2,120,000. I think that list does credit both to Mr. Bell's judgment and to his imagination. It at least exhausts all the heads of damage which could possibly, however remotely, arise from the non-construction of the railway. It would plainly put the Crown in the same position during the term of years contemplated as if the railway had been actually constructed by the company in its contract time. But that is not enough. Not only does it seem the Crown must claim the right to be put into the same position as if the line had been constructed, but it must also claim the right to be paid for that locking-up which was part of the price, or inconvenience, which the colony agreed to to get the railway. Again, I say, this is charging us twice over, and surely evinces an exceedingly zealous desire on the part of the Crown to inflate its alleged loss. But the details of this second claim are surely misconceived as regards the elements of damage. The population of Canterbury and Nelson, says Mr. Bell, is two hundred thousand; and, as he says, one hundred thousand of these people would give £1 a year more for their houses if the railway were constructed. Well, if the population of Canterbury and Nelson is two hundred thousand, that would mean that every second person—man, woman, and child—would be a householder. If one hundred thousand of those people would pay £1 a year each more for their houses if the railway were constructed it must mean that those one hundred thousand are householders. Can anything be more absurd? This calculation probably proceeds on the erroneous assumption that every man in Canterbury and Nelson is a married man, and that there is a separate house for every two children. As far as I can make out, the proportion of householders to this population would be forty thousand, rather than a hundred thousand. Mr. Bell's figures work the loss out at £1,000,000, and mine work it out at £600,000 less. I leave it to the Committee to judge whether he or I is nearer the truth. But would householders of Canterbury and Nelson give £1 a year more for their houses or be really individually £1 a year better off because a railway ran from, say, Jackson's to Springfield instead of a coach? I do not pretend to be able to say, and I question whether anybody really is. But I do not think so, and my opinion is perhaps just as valuable or valueless as Mr. Roper's or Mr. Louisson's. But it would seem that the people of Westland are in a much more unhappy plight. They would be £5 per annum better off, and that sum they have lost every year through the non-construction of the railway. There are fifteen thousand people there. Mr. Bell, of course, counts men, women, and children for this purpose, and this pans out £75,000 per annum, or £750,000 for the ten years. "Make it another million," says Mr. Bell, in a light and airy fashion. If you work that out you will find that, according to Mr. Bell's figures, that would give £6 14s. extra per annum for every man, woman, and child on the West Coast. If you take a family of a man, wife, and six children it means that every such man on the West Coast has lost every year from the non-completion of the line £53 12s.; so that in the ten years every one of these unfortunate families have lost no less a sum than £536. Every father of a family of six on the West Coast has, then, really in fairness a claim against this rascally Midland Railway Company of £536, which he has lost in ten years from the non-completion of the line; and, if the Government go on as they are doing, the line will not be constructed for still another ten years, for which, of course, we would be responsible, and each of these fathers could then claim £1,072. No wonder that the families on the West Coast are large when they have a claim of this sort against the company. But this is only at one end of the line. The fathers in similar positions in Nelson and in Canterbury would each have a claim for £40. What would be the real result of all this to the company I will leave to the Committee to decide; but these figures surely show how utterly unreliable this kind of calculation is, and to what absurd results it leads. But there arises here a very pertinent question, and it is this: Would the colony or would any one else have carried out

the Midland Railway scheme at any time between 1885 and 1900? You will recollect that it is charged against us that the colony has lost £300,000 a year through the non-completion of the line. Mr Roper's figures were bigger; but we will put it at that rate, as it is so put by Mr. Bell. If that is a right and proper claim to make against us the question arises, Why did not the Government make the railway long ago? I put it to you, as gentlemen who are well acquainted with politics and the influences which affect these things, to say whether, if such was the result—if £300,000 a year was being lost by the non-completion of the line—why it was that the Government did not undertake and complete this line itself, without going to the trouble of tempting English capitalists to do it. I submit to you that it is a fair illustration of what the Crown would have done if there had been no Midland Railway contract to take the case of the North Island Main Trunk Railway. The money raised for the construction of that railway was ear-marked as early as 1882. What kind of claim could Mr. Bell raise if he were asked now to say what has been the loss to the colony from the non-construction of that line? The construction of that line, we would be told, would have vastly increased settlement; it would have opened up immense fine timber forests, and it would have brought with it almost incalculable advantages to the colony. If such a loss has occurred to the colony from non-construction of the Midland Railway, as we are now asked to believe from the figures which have been given to us by the Crown, surely we are entitled to say that the delay caused by the Government in non-construction of the North Island Trunk line cannot be too strongly condemned. I say we are entitled to contend that, through the action of the Government, the colony has lost from non-construction of the North Island line three or four times more than it would have cost to construct the railway. That is, of course, assuming the figures of this counter-claim are reliable. What is the result of considering those figures? Is it not that if the colony had completed the construction of that line it would have paid for itself and returned a profit in ten years. The million pounds is, we are told, the damage to the colony through the non-construction of the railway for a period of ten years; so that the plain inference is that the railway would have more than paid for itself in the ten years. Mr. Roper's figures give it as paying for itself in five years. Just fancy this colony in 1885 finking the risk of constructing a line which would pay the colony for its construction in five years. And yet since 1882 the North Island Main Trunk Railway has remained very much in the condition in which we now see it. Why, if this counter-claim is reliable, the conduct of the Government both in respect of the Midland line and the North Island line is positively wicked. I do not pretend to be a prophet, but I desire to put on record this prediction: that now the Government is free to carry on this line as it pleases it will not make the line provided for by the Midland Railway contract. We asked you in 1892 to let us off the construction of a portion of this line that would not pay. You refused. I venture to predict that the Government itself will not construct that portion, and I venture further to think that, notwithstanding all this fuss about the loss to the colony through the delay in the construction of the line, it will be many, many years before a completely constructed line runs through from Springfield to Jackson's, and before you have a completely constructed line connecting the East and West Coasts, and connecting Westland with Nelson, and I make this prediction the more confidently when I consider the rate at which the Government has gone on with the construction since it has had possession of the railway. When it is remembered that they have only constructed twenty-two miles in five years, any one can see that they cannot possibly believe in this enormous claim for damages which they raise against the company for delay in the completion of the line. If my prediction is justified, it largely discounts the *bona fides* of this counter-claim, for if a net loss is resulting to the colony of above £300,000 a year from the non-construction of the line the least delay now by the Crown would be absolutely wicked and disgraceful.

An Examination of Details of Counter-claim shows how misleading and fallacious it is.

But the closer you examine the details of Mr. Bell's bill of loss the less reliable appear its materials. Mr. Bell relied very much on Mr. Humphries's figures. Mr. Humphries gives these figures: Unimproved value of 200,000 acres, £90,000; improvements on 150,000 acres at £3 an acre, £450,000: making the total improved value of 200,000 acres £540,000. Then he calculated 88,000 acres in Westland on the same basis, and argues that it would have been increased in value from £80,000 to £250,000, showing a total estate worth to the colony of £850,000. But you, sir, put a question to Mr. Humphries, and so did Mr. Seddon, as to what the net loss to the colony was, and he could not say what it was. He had not and could not reckon that out. You will recollect that it was pointed out to him that in order to improve the colonial estate as claimed large sums were spent in capital and in labour, and that it would be unfair to charge the whole amount of improvement as a clear gain to the colony. You will find that he was asked to give the net gain to the colony from the settlement of these lands, and he said he could not give it. He could only give the gross value. But what guide is that to us in calculating the net loss or gain? Every man knows that you can spend more in the improvement of land than the land is worth. Indeed, it is stated by economists in England that there is not an acre of rural land there which has not cost more than it is worth to improve it. I say that this is the fallacy which underlies the whole of Mr. Bell's estimates. He charges against us all that the application of capital and labour to the land would have done, overlooking the fact that that labour and capital was not lost but otherwise employed. Mr. Mueller, the Westland witness, gave no such figures, but said that there were 20,000 acres of unimproved land, the value of which he puts at £10,000, and in respect to which the loss to the colony was £10,500. Here, again, Mr. Bell's calculations do not appear to be sound, according to the evidence which his witnesses give. You are told by Mr. Bell that you have lost in settlement, that you have lost in Customs duties, that you have lost in many other ways through this land being locked up. But surely it is unfair to argue that, in the first place, the improvements would have been made, and in the next place assume that the money which would have gone to make those improvements would not have been, and has not been, employed in other directions for the benefit of the colony. Before you can make such a charge as that against

the company you must ask whether there was land elsewhere in the colony fit for settlement, and whether there was sufficient of it; and if it can be shown that there was land elsewhere in the colony available for settlement, then, plainly, there has been no loss, because the demand for settlement has been satisfied. Mr. Bell will tell you that there is not so good land elsewhere for settlement. But the answer to that is that you are settling inferior land. Then, if there is any charge to be made against the company for the locking-up of this better land, it can only be based on the difference to the colony between the settling of poor land and the settling of good land, if any, in Canterbury, Westland, and Nelson. But you will observe that what is done here is, a claim is made for a dead loss to the colony for all that land, labour and capital could have done on the reserved area in ten years. My answer to that is that if there is any claim for that loss, then there must be set against it all the capital spent and cost of labour in improving the land. It is assumed in these calculations of Mr. Bell's, and by his witnesses, that because that capital and labour have not been expended in Nelson and Westland it has been lying idle—that it has not been expended elsewhere—it has been wasted. Such a contention is absolutely absurd. I invite you to assume that if this capital and labour were not expended in Nelson and Westland, then they were being expended elsewhere in the colony, and have produced those very benefits which Mr. Bell claims should be set up here as a counter-claim against the company. That seems to me to upset the whole of the argument on the part of the Crown under this head. If you look at Mr. Humphries's evidence alone you will see how utterly illogical is the way in which this counter-claim is made out. Again, if you look at the claim for loss on account of population you will find these curious results: that one witness, Mr. Acton-Adams, places it at £30,000, Mr. Mueller places it at £31,500, Mr. Louisson places it at £250,000, and Mr. Bayfield makes it £691,000. These gentlemen are the Crown's own witnesses. You heard Mr. Acton-Adams give his estimate at £30,000, and then you had this peculiar incident—an incident, I should say, almost unknown in your experience: Mr. Acton-Adams gave his evidence, and then other witnesses for the Crown were asked questions, not by Mr. Bell, but by Mr. Seddon, to lead them to throw discredit on the Crown's own witness, Mr. Acton-Adams, who had given his sworn testimony. This mode of examination was not adopted by Mr. Bell, but Mr. Seddon put questions which went to discredit the sworn evidence of that witness, whom the Crown had brought from Canterbury to give his evidence before this Committee. He gave it as his opinion that the loss would be about £250,000; and then it was deemed prudent to put questions to other witnesses as to whether Mr. Adams had any experience on the West Coast, and whether he was in a position to form any judgment as to what would be the loss to the colony. I pass rapidly over the loss to local bodies. The only evidence with respect to this item that I could find was Mr. Mueller's, of £11,300 which he put down for "thirds." It will be noticed that at the bottom of page 52 of the evidence Mr. Mueller says: "The figures referring to Westland would certainly have been obtained if the Midland Railway contract had never been entered into." Then we wander into the region of the wildest speculation. We are told that the general loss to the colony is £2,000,000. I have dealt with the different headings under which this loss is estimated, and I do not want to weary the Committee by going into further details. Mr. Bell says that this evidence is just and reliable, but surely no one can consider that evidence just and reliable. A reference to my analysis will show that the evidence is of a very erratic character, bordering on the ludicrous. Then we had the Manawatu railway dragged in again. It is curious how the illustration of the Manawatu railway resembles Artemus Ward's statue. It does for almost anything. At one time it is of great use to the Government in showing by contrast that our railway is quite evidently of no use and will not pay. The Government at that time say that the comparison between the two is ridiculous—that the Manawatu line is utterly different in all its conditions from this; and then the next thing they do is to bring it in as evidence of what the Midland Railway would have done if completed. Now the two lines are the same, and this is used to show the great damage which the colony has sustained through the non-construction of our railway. In 1892 the Government witnesses said the two lines were not to be compared at all; 1900 the two lines would have had same career and same effect on colony. Mr. Gordon, in giving his evidence before the Committee in 1892—he was a witness for the Government—one of their experts. He is asked,—

Looking at the scope of the country drained by this line and that, say, by the Manawatu line, do you think that the traffic on this line will be as much as that on the Manawatu line?—There is no comparison between them. A large proportion of the country along the Manawatu line is settled. A large proportion of country along this (Midland Railway) line is not settled, and never can be, as it is not fit for settlement.

That, sir, is the answer of an expert, who says that there is no comparison between the Manawatu Railway and the Midland Railway. But then this counter-claim arises, and again the Manawatu Railway is brought in, and an endeavour is made to show that there is the greatest resemblance between the two. It will be of advantage to give a few more of Mr. Gordon's answers. Mr. Gordon is asked—

In your opinion, is the country at the end of the Manawatu line, and as far as Palmerston North and up to Hawke's Bay and Taranaki, drained by the Manawatu Railway, better than the country this Midland Railway passes through?—I do not think that the West Coast is such good country as that; the traffic would not be so much in regard to some things with which merchants would require to be supplied.

Are you aware of the gross receipts of the Manawatu Railway Company?—No, I do not know.

In the estimate of the merchandise that is suggested as likely to be carried over this line, are you aware that the trade is at present in the hands of Dunedin and Wellington merchants?—A good portion of the trade is from Wellington.

All merchandise in the shape of goods goes to the West Coast by sea from Wellington. According to the rates to be charged by the Midland Railway Company's proposals, could merchants take this into account and get their supplies by sea cheaper than by railway?—They could get them one-third cheaper by sea.

You mean one-third of the carriage?—Yes.

There is the evidence of an expert who certainly knew as much about what he was talking about as some of the witnesses whom we have had before us on this occasion. He tells us that there is

no comparison between the two lines, and it requires no Daniel come to judgment to try and persuade us that that is so. The Manawatu Railway is in an entirely different position. It runs from Wellington, which is the distributing centre for the North Island, and it serves a district of rich land which is settled all along the line, and which is of an entirely different character from that which would have been served by the Midland Railway. Consequently any attempt to draw a comparison between the results to the colony of the two is utterly fallacious. Then, with respect to the timber, the loss on which is estimated by Mr. Mueller at £546,000, the Royal Commission report—E.-3, 1880—states that when timber was carried a distance exceeding seventy-five miles it is carried at a loss of £2 10s. for every £1 received by the Government. Mr. Gordon gives the rate at one-third; and if it be true, as suggested by the Commissioners and by Mr. Gordon, that you cannot carry timber by railway in competition with sea-carriage, what becomes of this huge claim for loss in respect to timber? I do not think it is necessary to go into more of the details in following out the utterly unreliable and fallacious methods taken to compute the loss suffered by the Crown in this respect. There is no doubt there has been a loss. It is idle either to attempt to estimate or attempt to deny the loss to this colony consequent on the non-completion of this entire line. You might almost as well attempt to estimate the difference to the colony between a good and a bad Government. That there is a difference—in fact, a great difference—I believe even the Premier will admit; but what that difference in figures is perhaps not even the Premier could say. You have heard the evidence, and you must have seen that much of what Westland may have lost in population other parts of the colony have gained—people leaving there have settled elsewhere. It is said that population has gone away to the Australian Colonies, but a complete answer to that is that the incoming population has exceeded the outgoing ever since we ceased the construction of this railway. Is it reasonable to say that people were going out of the colony when so many more have been coming in? No; but if the incoming population has exceeded the outgoing, then that incoming population has been paying to the Customs, and doing something to add to our national wealth and prevent the building-up of this claim, based, as it is, on the assumption that this blue patch has driven thousands from our colony. I say that a great fallacy underlies the whole of that argument on the part of the Crown. Then, again, much that Christchurch has lost Wellington has gained. If you divert to the railway that which goes by boat it is only a change of the means of transit, and what the railway has lost in this case the boats have gained. It is the same with the New Zealand railways—what they have lost our steamer service has gained. The maxim holds true very widely that loss is seldom absolute, and that what is one man's loss is commonly another man's gain. This is left entirely out of consideration in the argument by the other side. It is assumed by Mr. Bell that all these people were idle, or have left this colony, because this land was not settled; but one way of testing the question is by asking, Is this colony to-day in a worse position through the existence of the Midland Railway contract? Look at all we have done—the construction of ninety miles of line, the spending of three-quarters of a million in this colony, the opening up timber, coal, and pastoral land. Look, I say, at all we have done, and also, if you will, at any loss we have caused you, and ask yourselves whether the Midland Railway Company has, in the final balance, been a blessing and a boon to this colony. No man can say that the colony is worse off from the existence of that constructed portion of the line; but every impartial judge will admit that it reaped incalculable advantages from it. But I am not concerned to deny that there has been some loss to the colony—perhaps considerable loss, although insignificant as compared with the advantages referred to. I am concerned to urge upon you that that loss cannot fairly be wholly charged against the company, and that it cannot be charged against the debenture-holders at all.

The Real and Final Question is, What is the Value to the Colony of the Railway taken from the Debenture-holders?

Now let me deal with the question of what this line, as far as it is constructed, is fairly worth to the colony. We have constructed ourselves, out of our own money, some ninety miles of line—a longer and, I believe, a better constructed line than the whole of the Manawatu Railway. Mr. Bell heaped Pelion upon Ossa in building up the injury the company has done to this colony, but we got no credit for the boon this railway has been to the West Coast. It is said that we began the cheapest and most remunerative portion of the line with no intention of finishing the rest. We did nothing of the kind. We began as honest contractors should do, in the proper and most reasonable way, by the construction of that portion of the line which would be of most service to the colony. And you have heard whether the line is the cheaply and easily built thing Mr. Bell suggests—a mere fragment of a line, beginning at no proper starting-place and ending at no proper terminus—a kind of railway patch upon what already existed. That is the tone in which it is spoken of, all to belittle its value and minimise the real extent of the property of the debenture-holders which the Government has confiscated. I do not propose to weary you by going through all the figures given by Mr. Dalston, showing the traffic that there has been on this constructed portion of the line. Those figures show that there has been an enormous growth of traffic. In passengers, from 22,333 in 1890 it increased to 34,103 in 1895; parcels, from 1,287 to 4,757; cattle and sheep, from 156 to 3,443; wool, from 44 bales to 273 bales; timber, from 539,800 ft. to 5,413,400 ft.; grain, from 416 tons to 1,728 tons. On merchandise there has been a falling off, owing to the special reason mentioned by Mr. Bell; but in minerals there has been an increase from 1,351 tons to 31,592 tons. The growth there is something stupendous, and shows the enormous service this line was performing to the country. And yet Mr. Bell in his address tells us, "The line is at present useless unless some one will construct the connection and provide the machinery to enable it to be worked at a profit." Useless! Is it? Well, give it back to us, the debenture-holders, and we shall be more than content. We have spent three-quarters of a million on the construction of that line. You say it is not worth more than £135,000. Well, give it to us. We want no more. We have always said so, and we say so again. Surely

that is a proof of our view of its worth. We have spent three-quarters of a million on it, and if you give us the line back we consider that we shall have security for our money. We are ready to work it and make it pay. We know that a company can be now formed to take it off our hands on terms which would give us nearly 20s. in the pound. Useless! Could any man on the West Coast say honestly that it is useless? You have heard Mr. Dalston's evidence. Pull up this line and see what the difference would be to the West Coast—aye, and even to Canterbury, and indirectly to the rest of the colony. It is idle to talk of this line as useless, when in the next breath we are told that we constructed this portion first because it paid best. I say that if not another mile be added to it, this line has been a great and growing boon to the whole of the West Coast. In the mountain of loss which has been piled up to smother our claim nothing has been said of the immense gain and boon this line has been to the West Coast for the last ten years. Surely even-handed justice would put something in the scale in our favour. But no; our line is a useless fragment, and one would almost infer barely worth the while of a prosperous Government to confiscate. I asked one or two of the Crown witnesses as to the gain the line had been to the West Coast, and they reluctantly admitted that it had been of some advantage. When there was an array of witnesses from Greymouth here who were not called—and I have reason to believe, if they had been called—

Mr. Bell: I object to that statement being made.

The Chairman: I do not think, Dr. Findlay, that you can assume that witnesses who were not called would have said something in your favour.

Dr. Findlay: Very well. I will not pursue that line. I will merely say that the witnesses were here, and they were not called. However, I will let Mr. Dalston's figures speak for themselves, and I say that that line is justly and fairly worth to the colony, or to any one else, every shilling we spent upon its construction. We have put in statements, in the utmost detail, showing that we spent £763,732 on this line. Take off the £12,500 which we paid to get rid of certain contractors, and you have £751,232 as the amount which we expended in the construction of this line. The Crown says, "Oh, but our engineers estimated its probable cost at £605,685."

Mr. Bell: It was not our engineers. Mr. Napier Bell was your engineer.

Dr. Findlay: Well, I acknowledge that one was our engineer, and one the engineer of the Crown; but engineers' estimates, like architects' estimates, have an unhappy genius for being below the actual cost. As a matter of fact, Mr. Bell and Mr. Blair differed by £150,000 in their estimates of the cost of this whole line. I say that the proof of actual experience is more valuable than mere paper calculations, however careful may be your engineers; and we aver that the real and actual cost of that line is £751,232, to which has to be added £46,394 which we have since paid, making a total of £797,626. And in this there is not one penny added for interest during construction. I do not know whether any one doubts that it is right to make a charge for interest. I understand that it is the universal practice in England to add a reasonable sum for interest on capital during construction, and obviously it is only reasonable that it should be so. I appeal to the contract itself in support of that contention. You will find in the contract that this colony provided that a sum of £400,000 should be added to the cost of construction for interest. Does any one mean to say that if a million pounds must be sunk unproductively for several years in a great enterprise part of the cost of construction is not the interest upon the money you are employing, I say, then, that we are fairly entitled to some interest, and, if you take this £400,000 as a guide, I think about £100,000 should be added for interest. That would make the total actual cost to us £897,626. But take the Government figures. Their estimate is £605,685. To that has to be added £46,394, which we have since paid, and which Mr. Bell in his estimates carefully forgets altogether. This makes a total of £652,079. Add to that half my suggested proportion of interest, say, £50,000, and you have £702,079. But this is on the Crown's own figures. Surely if you will not accept the cost as shown by our actual expenditure, you will agree to half the difference between the actual cost and the Crown's estimate of probable cost. This works out as follows:—

	£
Crown's estimate	605,685
Add amount paid since seizure	46,394
Add half proportion of interest	50,000
Add half difference estimate probable cost and actual cost	72,773
Total	£774,852

Then, it has been suggested that the measure of the value should be based on a computation of the capitalisation of income. That method of computing value is quite absurd. I submit that such a method has never been heard of in any part of the world in dealing with a railway which is still in course of construction. Why, supposing the whole of the railway had been completed, and the Government had seized it for a breach of the Act of 1881. Could they say, as Mr. Gordon said before the Committee in 1892, "Your line is not paying working-expenses, therefore it is worth nothing"? Or, suppose the whole line completed and running a year or two, and it did better than Mr. Gordon and his colleagues expected—suppose in these first years it earned a net profit of £10,000—could you, if you had seized it for a failure to run a certain train for twenty-one days, as it seems now you could do, have said to the company or debenture-holders, "It is true your line cost you £3,000,000, but as during the few years it has been running it has averaged a net profit of only £10,000 we will capitalise that at 4 per cent., and give you £250,000 for it—that is, one-twelfth of what it cost." You have seen in the five years we were running the line the enormous growth in the traffic, and you must recognise that we could look forward to greatly increased prosperity until the railway had reached its normal earning-powers.

Rt. Hon. Mr. Seddon: That is if the Government spent a million on the Springfield-Jackson end; but, if nothing spent, what then?

Dr. Findlay: I do not care what we spent on it; we can show by the returns that it would pay us to run the line. But I do object to this method of computing the value on the capitalisation of the income, without any consideration for the prospective value. You put its present value at £135,000 by this process. Why, in the careful hands of the Government this line has been run at a dead loss some years. There is, then, nothing to capitalise. In fact, to be logical, the Crown should contend it is worth some thousands less than nothing. But, then, Mr. Bell says the land-grants must be deducted. He says, "Unless the company had contracted to construct the railway from start to finish they would never have had an acre of land-grant." I confidently take issue with him there. Does any one mean to say that, looking at this colony's finance from 1885 to 1888, looking at the conditions prevailing on the West Coast, looking at the speculative and problematical results of the line, and, above all, at the boon this constructed portion of the line would be to the West Coast people, that the Government of the colony would not, from 1885 to 1888, have been prepared to give grants of land to induce English investors to construct this now constructed line? Can it be said that if we had agreed to construct a line from the East to the West Coast alone, without the Nelson line, the colony would not have given us land-grants for the portion we so constructed? I say, keeping all things fairly in view, it is certain that the Government would have been prepared to give us grants of land in proportion to the extent of railway we constructed. If it was shown that, although we had only constructed a part of the line, still that that part was conferring a boon on the colony, then we should have received land-grants in proportion to the line constructed. I invite the Committee to consider whether this line has not been a great boon to the West Coast; and secondly, if so, what land-grants would in any case have been given to the company for constructing this portion. I submit that this inquiry will show that it is not accurate to say that no land-grant would have been given unless the whole of the line was constructed. It will surely show that the Crown is not entitled to treat the land-grants as if they were really payment of, or part payment of, the line. If the Crown had exercised its powers under section 43 of the contract, and had taken the line from the debenture-holders by purchase, it would have had to pay—(1) The bare cost; (2) the interest on construction; and (3) no deduction would have been made from the price for land-grants. Clause 43 lays down the rule, as plainly as can be, as to what you are to pay these people if you take a portion of the line from them. Let me put it to you in this way: It is admitted by everybody that, under clause 43 of the contract, if for any reason the Crown chooses, before the line is completed, to take a portion of the line, even after the expiration of the contract time, it can take it on paying the bare cost of it. The words of the clause are these:—

If under the provisions of the principal Act or the said Act, or under or by virtue of these presents, the Governor shall be entitled to take possession of the said railway or any part thereof, then in lieu of taking such possession he may, if he think fit, exercise the right to purchase the said railway, although the said period of ten years may not have expired, or the said railway may not have been wholly constructed, and such right shall be deemed to arise on his giving six months' notice to the company of his intention to exercise this right, and thereupon, and without any further notice as prescribed in the principal Act, the price to be paid for the said railway shall be ascertained and determined as provided by the principal Act, except that section 118 thereof shall not apply.

That is to say, they shall not have to pay the 5 per cent. which section 118 of the Act of 1881 provides for when the whole line has been completed. That is the measure of compensation which is set up by us, and I submit that it is the only fair one to which you can appeal. It is the bare cost of the line. I know that, in the face of the decision of the Privy Council, you can take this line and keep it for ever, but I have pointed out that in your own contract you established a more equitable method of dealing with the matter by taking the line at its bare cost. Mr. Coates desires me to say that to estimate the value of this line merely by what it will fetch in the market is utterly wrong and unjust; but should you be disposed to accept that method of estimating its value, he desires you to give him the option of taking back the railway instead of recommending payment of such a valuation. He desires me to repeat that if you will give us back the line we shall be perfectly satisfied. Let me show you how the Premier stated all this a little while ago. In October, 1899, he says:—

The line has cost the company £1,200,000, and he supposed the Government had close on £400,000 involved, including the value of the land granted to the company. The company had repaid the first two or three instalments—small amounts—but not the others. The value of the work done was about £700,000, and the Government had given the company land of the value of a quarter of a million, so that the Government's actual interest was about £400,000 roughly.

Mr. Bell: Does the amount of money which was expended by the Government come into that?

Dr. Findlay: He deals with that too. He says,—

"They had at the present time £850,000 value of work, and it would take one million to finish it to the Cass, and to finish it to the bottom of the Otira Gorge. There was, in round numbers, nearly a million of money spent on the work."

The Answer to the Criticism that we have come to Parliament as Suppliants only when we had fought the Colony to the Bitter End in the Law-courts.

As I am near the close of my address, let me dispose of a common hostile comment which is made upon us. It is said that we have prejudiced our cause and alienated sympathy by first attacking the colony in the law-courts to the bitter end and then coming to Parliament as suppliants when we were beaten at every point of law. I say that such a criticism is not only ingenuous, but it is unfair and it is untrue. My answer is that we had recourse to law only when every other means failed us. You will remember that we came to this Committee in 1892, and seeking bread we got a stone. The company frankly told you its position. It made an announcement to you,

through its counsel and through its general manager, which gave you the right, if you had desired it, to cancel the contract. It told you that it was impossible for it to carry out its undertaking. The company was perfectly frank with the Government in this matter, and if it had been met then in a friendly spirit, and received that help it was fairly entitled to expect, this line would have been completed to-day, to the gain of both this colony and the company. I have told you how it was treated. Again we came before you in 1893, and again we came before you in 1894, each time seeking as suppliants some *modus vivendi*—some friendly arrangement. This colony itself took the first hostile step by seizing our line in 1895. Again we came before you in 1896 as suppliants seeking, as we do now, some compensation for the property you had taken from us. Legal questions had not then been settled, and this Committee, because we were compelled to reserve our legal rights pending settlement, declined to make a recommendation. We begged a settlement to avoid going to law. That we earnestly desired to avoid. Is it fair then, as I know has been said, to say that we first appealed to law and came here only after we had been beaten? The fact is we came here first—came here time after time, and resorted to law only when every other means of getting satisfaction had been exhausted. And why was the recent appeal to the Privy Council carried on? Mr. Young, the English Receiver, was merely an officer of the Court. He had been advised by leading counsel in London that the debenture-holders had a first indefeasible mortgage on the line already constructed. He laid the position before the Judge of the High Court of England, and was directed to prosecute the appeal to the Privy Council. It then became his absolute duty to go on, and thus the appeal proceeded. I have already said that that appeal was really a service to this colony. It facilitated a settlement by the highest Court in the Kingdom of the vexed question of the debenture-holders' rights. It enabled the Crown to get a decision upon which it could safely rely to confiscate this railway and safely spend public money upon it—a course it never could have taken with confidence without the authority of the Privy Council. Our appeal to the Privy Council should not, therefore, be now raised to prejudice our claim. I am satisfied that the Government really desired that appeal. They wished us to make it, for until it was heard and decided by the Privy Council no really vigorous advance could be made. It was impossible that this Midland Railway business could be fairly decided until the highest Court in the Kingdom had decided it. The Premier himself generously took that view. If you look at his speech on the 17th October, 1899, you will see that he takes a fair broad view of the whole. He says,—

He was assured still there was a prospect, if the legal difficulties were out of the way, and if this matter were placed before the shareholders and debenture-holders, that there could be capital found to complete the line to the points he had mentioned. At the same time, until the legal position was determined and the slate was clean, nothing could practically be done. His opinion was that the slate would be clean. He had every hope and expectation that, as the Government had succeeded from beginning to end in justifying the course that had been taken by them, so the course which they had taken would be justified by the chief legal tribunal in the Empire. Then it would be for the debenture-holders and shareholders to decide whether they would lose the whole of the money that they had put into it, or whether they would approach the Government and submit a scheme for the further prosecution of the work. Or there was the alternative of coming to Parliament and throwing themselves on the generosity of Parliament.

There the Premier rightly recognised that until the Privy Council had decided upon the exact legal position he could not go on. We made that appeal as quickly as we could. We tried to get a consent from the Government to let us go on straight from the Supreme Court of this colony to the Privy Council, but for reasons of prudence we were refused; and I invoke the Premier's words as showing that we did all that he wanted, and what every man in the colony wanted, when we enabled you to get the decision of the highest Court in the Kingdom. It must be admitted that when we lent our money in 1889, we believed, and the Government believed, that we were getting a first mortgage on this line. I have read you an extract to show that the Premier himself believed that we were getting an absolute first mortgage. I also showed that Mr. Bell, when he was counsel for the company, believed that they were getting such a first mortgage. What I am leading up to is this: that in a great matter of this kind the Government felt that there could be no settlement until this question was finally decided distinctly. Therefore I put it to you that in litigating this matter we were doing what the Premier desired, and what everybody concerned desired, and the fact that we did so should not be used against us. I have now nearly finished. May I ask you to share the spirit which the Premier himself showed towards us when dealing with this matter in 1894. He was dealing then with proposals which would have settled this difficulty, and he said:—

Sitting on these benches and dealing with this question, in which the honour of the colony is concerned, I say that if we deal harshly with the company, and do not give them fair concessions, we shall injure the good name of New Zealand. I, for one, will not be a party to that. The names of the gentlemen connected with this company in London, and of those who went to London to float the company, are those of well-known men, and after the position taken up, supported as it is by documents and evidence, I say that it would seriously affect the credit of the colony if the Government did not accord to the company fair treatment. That is my contention. I feel assured that the honour of this colony is, as it were, at stake in regard to this transaction—that what we are doing is watched very carefully, and that we should not for a moment lightly treat our honour, or allow it to be sullied, and sullied it will be unless we meet the company fully and fairly, and do justice to these parts of the colony, and say in the spirit of honesty it is our duty to open the lands there for settlement—those districts have suffered for the last ten years, and shall suffer no longer.

I submit that these observations show the true spirit in which this matter should be approached. In the long-run it profits both the individual and the community to act so that not only the law but the best instincts of justice are fully satisfied. Nay, while the individual who shortly vanishes from the scene may escape the results of his own harsh or unfair conduct, the community which lives on cannot do so, and must in the long-run, and in some way or other, pay the penalty for deliberate acts of injustice. You are really called upon to say whether this colony can consistently, with the best dictates of honour and integrity, keep for ever as its own this growingly valuable line, constructed out of our moneys. There is a higher law than your statutes and your cases, and I appeal to that sense of common justice which alone controls this Committee to say whether you can dismiss us without a fair equivalent for what you have taken from us. We have been

invited to trust to the generosity of Parliament. I believe the Premier was truly sincere when he gave us that invitation. We have come to you, feeling that the generosity of Parliament will be worthy of its name, and that when you come to decide what our reasonable claim on this colony is, your good judgment will not be selfishly or narrowly strained against us, but that, in view of our losses and our misfortunes, generosity will even be added to justice. I thank you for your patient attention.

Rt. Hon. Mr. Seddon: I would have liked to have heard—and it is not yet too late to hear it—Dr. Findlay's reply to that part of Mr. Bell's speech which was not admitted and not denied by Dr. Findlay—namely, that speech delivered by me in which I spoke of generous action on the part of the Government was delivered before the debenture-holders and the shareholders appealed to the Stock Exchange, in which they said that we were blocking the process of litigation while they were forcing it on. The learned gentleman has not referred to that in his address, and I should like to hear him on that point, because there has been no explanation given, and because we can show that by their action then our finances were hampered at that time, which would not have been the case if it had not been for their action. Probably it escaped the learned gentleman's notice.

Dr. Findlay: You will recollect, Mr. Seddon, that Mr. Bell left nothing unsaid which would tend to emphasise the complaint which you have just mentioned. Every detail which could possibly be said to bear on that point was elaborately collected and laid before you. My answer will be brief. First, the speech made by Mr. Seddon, to which I have referred, was not made before but after the petition of certain debenture-holders to the Stock Exchange. But I also say that the representatives of the debenture-holders at that time in this colony (Mr. Coates) and in London (Mr. Young) declared that the appeal made to the Stock Exchange was utterly unauthorised. This attack upon the honour of the colony was made by a small section of the debenture-holders, who in no way represented the general body of the debenture-holders. It was never suggested that they did. Mr. Coates represents over a million in debentures, and these men who appealed to the Stock Exchange had only a small fraction of those debentures. I submit, and I think you will agree, that to raise that question now as an answer to this claim, which is made on behalf of the whole body of debenture-holders, is unfair, and would be unworthy of the colony. The best we can say is that we did not agree with that petition to the Stock Exchange, and we protested against it. I say again, it is unfair that the whole body of debenture-holders should be punished in this vicarious way for the action of a few debenture-holders, whose conduct they did not approve; and I repeat that we were invited by the Premier to trust to the generosity of this Parliament months after the petition to the Stock Exchange of which Mr. Seddon complains, and which, I agree with him, was reprehensible.

Mr. Bell: I have no right of general reply, but one matter I am bound to answer. Dr. Findlay asked why we did not determine the contract in 1895 and declare the land free of the reservation. Of course, Dr. Findlay did not mean the year 1895, because that was the year in which the arbitration was proceeding. I presume he meant the year 1896. Dr. Findlay suggested two reasons why we did not do that—first, that we might have had the intention of building up a huge claim for damages against the company; and secondly, that the process of demands upon the debenture-holders may have been in contemplation for the purposes of exhausting their finances, and thus obtaining without payment the railway. Now, I myself have not been the adviser of the Government in this matter until quite recently, at the commencement of the present proceedings; but I do chance to know what was the reason why the reservation was not extinguished. And the reason was this, sir: The debenture-holders, as I have explained in my speech, had this right, that if the Government proceeded to complete the railway the debenture-holders might pay the Government every six months the amount which the Government was expending, and then would have the right to stand in the shoes of the company and make selections out of the reserved area, as each section of the railway was completed. It was because the debenture-holders had that right, and because the Government would do nothing to interfere with that right, that no such step as Dr. Findlay suggested was taken in 1896. In order to prove that it was at the instance of the debenture-holders and of the company that that course was taken I have only to refer you to Dr. Findlay's letter of 15th April, 1899, written to the Crown Solicitors, in which he asked for and received an undertaking from the Government that while the litigation was going on, and for a period of three months thereafter, they should have a right to repay all moneys expended by the Crown. That involved the continuance of the whole of the reservation to be available for their selections. I feel sure that Dr. Findlay will agree—and his words might be open to misconstruction, for reasons he will understand—that that was the reason why the Crown did not make an attempt to extinguish the reservation or determine the contract in 1896. I ask now leave to make a personal explanation on one point. It is in reference to a question put by myself to Mr. Seddon in 1892, and to an observation by me in the course of Dr. Findlay's speech, that in 1892 I was then counsel for the Midland Railway Company. It is of no concern to anybody, and certainly not to this Committee, that I should explain why I am now standing in a different position. What I desire to say is this: that if I, as counsel for the Midland Railway Company, in 1892 had seen any defects in the security for the debenture-holders I was not only entitled to say so, but it would have been most improper of me then to suggest any doubt as to the position of the debenture-holders when I was counsel for their mortgagors. I put no question to Mr. Seddon or to any witness that I would not have put in the same terms to-day. Nor did I suggest any point which has not since been absolutely determined to be the law. At the point of time when Mr. Seddon made his statement to the Committee in 1892 it was indicated that the Government were going to show that to complete this line would be to finish a line which would not pay. The company were asking for a guarantee, and the answer of the Government was, "We do not see how the line will pay, and therefore we do not see our way to recommend Parliament to give the guarantee." I do not profess to recollect all I thought of the matter

in 1892, or even whether I had formed an opinion on this point; but I observe that I referred to section 123 of the Act of 1881 in my question to Mr. Seddon, and therefore, no doubt, I had considered it. I put it to Mr. Seddon that if it was a worthless line, then no doubt the Government would not go on to complete it, and I then suggested by my questions that the Government's powers were set forth in section 123 of the Act of 1881, and therefore that he could not take the constructed railway from the debenture-holders unless they made default in payment of moneys expended by the Government. That is still the position since the light thrown on the case by the judgment of the Privy Council. It is only the continuance by the Government of the railway construction which has entitled the Crown to issue the Order in Council transferring to the colony the part constructed by the company. Although I do not profess to have a memory of everything that occurred in 1892 in respect to this matter, I protest against the imputation that the questions I put were disingenuous, or that I tried in any way to lead the then Minister for Public Works to give an answer which was not correct, or that I in any way misrepresented the matter. So far as I can see, by the light of the judgment of the Privy Council I put no question which was incorrect, and elicited no answer from the Minister which was incorrect.

Dr. Findlay: Mr. Bell suggests that I imputed something disingenuous to him in the questions which he put to the Premier in 1892.

Mr. Bell: It was the Premier who seemed so to put it.

Dr. Findlay: Well, all that I desired to show was that the questions and answers then given did conclusively show that the Premier then thought that the debenture-holders had a first and indefeasible charge over a part of the line constructed. If anything I said led to the impression that I was accusing Mr. Bell of disingenuousness, that was wrong and was not intended. As far as Mr. Bell is concerned, all I did was to read from page 175, where he distinctly stated in 1892 the legal position of the debenture-holders as he then thought it was. His words are as follows: "Clause 9 of the contract specially protects the rights of the debenture-holders as assignees of the 'part of the railway' charged in their favour." What I relied upon strongly was that what Mr. Bell then said showed conclusively that he shared the opinion of the Premier that "part of the railway" could be charged. The Privy Council has said that it cannot be charged, and therefore there is an end of that question in law; but I was showing that at that time Mr. Bell did actually share in the opinion of the Premier that a part could be charged. The only other point is one of personal explanation. My friend has read a letter which I wrote towards the end of last year, and suggested that it was the reason why the Crown had not determined the contract and pushed on with the construction of the line. I submit that that letter can bear no such construction. I contended that the Government could have determined the contract in 1892, and the Crown entered into possession in 1895, and admittedly might have determined the contract then. I made no mistake. From that date to 1900 five years elapsed, and Mr. Bell cannot suggest that a letter written in 1900 would be an inducement to the Crown to refrain from determining the contract in 1892 or 1895, or a cause of the tardy construction during the five years preceding the date of the letter, during which time the Crown was in possession.

Mr. Bell: That letter shows that the understanding throughout was that the debenture-holders should not be deprived of any right through removing the reservation, because in 1899 their solicitor makes a request for the continuance of the reservation.

Rt. Hon. Mr. Seddon: Probably I may be permitted to make a personal explanation. There can be no doubt whatever that up to a given period it was thought that under the Act of 1884 the debenture-holders had a first charge. I could not say that I held that opinion, but, as I was informed that it existed, I never questioned it myself. When later on I did, and came to the conclusion that the debenture-holders could not be in a better position than the company—the contractors. No mortgagee could be in a better position than the mortgagor, and it struck me that what in common-sense applied in ordinary contracts would apply in this case. That was ultimately shown to be the absolutely legal view. Of course, the debenture-holders were advised by legal gentlemen of high standing at Home, and they contended that this right existed. In the course of my investigations it struck me that this was a point which had not then been raised, and it was submitted to our advisers, the result being that the highest tribunal in the Empire decided that we were correct in the view which on consideration I had taken. I wish it also to be made clear that in giving my answers to Mr. Bell in 1892 nothing he said at all influenced my answers. I was in no way influenced by the way in which he put his questions. I wish it to be clearly put to the Committee that, to my mind, from then to the present moment there has been no suggestion that Mr. Bell was in any way trying to put me in a false position.

Mr. Bell: There has never been an occasion where I have expressed an opinion contrary to that which you have just expressed?

Rt. Hon. Mr. Seddon: Just so.

E X H I B I T S.

A 1.—DOCUMENTS PUT IN BY THE PETITIONERS.

STATEMENT showing the DETAILS of EXPENDITURE (£1,338,314 18s. 2d.) appearing in the Company's Audited Balance-sheet at 30th June, 1895.

	£	s.	d.
Purchase of rights under the contract dated 17th January, 1885	6,000	0	0
Commission, law charges, and advertising, 1887	21,143	14	4
Commission and expenses <i>re</i> issue of £745,000 debentures	58,420	1	7
Discount on debentures issued at £92 10s.	55,785	0	0
Trustees' fees (debenture-holders)	2,194	12	6
Committee fees (New Zealand)	4,750	0	0
Directors' fees (England) to 30th September, 1894	25,195	1	1
Law-costs (England)	2,728	6	10
Salaries, rent, and other current expenses	40,766	6	6
Land-grant expenses	21,103	1	4
Timber Department expenses	6,994	16	1
Rates and taxes (New Zealand)	14,039	3	4
Shareholders' interest to 30th September, 1893	77,162	15	4
Debenture-holders' interest to 1894	198,900	2	5
" " to be funded	26,342	18	4
Arbitration and petition expenses	13,058	0	6
Construction Account, being payments to contractors (see separate list "A")	523,324	5	10
Rolling-stock	27,977	5	0
Permanent-way (see separate list "B")	73,108	10	2
Compensation account (Reefton line)	28,077	0	0
" (Stillwater-Springfield line)	5,290	2	3
" (Belgrove line)	1,532	14	2
" " Suspense Account	115	10	0
Surveys	18,385	12	4
Engineers' fees	43,192	15	3
Construction plant	2,366	14	10
Working railways, plant, and fittings	962	3	9
" reference plans	254	14	10
Wages and salaries (construction)	23,639	1	5
Carriage of construction material	3,587	7	3
Land plans	1,993	2	5
" (Belgrove Section)	199	0	0
Sundry expenses (construction)	2,066	17	9
Freight Account	327	9	3
Travelling-expenses	322	9	11
Office-rent	239	5	0
Sundry repairs	219	4	6
Insurance	6	3	7
Advertising	75	19	6
Stationery and printing	130	13	4
Law-costs	1,101	14	11
Discount, bank charges, &c.	301	16	8
Postages and telegrams	246	14	10
Office expenses	93	19	5
Stations and buildings	388	1	9
Locomotive certificates	13	2	6
Wagon-covers, ropes, &c.	152	12	10
Telegraph materials	185	10	6
Brunnerton siding	180	0	0
Purchase of horses	191	2	6
Stores issued	404	4	6
Leasehold-land rents	21	8	0
Materials for use in carriages and wagons	61	4	5
Signals	3	1	0
	1,335,322	16	4
Entries at 30th June, 1895, in the company's books in London, of which no details are in the colony	2,992	1	10
	£1,338,314	18	2

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)

(Norman H. M. Dalston,

General Manager).

Wellington, 10th July, 1900.

"A."—DETAILS of CONSTRUCTION ACCOUNT, £523,324 5s. 10d., being Amount actually paid to Contractors.

No. of Contract.	Name of Contractor.	Contract.	Length of Section.		Amount paid to Contractor.		
			M.	ch.	£	s.	d.
1	McKeone, Robinson, & Avigdor	Teremakau to Stillwater	17	60½	119,359	16	2
2	Ditto	Brunnerton to Stillwater					
3	"	Stillwater to Nelson Creek					
4	Jay & Co., Joseph	Ahaura Section	5	55½	26,985	4	3
5	Rees & Co., J. R.	Totara Flat Section	9	30	36,298	14	0
6	"	Mawhera-iti Section	9	40	36,737	19	0
7 & 7A	"	Little Grey, Squaretown Section	5	0	51,606	7	4
8	Scott Brothers	Cross-girders			2,046	2	11
9	N.Z. Government Railways	Ten low-side wagons			800	0	0
10	Scott Brothers	One locomotive, Class "D"			955	0	0
11	Anderson, J. & A.	Springfield to Patterson's Creek	5	54½	46,654	4	6
12	Jay & Co., Joseph	Stony Creek Section	1	44½	9,790	9	3
13	Dartnell, W. W.	Belgrove Section Survey			580	8	6
14	Jay & Co., Joseph	Ahaura Temporary Station			1,070	11	9
15	N.Z. Government Railways	Signals, Stillwater Junction			144	9	5
17	Cochrane, D. L. & W.	Thirty-four telegraph-poles			42	10	0
18	Arnott & Sons, J.	Stillwater Station additions			280	7	10
19	Killeen, Michael	Stillwater to Kokiri, fencing			115	5	0
20	Chief Postmaster, Greymouth	Telegraph materials			39	10	8
21	Algie & Priest	999 sleepers			112	7	9
22	Maguire, Allen	Belgrove to Motueka Section	5	34½	51,210	19	2
22A	"	Norris Gully extension			3,007	3	1
23	Bignell, Henry	Totara Flat Hotel			1,139	8	0
24	Rees & Co., J. R.	Reefton Station	0	54½	6,809	9	7
25	Bignell, Henry	Refreshment-room and Post-office, Totara Flat Station			164	17	6
26	Jay & Co., Joseph	Kotuku Section	5	34½	24,277	1	4
27	Russell, R.	Stillwater Junction Carriage-shed			576	0	0
28	Anderson, J. & A.	Patterson's Creek Bridge foundations			6,739	11	8
29	Bignell, Henry	Totara Flat Station sheep-pens			36	15	0
30	Scott Brothers	Kotuku Section girders			2,062	8	7
31	Bignell, Henry	Stillwater Station additions			130	6	0
32	Jay & Co., Joseph	Lake Brunner Section	10	19½	28,581	16	9
32A	Bignell and others	Supplementary work, Lake Brunner Section			674	5	3
33	Rees & Co., J. R.	Teremakau Section	6	15	25,758	4	5
34	Kennefick & Kells	Stillwater Station triangle			110	2	0
35	Anderson, J. & A.	Big Kowai Bridge pitching			350	0	0
36	"	Plate girders, Kotuku and Teremakau Sections			4,469	8	6
37	Kells & Dickens	Stillwater Station triangle, ballasting			202	2	0
38	Turnbull, James	Stillwater yard-drains and bushwork			145	10	0
39	Butler Brothers	Kaimata tunnel shelter-yard			147	9	8
40	Costigan, Patrick	Reefton Station-yard bushwork			12	0	0
41	Anderson, J. & A.	Kowai Bridge girder additions			20	0	0
42	Bignell, Henry	Stillwater Station weighbridge foundations			140	8	9
43	Jay & Co., Joseph	Ironbark timber for bridges			144	2	0
44	Sundry persons	Raupo Station loading-ramp			43	9	4
46	Bignell, Henry	Brunnerton-Stillwater Bridge additions			606	14	1
47	"	Removing cottage to Reefton Station			34	5	6
48	De Berry & Sweetman	Ngahere Stationmaster's house additions			85	3	3
49	Baff & Son	Inchbonnie quarry-works			280	15	7
	Braithwaite & Kirk	Girders, &c.			18,729	7	8
	Miles & Co.	Freight			12,489	17	5
	Sundry expenses				232	7	5
	Ibbotson Brothers & Co.	Steel pile-shoes and freight			293	8	0
		Total mileage	82	43	£523,324	5	10

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,
General Manager).

Wellington, 9th July, 1900.

“B.”—DETAILS of PERMANENT-WAY ACCOUNT, £73,108 10s. 2d., being Amount actually paid to Contractors.

Details.	Tons.	Amount.
Rails, 53 lb., at £4 15s. per ton	4,644	£ 22,071 s. 6 d. 10
Fish-bolts, at £25 per ton	44	1,102 2 8
Fang-bolts, at £12 10s. per ton	96	1,262 2 0
Dog-spikes, at £12 per ton	95	1,137 16 0
Bed-plates, at £7 10s. per ton	59	441 2 11
Fish-plates, at £6 5s. per ton	252	1,578 0 7
Permanent-way material, not including sleepers ... ..	...	33,807 14 3
Freight and insurance on rails, fish-bolts, &c. ... ..	...	11,244 15 8
Points and crossings ... ..	...	1,015 12 0
Sundries ... ..	...	131 6 6
		<hr/>
		73,791 19 5
Less sales ... ..	...	683 9 3
		<hr/>
		73,108 10 2

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)

(Norman H. M. Dalston,

Wellington, 9th July, 1900.

General Manager).

“C.”—STATEMENT showing LANDS SELECTED by the COMPANY, and the BALANCE of LANDS AVAILABLE for SELECTION.

No. of Block.	Area of Block.	Value per Acre.	Amount.
<i>Surveyed Blocks (Actual Area and Value).</i>			
	A. R. P.	£ s. d.	£ s. d.
26	10,698 0 18	1 0 0	10,698 2 5
28	10,172 2 33	1 0 0	10,172 14 2
41	7,346 3 38	0 15 0	5,510 4 9
44	13,629 0 0	1 5 0	17,036 5 0
45	32,427 0 0	0 13 0	21,077 11 0
46	8,586 2 21	0 15 0	6,439 19 6
50	6,738 3 24	0 15 0	5,054 3 6
61	33,126 1 24	0 10 0	16,563 4 0
62	1,070 0 7	1 0 0	1,070 1 0
63	7,087 1 19	1 0 0	7,087 7 3
65	3,004 2 7	1 2 6	3,380 2 3
77	8,123 2 34	0 10 0	4,061 17 1
42	25,669 2 0	0 15 0	19,252 2 6
43	26,642 0 0	0 15 0	19,981 10 0
53	35,751 3 0	0 10 0	17,875 17 6
64	5,999 2 23	1 0 0	5,999 12 11
67	8,940 3 7	1 0 0	8,940 15 11
70	4,864 1 20	0 10 0	2,432 3 9
71	8,500 1 30	0 10 0	4,250 4 5
127	43,122 2 9	0 10 0	21,561 5 6
130	17,646 0 0	0 10 0	8,823 0 0
220 (part)	1,914 2 13	0 10 0	957 5 10
131	7,292 3 15	0 10 0	3,646 8 5
69	13,540 0 0	0 17 6	11,847 10 0
Cobden	14 2 7	...	527 10 0
Westport	29 3 0	...	1,247 10 0
			<hr/>
			235,494 8 8
<i>Unsurveyed Blocks (Estimated Area and Value).</i>			
48	8,550 0 0	0 15 0	6,412 10 0
54 (part)	5,350 0 0	0 10 0	2,675 0 0
"	24,000 0 0	0 10 0	12,000 0 0
68 "	3,200 0 0	1 0 0	3,200 0 0
Ahaura	15 0 7	...	462 0 0
			<hr/>
			260,243 18 8
B1 value of lands earned by the company, as per Statement “E.”			£ 290,010 s. 2 d. 5
• Deduct B1 value of lands selected by the company, as above			260,243 18 8
Balance available for selection by the company			<hr/>
			£29,766 3 9

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)

(Norman H. M. Dalston,

Wellington, 30th June, 1900.

General Manager).

D."—STATEMENT showing AMOUNTS DEMANDED by GOVERNMENT for CONSTRUCTION WORK since the Seizure of the Line on 25th May, 1895.

Period ending	Amount spent on Construction.		Traffics.			Balance, being Amount demanded by Government.	Demands paid by Company to Government.	Demands unpaid by Company to Government.	
			Expenditure in Excess of Receipts.		Receipts in Excess of Expenditure.				
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	
29 February, 1896..	8,145	5 8	..	..	3,681	8 8	4,463	17 0	..
31 August, " ..	13,873	5 10	..	..	1,028	0 4	12,845	5 6	..
28 February, 1897..	9,625	2 4	..	..	2,670	14 4	6,954	8 0	..
31 August, " ..	14,863	0 5	..	..	1,249	15 10	13,613	4 7	..
31 August, " ..	15,100	6 6	..	..	4,081	16 1	11,018	10 5	11,018 10 5
28 February, 1898..	19,634	13 10	2,704	2 5	..	..	22,338	16 3	22,338 16 3
31 August, " ..	38,101	10 8	136	12 6	..	..	38,238	3 2	38,238 3 2
28 February, 1899..	27,064	5 8	1,352	10 7	..	..	28,416	16 3	28,416 16 3
31 August, " ..	29,175	8 7	..	..	3,325	0 0	25,850	8 7	25,850 8 7
	175,582	19 6	4,193	5 6	16,036	15 3	163,739	9 9	125,862 14 8
			Deduct,		4,193	5 6			
	175,582	19 6	..	..	11,843	9 9	163,739	9 9	125,862 14 8

Summary (carried to Statement "E").

Net traffics, above	..	..	..	..	..	..	..	..	£	s. d.
Demands paid to Government, above	..	..	..	..	..	..	..	..	11,843	9 9
									37,876	15 1

£49,720 4 10

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 2nd July, 1900.

General Manager).

"E."—STATEMENT showing the PROPORTIONATE COST of the VARIOUS COMPLETED SECTIONS of the RAILWAY, and the TOTAL B1 VALUE of LAND EARNED by completing such Sections (for Land-grant Purposes only).

No. of Section.	From	Proportionate Cost.	
		£	s. d.
1/10	Springfield to Patterson's Creek	60,000	0 0
11	Jackson to Poeroa	34,100	0 0
12	Poeroa to Lake Town	21,300	0 0
13	Lake Town to Hohonu	33,500	0 0
14	Hohonu to Summit	26,400	0 0
15	Summit to Tunnel	32,300	0 0
16	Tunnel to Kokiri	18,200	0 0
17	Kokiri to Brunnerton	37,700	0 0
18	Stillwater to Nelson Creek	47,400	0 0
19	Nelson Creek to Ahaura	26,300	0 0
20	Ahaura to Totara Flat	19,600	0 0
21	Totara Flat to Ikamatua	24,800	0 0
22	Ikamatua to Mawhera-iti	27,800	0 0
23	Mawhera-iti to Slab Hut	18,000	0 0
24	Slab Hut to Reefton	42,900	0 0
25/35	Belgrove Section	60,000	0 0
		530,300	0 0
	Add £37,876 15s. 1d., demands for construction-work since 25th May, 1895, paid to Government, together with the sum of £11,843 9s. 9d., the net earnings of the line since the Crown took possession, making, as per Statement "D"	49,720	4 10
		<u>£580,020</u>	<u>4 10</u>
	B1 value of lands earned by the company, being 50 per cent. of £580,020 4s. 10d. as above, carried to Statement "C"	£290,010	2 5

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 30th June, 1900.

General Manager).

“F.”—STATEMENT showing the ESTIMATED COST of the PORTION of the RAILWAY ALREADY CONSTRUCTED by the COMPANY, extracted from Messrs. Napier Bell and Blair's Estimate of the 5th November, 1888:—

No. of Section.	From	Estimated Cost.
		£
11	Jackson's to Poerua	34,100
12	Poerua to Lake Town	21,300
13	Lake Town to Hohonu	33,500
14	Hohonu to Summit	26,400
15	Summit to Tunnel	32,300
S.16	Tunnel to Kokiri	18,200
S.17	Kokiri to Brunnerton	37,700
S.18	Stillwater to Nelson Creek... ..	63,000
19	Nelson Creek to Ahaura	35,000
20	Ahaura to Totara Flat	26,000
21	Totara Flat to Ikamatua	33,000
22	Ikamatua to Mawhera-iti	37,000
23	Mawhera-iti to Slab Hut	24,000
24	Slab Hut to Reefton	57,000
		478,500
Add amounts expended by the company at Springfield, £60,000, and at Belgrove, £60,000, in terms of clause 7 of the contract		120,000
		598,500

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 8th August, 1900.

General Manager).

“G.”—STATEMENT showing the AMOUNTS REALISED from the SALE of the B1 LANDS.

[NOTE.—This statement is approximate. Roads and poles, and shillings and pence, omitted.]

No. of Block.	Area of Block.	Area sold.	Amount realised.	Area unsold.	B1 Value of Unsold Land.	
			£		£	
26	10,968	108	148	10,860	10,860	
28	10,172	10,172	10,172	...	...
41	7,346	7,346	6,612	...	...
44	13,629	13,629	13,086	...	...
45	32,427	32,427	21,074	...	...
46	8,586	8,586	11,968	...	...
50	6,738	6,738	6,740	...	...
61	33,126	33,126	14,500	...	...
62	1,070	730	1,088	340	340	
63	7,087	6,468	7,839	619	619	
65	3,004	3,004	3,420	...	...
77	8,123	6,643	8,105	1,480	740	
42	25,669	25,669	26,000	...	...
43	26,642	26,642	28,107	...	...
53	35,751	35,751	15,555	...	...
64	5,999	341	681	5,658	5,658	
67	8,940	8,940	13,325	...	...
70	4,864	4,595	6,577	269	134	
71	8,500	8,377	11,047	123	62	
127	43,122	43,122	27,168	...	...
130	17,646	17,646	11,469	...	...
220	1,914	1,914	5,000	...	...
131	7,292	7,292	3,646	...	...
69	13,540	13,540	14,943	...	...
48	8,550	8,250	8,250	300	225	
54	5,350	5,350	3,016	...	...
54	24,000	24,000	14,235	...	...
68	3,200	3,200	3,600	...	...
Westport	29	...	180	...	737	
Ahaura	15	...	...	...	399
Cobden	14	...	...	...	527
		383,313	363,606	302,551	19,649	20,301

E. and O. E.

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 13th August, 1900.

General Manager).

MEMORANDUM.

I SUBMIT for information of the Committee the accompanying statements showing in detail particulars of the sums mentioned in paragraphs Nos. 6, 16, and 19 of my petition (No. 132) :—

As to paragraph 6, the amount stated, £1,338,000, is the total amount expended by the New Zealand Midland Railway Company up to 30th June, 1895, as per the audited balance-sheet.

From the classification of the figures therein it appears that the	
Construction Account (not including interest on money expended during construction) amounts to	£ 763,732
Expenses, flotation of company	29,872
Discount and expenses floating debentures	116,400
Directors' and Commissioner's fees, London and New Zealand	29,945
Salaries, London and New Zealand	40,766
Interest paid to shareholders and debenture-holders	302,405
Land-grant expenses	21,103
Timber Department expenses	6,994
Rates and taxes	14,039
Arbitration expenses	13,058
	<u>£1,338,314</u>

As to paragraphs 16 and 19 :—

The first issue of debentures in 1889 amounted to	£ 744,000
Further issue of debentures in 1896 amounted to	20,000
	<u>764,000</u>
Debentures issued in payment of interest on above debentures up to 15th October, 1897	92,975
	<u>856,975</u>
Total Debenture Account, as per paragraph 7	114,000
Interest due to debentures since 1897 up to 1900, about... ..	37,876
Amount paid to Government on account of construction expenditure by Government since taking over line	8,518
Traffic receipts retained by Government since taking possession	
	<u>£1,017,369</u>

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)

(J. H. B. Coates,

Receiver in the Colony).

28th August, 1900.

DETAILS of TOTAL EXPENDITURE to 30th June, 1895, as per Audited Balance-sheet, referred to in Paragraph 6 of Petition (No. 132).

	£	£
Construction Account—Payments to contractors	523,324	
Rolling-stock	27,977	
Permanent-way	73,108	
Compensation Account	22,514	
" paid to contractors	12,500	
Surveys	18,386	
Wages and salaries, construction (not including Engineer-in-chief)	23,639	
Plant)	3,583	
Plans)		
Carriage of construction material	3,587	
Land plans	2,192	
Sundries: Freight, law-costs, stationery, repairs, &c....	9,730	
Engineer-in-chief (salary and commission)	43,192	
		<u>763,732</u>
Expenses floating company—		
Purchase of rights under contract	6,000	
Commission, charges, and advertising	21,144	
Law-costs, London	2,728	
		<u>29,872</u>
Discount and expenses, floating debentures—		
Commission and expenses <i>re</i> issue of debentures	58,420	
Discount on debentures issued at £92 10s.	55,785	
Trustees' fees	2,195	
		<u>116,400</u>
Carried forward		<u>910,004</u>

Brought forward	...	...	...	...	910,004
Fees—					
Directors' fees, England	...	...	...	25,195	
Committee fees, New Zealand	...	...	...	4,750	
				<u> </u>	29,945
Salaries—London office and New Zealand	...	...	...	...	40,766
Interest—					
Shareholders, to 30th July, 1893	...	...	...	77,163	
Debentures, to 30th July, 1894	...	...	...	198,900	
Debentures funded	...	...	...	26,342	
				<u> </u>	302,405
Land-grant expenses	...	...	...	21,103	
Timber Department expenses	...	...	...	6,994	
				<u> </u>	28,097
Rates and taxes	...	...	...	...	14,039
Arbitration expenses	...	...	...	...	13,058
					<u> </u>
					<u>£1,338,314</u>

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 28th August, 1900.

General Manager).

DETAILS of AMOUNTS referred to in paragraphs 16 and 19 of Petition No. 132.

First issue of debentures, 1889...	...	...	...	...	£ 743,800
Further issue of debentures, 1896	...	...	...	...	20,000
					<u> </u>
					763,800
Debentures issued in payment of interest on above to 15th October, 1897					92,975
					<u> </u>
Total debentures issued	...	...	...	...	856,775
Interest due on debentures since 1897 to 1900, about	...	...	...	...	114,000
Amounts paid to Government by debenture-holders	...	...	...	...	37,876
Traffic receipts retained by Government...	...	...	...	...	8,518
					<u> </u>
					<u>£1,017,169</u>

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED)
(Norman H. M. Dalston,

Wellington, 28th August, 1900.

General Manager).

A 2.—STATEMENT showing the NUMBER of PASSENGERS, ETC., carried on the Company's Railway from August, 1889 (the date of the opening of the line) until the 25th May, 1895 (the date of the seizure of the line).

Period.	Passengers.	Parcels.	Horses, Dogs.	Cattle, Calves, Sheep, Pigs.	Wool.	Firewood.	Timber.	Grain.	Merchandise.	Minerals.
10 months to June, 1890 ...	Number. 22,333	Number. 1,287	Number. 272	Number. 156	Bales. 44	Trucks. 123	Feet. 539,800	Tons. 416	Tons. 8,184	Tons. 1,351
12 " " 1891 ...	24,868	2,760	364	1,303	164	217	1,129,900	1,706	9,930	1,231
12 " " 1892 ...	34,909	2,472	586	3,189	150	346	3,199,400	1,762	5,033	1,811
12 " " 1893 ...	34,125	3,473	355	2,797	225	340	3,825,000	1,654	4,315	2,487
12 " " 1894 ...	33,825	4,148	501	6,009	264	215	4,757,300	1,645	4,335	15,152
11 " " May, 1895 ...	34,103	4,757	446	3,443	273	220	5,413,400	1,728	2,636	31,592
Totals ...	184,163	18,897	2,524	16,897	1,120	1,461	18,864,800	8,911	34,433	53,624

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED),
NORMAN H. M. DALSTON, General Manager.

Wellington, 12th September, 1900.

A 2.—RETURN showing the EXPORT of TIMBER from the Port of Greymouth from the opening of the Company's line in 1888 to the Year 1899.

	Superficial Feet.
Up to the end of 1891	Nil.
For the year 1892	415,820
" 1893	2,095,839
" 1894	6,766,865
" 1895	8,679,769
" 1896	10,890,274
" 1897	10,473,574
" 1898	12,099,809
" 1899	13,494,815
Total exported	64,916,765

THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED),
NORMAN H. M. DALSTON, General Manager.

Wellington, 14th September, 1900.

A 3.—STATEMENT SHOWING DIFFERENCE to the COLONY between—(1.) If the colony had completed the unconstructed portion of line in five years from 1895, time it seized it, to 1900. (2.) If company had completed it by 1900. (Worked out on Crown's own figures.)

	£
Total estimated cost of whole line	2,830,000
Government says work done up to 1895	605,685
Balance to complete	2,224,315
Hence, if Crown completed, it would have cost it	2,224,315
But, if company completed, Crown says land-grant would be equal to 60 per cent. of cost of construction. Hence Crown would contribute to company's construction 60 per cent. of	2,224,315
Land-grants equal to	1,334,589
Hence portion of cost borne by company, or 40 per cent. of the whole cost	889,726
But, if Crown constructed, line would belong to Crown. If company constructed, line would belong to company, as well as land-grants.	
Hence, if company constructed, it would cost Crown before the line could become Crown property—(1.) Cost of line, including 5 per cent. as provided by statute (saying nothing of interest) on cost of construction	2,335,530
But to this must be added what Crown would have already given in land on grants	1,334,589
Total cost to Crown to acquire if company constructed	3,670,119
Cost if Crown itself had constructed	2,224,315

Gain to colony by itself constructing since 1895 1,445,804

But to this gain must be added what is saved to colony by escaping the locking-up of the lands.

If Crown had determined contract 1895, as it might have done, and broken up reserved area, it would have had the gain of five years' freedom of about 6,000,000 acres. What is this worth—

	£
Fifteen years equals	500,000
Five years	170,000

Thus	1,445,804
Add	170,000

1,615,804

Gain to colony if it constructed, instead of company, the portion remaining unconstructed in 1895, £1,615,804.

B 1.—LIST OF DATES.

- SEPT. 24, 1881.—“ Railways Construction and Land Act, 1881,” passed.
- Nov. 6, 1884.—“ East and West Coast (Middle Island) and Nelson Railway Act, 1884,” passed.
- Jan. 17, 1885.—Contract between William Chrystal and others and Her Majesty the Queen.
- Early, 1886.—New Zealand Midland Railway Company (Limited) formed in England; capital, £500,000; first issue of £250,000. Share prospectus issued April, 1886.
- May 14, 1886.—Chrystal and others assigned by deed the benefit of their contract to the company.
- July 30, 1886.—East and West Coast and Nelson Railways, &c., Act 1884 Amendment Act passed.
- Jan. 24, 1887.—Work of construction of railway in New Zealand commenced by the English contractors.
- Nov. 25, 1887.—Second meeting of company, when first report presented. The report shows:—
- (a.) That Mr. Brodie Hoare, deputy chairman of the company, had during the year visited the colony and inspected the country through which the line would pass, in company with the committee of advice, and was well satisfied with the progress of the railway and the value of the land grants.
- (b.) That, of the three contracts let to English contractors, one was completed, the second was expected to be completed in December, 1887, and the third in February, 1888.
- Dec. 23, 1887.—“ Midland Railway Contract Act, 1887,” passed.
- Aug. 3, 1888.—The contract between Her Majesty and the company executed.
- Nov. 28, 1888.—Third meeting of shareholders of company, when second report presented, showing considerable works in progress.
- April 12, 1889.—Issue of prospectus for first issue of debentures, £745,000; the subscribed share capital of £250,000 having been called up and expended in the previous years.
- Aug. 2, 1889.—Date of debenture trust deed.
- Session of 1892.—Petition of company to Parliament, I.-7A, 1892: Nearly the whole of its money—viz., the proceeds of share capital, debentures, and sales of land—expended.
- Session of 1893.—Petition of company to Parliament, I.-6c, 1893.
- Early in 1894.—Work of company on construction of railway ceased.
- Session of 1894.—Petition of company to Parliament, I.-8, 1894. Bill to amend contract to enable company to finance introduced by Government and defeated on second reading in House of Representatives.
- End of 1894.—Company gave notice under clause 47 of the contract of its claims and grievances, and demanded arbitration.
- March, 1895.—Arbitrators appointed.
- May 25, 1895.—His Excellency the Governor took possession of the railway under section 123 of the Act of 1881.
- Nov. 22, 1895.—Mr. Blake, Q.C., appointed umpire, and all matters referred by arbitrators to him.
- Dec. 24, 1895.—Mr. Blake's awards made.
- Session of 1896.—Petitions to Parliament by company and debenture-holders, I.-7 and I.-7A, 1896.
- 1896 and 1897.—Governor continues to work constructed portions, and proceeds to complete work not constructed, rendering accounts to company, and requiring payment of half-yearly balances, which were paid accordingly.
- Jan. 26, 1898.—Date of last payment of such balances by company.
- May 30, 1898.—Petition of debenture-holders to Supreme Court under section 14 of the Act of 1884.
- July 4, 1898.—Formal order by Edwards, J., appointing Mr. Coates receiver, and authorising him to sell the railway and plant.
- July 28, 1898.—Notice filed in Supreme Court by Crown to vary order of Edwards, J.
- Feb. 4, 1899.—Supreme Court (Prendergast, C.J., and Edwards, J.) delivered judgment varying the order accordingly. Mr. Coates gave notice of appeal.
- May 25, 1899.—Court of Appeal affirmed judgment of Supreme Court. Mr. Coates obtained leave to appeal to Privy Council.
- Feb. 17, 1900.—Privy Council delivered judgment affirming judgment of Supreme Court and of Court of Appeal.
- April 18, 1900.—The Governor gave notice of intention to retain the railway as Government property under section 125 of the Act of 1881.
- July 23, 1900.—Order in Council under section 126 of Act of 1881.

B 2.—EXTRACTS FROM REPORTS OF GENERAL MEETINGS OF THE MIDLAND RAILWAY COMPANY, ETC.

Extract from First Report of the Midland Railway Company, dated 16th November, 1887, presented at General Meeting of the Shareholders held 25th November, 1887.

THE construction of the railway was commenced on the 24th January, 1887, and the works have been making steady and satisfactory progress.

Since the last general meeting the Deputy-Chairman, Mr. E. Brodie Hoare, has visited New Zealand, and has inspected the country through which the line will pass, in company with members of the committee of advice in New Zealand, the engineers, Mr. H. Alan Scott (the manager), and others, and was well satisfied with the progress of the railway as an undertaking, and also with the value of the land to be granted to the company.

To this report and balance-sheet is appended a report by Mr. Wilson, dated London, 15th November, 1887, referring to the three contracts then in progress.

Contract No. 1, Stillwater to Teremakau; length, 7 miles 41·25 chains: The report states that this will be completed in December, 1887.

Contract No. 2, Brunnerton to Stillwater; length, 1 mile 16 chains: This section was finished on the 15th September, with the exception of the wrought-iron girders over the Stillwater Creek, but these would be in place by the end of October, 1887, and the line ready for opening.

Contract No. 3, Stillwater Junction to Nelson Creek; length, 6 miles 67 chains: Report anticipates that this contract would be completed by the end of February, 1888.

Extract from Report of Midland Railway Company, dated 19th November, 1888, presented at General Meeting of Shareholders held 28th November, 1888.

Negotiations are proceeding for the sale of lands owned by the company. Many inquiries have been made for land, which have been postponed on account of the protracted negotiations with the Government. The company's agent reports that he has effected a sale of land on the eastern side of the Island to the value of about £20,000, and that he expects to receive the money in the course of the present month.

Extract from Report in Financial News of Proceedings at Meeting of Shareholders held in May, 1889.

The Chairman: That is all the business of the meeting, and we are obliged to the shareholders who were able to attend, although, had the meeting been more numerous, we should have been very glad to enter into the position of the company. There is really nothing, however, to say at the moment except that everything is proceeding favourably. We have telegraphed out there to open the line so far as it is finished. We have also sent out telegraphic instructions to prepare a contract for the next section of the railway in the direction of Reefton; and we have also sent instructions by telegraph to commence the surveys at the Springfield end. Mr. Wilson, our engineer, will go out in the course of a month or two with full powers to take charge of the company's affairs, and the special instructions to him will be to push on all the works of the company as rapidly as possible.

Mr. Avigdor: In rising to move a vote of thanks to the directors, I should like particularly to say a few words as to the extreme difficulties which they have had recently to contend with. The Board cannot very well blow their own trumpets, and I do not think this meeting should be closed to-day without there being brought to the notice of the shareholders the difficulty there has been in raising the necessary capital of the company, and how very strenuously your directors have worked in order to safeguard your interests. (Applause.) From one cause or another, which it is hardly necessary to explain, New Zealand securities have for some years, and until quite recently, been a drug in the market, and it has really only been through the most extraordinary and personal exertions on the part of the Board that this recent debenture-issue was a success. You know perfectly well, I think, that in consequence of the various articles which appeared some years ago in the papers and in books, and in consequence also of the undoubted extravagance of the New Zealand Government, there was a period until quite recently when anything which came from New Zealand was perfectly detested by the London money-market. How well your Chairman and the other gentleman operating with him worked to pull this thing through they themselves cannot tell you, but I, as an outsider, may say so. I know that no directors of any company could have a larger stake in a concern. Their interests are now so absolutely tied up with this company that it gives me very special pleasure to move a vote of thanks to the Board. It is clearly unfair that any body of gentlemen should have to bear the brunt as they have done without some mark of recognition. Therefore I should like, in moving this as a matter of form, to add beyond that the gratitude the shareholders feel to the directors in having successfully carried through an issue surrounded with difficulty, and which for many months seemed almost impossible. (Applause.)

Mr. Burchell: I have much pleasure in seconding that, knowing the exertions you have gone through. Greater exertions I never knew to be made by any board of directors, nor more successful results in placing an issue. (Applause.)

The resolution, on being put to the meeting, was carried with acclamation.

The Chairman: Mr. Avigdor is a very large shareholder, and I have to thank him very much for the way in which he has mentioned the efforts of the Board. I am bound to say that we have had a great deal of trouble, and trouble which has not always, if at all, been caused by ourselves, but by circumstances into which we need not enter now. There is just one thing I want to say

before we part, and it is that I hope our shareholders will give some attention now to the value of the shares. People can pretty well tell the position of the debenture-issue, founded as it is both upon the railway and the landed property of the company. I think, therefore, the shareholders might give a little more attention to the shares, and if they examine their position properly they will, in all probability, find there is a very fine prospect before them. I cannot, as Chairman, now say more, because one has to be very cautious in these matters, but I am very anxious that the shareholders should not be disposed to part with property which eventually will be very valuable. (Applause.)

The meeting then separated.

Extract from Report of Midland Railway Company, dated 22nd November, 1889, presented at General Meeting of Shareholders held 29th November, 1889.

Further capital to enable the company to proceed with the works was, during the past year, successfully raised by an issue of £745,000 5-per-cent. first-mortgage debentures on the 18th April, for which a Stock Exchange quotation has since been obtained.

Contracts Nos. 1, 2, and 3 are now completed; a further contract (No. 4) to extend the line to Ahaura has been let, and tenders have been invited for the construction of the railway to Reefton, and the section at Springfield. The section from Ngahere, or Nelson Creek, to Brunneron was opened for traffic on the 1st August.

The directors have recently received a telegram from the general manager, stating that the first sale by auction of about 15,000 acres of land, earned by the company, has realised prices 41 per cent. above the Government valuation.

The head of the company's land department in New Zealand reports that the land earned on behalf of the debenture-holders will be readily saleable as the grant becomes due.

NOTE.—The date of the balance-sheet attached to this report is June, 1889, which states that £355,000 had been spent.

Extract from Report of the General Manager of the Midland Railway, dated 30th June, 1890, and appended to the Report, dated 14th November, 1890, presented to General Meeting of Shareholders held 21st November, 1890.

LAND GRANT.

The value of the land grant earned up to date by the completed and opened sections of railway, based upon the Government valuation, amounts to £51,650. The block selections made to meet these earnings and authorised by the Government are 70,950 acres, which at Government value amounts to £45,750, plus selections of town lands made and authorised to the value of £2,237, making a total value of grant received £47,987. Upon resurvey of the blocks it is estimated that the correct area will amount to 80,099 acres, increasing the Government value to £50,631 instead of £45,750. This new figure, plus town sections £2,237, gives a total of £52,868, or £1,218 more than at present earned. This excess will be adjusted in future selections. Of the corrected area, 80,099 acres, valued at £50,631, 78,698 acres have been sold to various purchasers for £59,478, leaving a balance in hand of 1,401 acres, which can be sold for about £1,631.

The sales have been, in some cases, for cash payments, and in others one-third cash and two-thirds left on mortgage at 5½ per cent. interest per annum, the balance to be paid off in five years.

Most of the town sections are being let on lease for various periods, at rentals which show a return of at least 15 per cent. on the Government valuation.

Besides the eastern lands selected and dealt with, sales have been made under clause 33 of the contract, which enables the company to sell western lands before they have been earned by construction. The proceeds of such sales are paid into a Government Suspense Account, which the company can draw on when the earnings by construction allow of, if then advisable. Under this clause of the contract 924 acres of rural lands on the West Coast have been sold for £1,060 10s., the Government valuation being £595.

Selections in the Town of Reefton, under a special arrangement with the Government, have been sold for £1,700—the Government valuation being £1,149 10s.—and 1,800 acres have been let on coal and other leases or timber licenses. The coal and timber areas will yield large returns. The coal lands are let on a royalty of 6d. per ton, and the timber on a royalty of from 6d. to 1s. per 100 superficial feet. I may point out that there are several hundred thousand acres upon which the timber alone, on the basis of these royalties, will yield from £3 to £6 per acre when cut out, leaving the freehold as a further asset for the company.

So far the sales of the company's "eastern lands" show an average increase of about 20 per cent. over the Government valuation. I must, however, draw attention to the fact that the lands sold are so situated that the opening of the company's line will not affect their future value; the increase is due to the improvement of trade in the colony alone. It has hitherto been estimated that these eastern lands would only bring the Government valuation prices.

Copy of Circular issued to the Shareholders.

79, Gracechurch Street, London, E.C., 23rd October, 1891.

To the shareholders of the New Zealand Midland Railway Company (Limited).

IN anticipation of the annual general meeting, the following facts, extracted from recent reports of the general manager and land-manager of the company, may be of interest to the shareholders:—

Construction.—Details of the construction, which has advanced satisfactorily, will appear in the annual report.

Land.—The results of the land sales have fully realised the anticipations presented to the directors by their agents. Sales to the extent of 298,199 acres have been made, and 16,060 acres are let on lease with option of purchase at rents bringing in about 5 per cent. on the upset value. The contract valuation of the lands earned by the company and sold is £183,168; the amount receivable by the company is £264,115, and the upset value of the leased lands is £26,595 on the contract valuation of £18,355. Of the former sum a considerable portion has already been received in cash, the balance being secured by mortgage over the whole, payable within from three to five years from the present time, and bearing interest at the rate of $5\frac{1}{2}$ per cent. per annum.

The land-manager writes on the 30th June, 1891: "All purchasers and tenants of the company's lands offered, either at the first or second auction sale, have made their payments punctually. There are no arrears of either interest or rent, and many purchasers have paid in full instead of taking advantage of the opportunity given them of leaving two-thirds of the purchase-money on mortgage for five years at $5\frac{1}{2}$ per cent."

Although the whole of the above are outlying lands, and will not be affected by the construction of the railway, yet an average improvement of over 44 per cent. has been obtained upon the contract valuation of the land grants. Numerous other applications for eastern and western lands have been received, which will be dealt with as soon as the land-earnings permit.

Timber.—With a view to the development of the timber trade, the company has erected drying-sheds for seasoning timber, and has made certain contracts with sawmillers. The company's agent in Australia reports favourably of the prospect of a trade with those colonies.

Traffic.—The gross receipts for the year ending 20th June, 1891, on the nineteen miles then open, amount to £9,144 2s. 1d., and the working-expenses to £5,143 6s., leaving a net revenue of £4,000 16s. 1d. The following is a comparison of the gross and net earnings per mile per week of all the New Zealand railways worked by the Government, and of the New Zealand Midland Railway, for the year 1890-91:—

		Per Mile per Week.		
		£	s.	d.
1890-91—New Zealand Government railways (as per Railway Commissioners' annual report)—				
Gross earnings	...	11	14	3
Net earnings	...	4	7	11
1890-91—The New Zealand Midland Railway (fourteen miles for fifty-two weeks; five miles for nineteen weeks)—				
Gross earnings	...	11	2	2
Net earnings	...	4	17	3

Considering the necessarily heavy expenditure entailed by the employment of a full general staff while working a line of only nineteen miles, which at present has reached no actual terminus, the above is, in the opinion of the directors, a very satisfactory and encouraging result.

Sections.—It is expected that the line will be open to Reefton (the gold-mining centre of the South Island), forty miles, in December next, when a large increase of traffic is anticipated. The line is also being pushed forward towards Jackson's, on the Christchurch Coach Road (thirty-two miles from the junction at Brunner), and when this section is opened a large portion of the east and west traffic should be secured.

In the case of the Wellington and Manawatu Railway, the only other important railway company in the colony, the gross earnings have risen from £10 8s. 6d., in 1887, to £16 8s. 5d. per mile per week, in 1890. There is every reason to anticipate a similar increase in traffic in the case of the New Zealand Midland Railway, which is most unlikely to prove an exception to the usual rapid progress of traffic in new countries.

By order of the Board.

AENEAS R. McDONELL, Secretary.

Extract from Report of Midland Railway Company, dated 20th November, 1891, presented at General Meeting of Shareholders held 27th November, 1891.

Since the last report the directors have succeeded in obtaining the sanction of the New Zealand Government to a deviation towards the Teremakau River, by which the line will be carried along the eastern instead of the western side of Lake Brunner, securing at once a better gradient for the railway and opening up a fine country, part of which is suitable for settlement and part heavily timbered.

All land offered for sale during the year has been sold or let at very satisfactory prices, showing a substantial advance on the contract valuation, and the steps which are being taken to develop the timber trade promise good results.

Extract from Mr. Wilson's Report, dated 30th June, 1891, appended to the Directors' Report of the same Year.

SURVEYS.

The surveys, plans, and estimates are now completed from the end of the Stoney Creek section to Bealey Station, on the East and West Coast line, and include the line over Arthur's Pass. A revision of the original 5-chain survey is being made from the end of the Springfield section to join with the new surveys completed from Stoney Creek to Bealey Station.

The formal consent required to be obtained from the Government, and the contract for the substitution of the incline for the original summit tunnel at Arthur's Pass, will be applied for at once.

LAND DEPARTMENT.

At the last public auction sale held on behalf of the company by the trustees of the land granted in respect of the Springfield and Belgrove contracts, or shortly afterwards, there were sold 56,659 acres, land-grant value £38,568 15s., and the price obtained was £62,794 14s.; increase over the Government valuation, £24,225 19s.

In addition to this, 9,180 acres, land-grant valuation £11,475, were leased for five years at a rental of £918 per annum, the lessee having the right to purchase during the term of his lease at £18,360, or an increase on land-grant value of £6,886; 5,882 acres, land-grant value £5,882, have been leased at an annual rental of £355 7s. 5d. per annum; 518 acres, land-grant value £518, have been, or are under agreement to be, leased to small holders, in most cases with right to purchase.

In addition to these lands the company hold, and have not yet offered for sale, 9,700 acres of land near Springfield Township, and through which the line is being constructed. It is intended, as far as possible, to lease or sell this land to settlers in small areas when this section of line is open for traffic; at present it is let for a short term for grazing purposes, at a rental of about 5 per cent. on the land-grant value.

TIMBER DEPARTMENT.

Mr. Pavitt has been in charge of this department since January last. 2,300,000 superficial feet of red- and white-pine have been ordered from local bushmen, to be cut during the winter months. Large drying-sheds have been erected in convenient positions on the line, in which the timber is being stored for seasoning. Mr. Pavitt has twice visited Australia with the view of introducing the company's timber into that market, and, notwithstanding the present general depression of trade, and the large stocks of Oregon and Baltic timber now held, he has placed two cargoes in Melbourne and one in Sydney at fair prices, and there have since been inquiries for a further supply. It is, however, impossible to supply many orders, as the stock of seasoned timber on hand is small, the preparation of the timber having been commenced on a small experimental scale with a view to further development when the requirements of the market are more fully understood. By careful selection and seasoning of the timber an important and profitable business may be anticipated when the trade is fully established, as forests cover a large area of land on the West Coast, open for selection by the company and served by the railway, and these largely consist of timber of high quality, suitable for many purposes for which, at present, Oregon and Baltic timbers are imported into the Australian Colonies.

The gross traffic receipts amount to £12,788 1s. 4d., of which the Government have received their proportion of the through traffic, £3,643 19s. 3d., leaving a gross for the company of £9,144 2s. 1d. The working-expenses have absorbed £5,143 6s., leaving a balance of £4,000 16s. 1d. The working-expenses have thus absorbed 56·24 per cent. of the revenue, as compared with 61 per cent. during the ten months of the previous financial period during which the line was open.

Extract from Speech of the Chairman of the Midland Railway Company, made at the Meeting of Shareholders held 2nd December, 1892.

Since we last met we have been able to make some special reductions in the expenses, and I must remind you again of what I said before, that whatever troubles we may have we still possess at the bottom a specially good, sound property. We have not yet developed our coal and our timber; in fact, we have been rather disappointed in our timber sales during the last year. We have not done well enough; but it is no reason why we should not do well in the future, and to a certain extent we are learning experience. I am sure you will quite understand that without a coal traffic and a timber traffic we cannot estimate what is the real value and power of production that our line possesses.

B 3.—LENGTHS and APPROXIMATE COST of SECTIONS constructed (wholly or partially) by Government since Possession was taken.

Section.	Mileage.	Total Cost.	Cost per Mile.	Remarks.
(1) Jackson's—Otira, 32/15 to 43/37	M. ch. 11 22	£ 124,647	£ 11,000	Exceptionally expensive section. Large portion of line in river-bed, necessitating heavy protective works.
(2) Otarama—Paterson's Creek (platelaying), 4/59 to 5/57	0 78	1,600	1,650	Platelaying, ballasting, &c., only.
(3) Paterson's Creek—Staircase Gully, 5/57 to 9/65	4 8	39,996	9,760	Unfinished. The most expensive section on the railway, and estimated to cost over £30,000 per mile.
(4) Belgrove—Spooner's Range (platelaying), 21/36 to 26/63	5 27	10,000	1,850	Platelaying, ballasting, fencing, &c., only.
(5) Spooner's Range—Motupiko, 26/63 to 31/8	4 25	25,329	5,850	Average section.
Total length under construction	26 0	201,572	...	

B 4.—PETITION OF DEBENTURE-HOLDERS TO THE LONDON STOCK EXCHANGE AND LETTER OF THE AGENT-GENERAL TO THE *TIMES* IN REFERENCE THERETO.

In the matter of the New Zealand Midland Railway (Limited) and in the matter of "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act [48 Vict., No. 15], 1884."

To the Committee for General Purposes of the Stock Exchange, London.

THE petition of the undersigned debenture-holders of the New Zealand Midland Railway (Limited) (hereinafter referred to as "the company") sheweth, as follows:—

(1.) That by the above-mentioned Act of the Colony of New Zealand (hereinafter referred to as "the colonial Act, 1884"), and which applied exclusively to this railway, it was declared desirable to give further facilities for the construction by private enterprise of this railway, and the company was authorised by—

Section 9 to borrow from time to time, for the purpose of completing the construction of this railway, moneys upon the security of debentures repayable within twenty-five years from the issue thereof, with interest not exceeding 6 per cent. per annum, and being the coupons in respect thereof transferable by delivery; while by section 13 such debentures and the interest thereon were declared to be a first charge on the entire assets of the company, including the railway and everything pertaining thereto; and by

Section 14 any person holding any such debenture or coupon might, on the default of the company (which happened), apply by petition to a Judge of the Supreme Court of the colony for an order that such part of the company's property as was liable under the colonial Act for payment thereof should be absolutely sold, and in the meantime for a Receiver of the rents and income thereof; and the Judge, if satisfied of the truth of the matters alleged in such petition, might make such order, and from the date and by notice thereof such property should, without any deed or other instrument whatever, vest in such Receiver.

(2.) That in the year 1889 the company publicly offered for subscription in London £745,000 first-mortgage £5-per-cent. debentures, repayable within the twenty-five years, and otherwise in accordance with the conditions prescribed by section 9 above.

(3.) That by an Act of the said colony passed in 1881 and referring generally to railways therein it was provided (section 123) that the Government of the said colony (hereinafter referred to as "the Government") might, in case of delay in the construction of a railway (which, in the case of the company, the Arbitrator decided had happened), take possession of the railway and works of the company and proceed to complete the same, and might call on the company to repay the balance of any expenditure over and above the receipts of the railway; whilst (section 125) if the company for one year failed to repay such balance the Government might notify the company of its intention to retain the railway as the property of the Government; and (section 126) thereupon, and on the publication of an Order in Council, the railway and works should permanently vest in Her Majesty.

(4.) That certain questions having arisen between the company and the Government the matters in dispute were referred to arbitration in the month of November, 1895, but that the debenture-holders took no part in the arbitration proceedings.

(5.) That in the year 1895 the Government took possession and assumed management of the railway of the company, and have continued the construction of the railway and demanded from the company from time to time payment of the moneys expended by them thereon, so far as the same exceeded the net receipts of the said railway, and from time to time have served notices of their intention to retain the railway as Government property.

(6.) That in the year 1897 proceedings were taken under the said 14th section of the colonial Act by certain debenture-holders of the company, and an order was made by the colonial Courts appointing a Receiver.

(7.) That notwithstanding the said order the Government have retained possession of the railway and the assets of the company pertaining thereto, and continue to spend money on construction and to claim repayment of the amounts expended.

(8.) That such Receiver having applied to the Supreme Court of the said colony for an order for sale of the railway and undertaking of the company, such application was successfully opposed by the Government on the ground, *inter alia*, that, notwithstanding the provisions of the colonial Act, the debenture-holders had no better position than the shareholders of the company.

(9.) That the Government have resolutely opposed the attempt of the debenture-holders to expedite the decision of the questions raised, and the debenture-holders having applied for leave to appeal direct to the Privy Council, such application was successfully opposed by the Government.

(10.) That large sums have been raised by the debenture-holders and paid to the Government to meet its demands for expenditure on the railway, and that the intention of the Government, apparently, is to delay the hearing of the case before the Privy Council until the resources of the debenture-holders are exhausted, and then by publication of an Order in Council, under section 126 of the colonial Act of 1881, to put themselves into a position to contend that whatever rights the debenture-holders may have had prior thereto by virtue of such publication the Crown is entitled to permanently retain the railway and assets of the company pertaining thereto, and that the debenture-holders are thereby deprived of a first or any other charge thereon or equity therein, whether in respect of the original loan or the money paid to the Government.

(11.) That the Government will no doubt seek from time to time to raise further loans in this

country for the purpose of railway construction, and in that case would apply to the Stock Exchange, London, for an official quotation in respect of such loans.

(12.) That the Government have permitted the provisions of the colonial Act to be used as representing that subscribers for debentures created by the company would have the benefit of a first charge upon the railway and everything pertaining thereto, and that accordingly on the issue in London of the company's debentures they were described as first-mortgage debentures, and were officially quoted, and in the Official List of the Stock Exchange described and listed as such by your committee; but the Government, notwithstanding the appointment by the colonial Courts of Receiver on behalf of the debenture-holders, and the provisions of section 14 of the colonial Act regarding vesting as above mentioned in such Receiver of the company's railway and works on behalf of the debenture-holders, are now contesting the claim of the debenture-holders to any mortgage on the railway, disputing the meaning of the colonial Act put upon it by the subscribers for the said debentures, and claiming to retain without compensation or payment of any kind to the debenture-holders the railway and works which have been constructed by means of money mainly provided by them.

(13.) That it is inexpedient and impolitic in the interest of investors that any Government acting in the manner aforesaid should in the meantime be afforded facilities for raising public loans in the money-markets of this country, or that they should receive assistance in so doing from your committee, and your petitioners therefore respectfully urge that the advantage of an official quotation should be withheld from any loans which may be hereafter issued by the Government in this country.

Your petitioners therefore humbly pray, as follows:—

- (1.) That any application for an official quotation of any future loans of the said Government may accordingly be refused by your committee; or
- (2.) That such other action may be taken by your committee in the premisses as shall seem to your committee to be just.

And your petitioners will ever pray, &c.
London, 27th February, 1899.

(Debenture-holders' signatures).

Extract from the "Times" (London) of 11th April, 1899.

THE NEW ZEALAND GOVERNMENT AND THE DEBENTURE-HOLDERS OF THE NEW ZEALAND MIDLAND RAILWAY COMPANY.

TO THE EDITOR OF THE "TIMES."

SIR,—An action at law is now pending between the debenture-holders of the New Zealand Midland Railway Company and the Government of the colony. The case has been heard in the Supreme Court of New Zealand, before the Chief Justice of the colony and Mr. Justice Edwards. Judgment was given on the 2nd February entirely in favour of the Government. Against this, the debenture-holders have appealed to the New Zealand Court of Appeal, and the case is set down for hearing for the 24th of this month.

The matter is thus *sub judice*. But, in the midst of the legal proceedings, the debenture-holders have taken the extraordinary course of petitioning the committee of the Stock Exchange to refuse to quote all future loans of the New Zealand Government. Moreover, a number of English newspapers have thought it fitting to print the more one-sided and misleading portions of the petition, and some of them have further published allegations with regard to the New Zealand Government of a most unjust character. All this during the course of an action at law.

The debenture-holders have not thought it needful to furnish me with a copy of their petition, and it was only owing to the courtesy of a gentleman in no way connected with them that I was able yesterday to peruse it. Two portions, and two portions only, appear to call for remark. One of these is an extraordinary suggestion, relating to the seizure of the incomplete railway-line by the Government—the seizure which took place in 1895, owing to wilful default on the part of the contracting company. The petition alleges that this seizure took place under an Act relating to railways generally in the colony, and not under the special Act dealing with the Midland Railway. The inference clearly is that the power of seizure was in some way kept dishonestly in the background by the Government, and that the seizure was not a thing that could have been contemplated by the company or the debenture-holders. The truth, however, is that in the recitals of the contract between the Midland Railway Company and the New Zealand Government it is specifically stated that the contract was made subject to this particular Act. There was, therefore, no concealment or attempt at surprise.

But the most important paragraph of the petition is that which charges the New Zealand Government with attempting to prevent the debenture-holders carrying the pending action to the Privy Council. The Government is charged with the design of protracting proceedings until the resources of the debenture-holders are exhausted.

This allegation is utterly contrary to fact. So far from the Government endeavouring to prevent the debenture-holders coming to the Privy Council, they have undertaken to give them time to do so by agreeing not to issue any Order in Council making the railway finally the property of the Crown in New Zealand until the Privy Council shall have given its decision on the pending case. All that the Government has stipulated is that the debenture-holders shall use reasonable diligence in prosecuting their suit. This undertaking of the Government's was given in open Court in New Zealand in February. How, therefore, any men with the slightest regard for decency can make such an allegation as that contained in the petition to the committee of the Stock Exchange

passes my comprehension. The only demand that my Government has not seen its way to agree to was the singular request that the debenture-holders should be allowed to take their case direct from the Court below in New Zealand to the Privy Council, without going to the New Zealand Court of Appeal in the ordinary way. To that the Government, very naturally, did not see its way to consent; but, as I have already said, the judgment in the Supreme Court was given on the 2nd February, the case in the Court of Appeal is set down for the 24th April, and any suggestion that ruinous and intolerable delay is caused by complying with the ordinary course of procedure is, therefore, quite unfounded.

Into the larger question of the amazing proposal made by the debenture-holders to the committee of the Stock Exchange I will not hasten now to enter, as I decline to believe that the committee of the Stock Exchange will for a moment contemplate perpetrating such a grave injustice. A very large number of Governments and Corporations have borrowed loans which are quoted on the London Stock Exchange. If, whenever these borrowers are defendants in an action at law, they are to be liable to have pressure put upon them in the course of the proceedings by the plaintiff invoking the aid of the Stock Exchange committee some very remarkable complications may be expected to ensue. But it is not for me to anticipate that the committee of the Stock Exchange will allow that body to be made a tool of by the plaintiffs in the action now pending against the Government of New Zealand. For the present, therefore, I say no more upon that aspect of the case, highly important as it is to all who are interested in commercial morality within the British Empire.

Your obedient servant,

W. P. REEVES, Agent-General for New Zealand.

Westminster Chambers, 13, Victoria Street, London, S.W.

FURTHER LETTER from MESSRS. ASHURST, MORRIS, CRISP, and Co., to the *Times*, London, dated 20th. May, 1900.

THE NEW ZEALAND GOVERNMENT AND THE DEBENTURE-HOLDERS OF THE NEW ZEALAND MIDLAND RAILWAY.

SIR,—

Your issue of the 3rd instant contained a reply by Mr. W. P. Reeves, the Agent-General for New Zealand, to our letter of the 19th April. May we crave the hospitality of your columns to point out that the reply entirely evades the true issue before the public? That issue, as already clearly stated, is contained in the following question: Can the New Zealand Government equitably, without either compensation to the debenture-holders or recognition of their mortgage, appropriate some eighty or ninety miles of railway in the colony which has been constructed mainly out of the money provided by the debenture-holders, and has been mortgaged by the company to the debenture-holders?

No criticism of ours could reflect more severely on the ethics which govern New Zealand finance than the simple fact that Mr. Reeves and his Government seem to regard this question as satisfactorily answered in the affirmative if they can find something in their own Acts of Parliament empowering them to deprive the debenture-holders of their security without compensation.

Ignoring, therefore, the larger question of political and commercial morality, to which his references in a former letter were somewhat unfortunate, Mr. Reeves seeks to show that by diligent study of a general Act of 1881, in addition to the special Act of 1884, which gave the debenture-holders "a first charge on the railway and everything appertaining thereto," it might have been discovered by subscribers to the debentures that the danger of confiscation existed. He taunts the holders with not having read their special Act in the light of the general Act, and so discovering that (according to the Government view) the security held out to them in the Act of 1884 was illusory.

Nothing more significantly demonstrates the unjustifiable attitude of the present New Zealand Government than the way in which, in both of his letters to you on this subject, Mr. Reeves dwells almost exclusively on the alleged powers of seizure as settling the whole question in dispute. It is not thus that the investing public of this country regard it. He makes no attempt to answer our inquiry—Why, if the Government believed that they had this right of confiscation, did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884?

It is obvious that Mr. Reeves found it very inconvenient to answer this question. The special Act of 1884 (which was passed by the New Zealand Parliament three years after the general Act) contains the new and unconditional borrowing-powers and first charge upon the undertaking which we have previously described, and the New Zealand Government are bound to give effect thereto, or to allow the public to assume that they intended the special Act of 1884 to be a trap for obtaining money for the construction of this railway from bondholders who at that time relied upon the good faith of New Zealand. He endeavours to make much of the circumstance that the Government have given an undertaking not to confiscate the line before giving the debenture-holders a limited time in which to appeal to the Privy Council. He omits to mention that the Government have repeatedly demanded and received from the debenture-holders large sums of money under threats of confiscation, that the Government have prevented by their objections an earlier appeal to the Privy Council, and that the undertaking was only received in a form considered legally binding by counsel for the debenture-holders here after the petition to the Stock Exchange had been presented.

Mr. Reeves replies to the statement that the Government have rejected the arbitration offered by the debenture-holders by saying that the Government have already been to arbitration, omitting

the fact that the debenture-holders were not parties to such arbitration. He slurs over the allegation that the Government have refused to allow the issue of the certificates of title for some of the lands awarded to the company by the arbitrator, thus depriving the company of the use of its securities for raising the moneys demanded by the Government; but he makes no attempt to deny this allegation.

We have no desire to occupy your space by following Mr. Reeves where he proceeds to lecture the Committee of the Stock Exchange on their duties, and to attack the newspapers for venturing to criticize the conduct of his Government. If he seeks the sympathy of the Stock Exchange, of the public, and of the Press, let him deal with the position on the broad basis of what is a worthy and becoming attitude for a British colony to adopt towards those who have invested their capital in constructing works of public utility within its borders, instead of trying to find legal pretexts for confiscating the proceeds of their expenditure.

We are, &c.,
ASHURST, MORRIS, CRISP, AND CO.,
Solicitors for the Committee of Debenture-holders.

17, Throgmorton Avenue, London, E.C., 10th May.
The Editor of the *Times*.

REPLY of the AGENT-GENERAL thereto (*Times*, London, 3rd May, 1899).

THE DEBENTURE-HOLDERS OF THE NEW ZEALAND MIDLAND RAILWAY.

SIR,—

I will try as briefly as possible to answer the less irrelevant points of Messrs. Ashurst, Morris, and Crisp's lengthy letter of Monday. It remains clear that—

- (1.) They admit that the case between the debenture-holders and the New Zealand Government is *sub judice*.
- (2.) They admit that the debenture-holders have got from my Government an undertaking not to confiscate the line before giving the debenture-holders reasonable time to appeal to the Privy Council.
- (3.) Having got this undertaking from my Government, the debenture-holders have proceeded to make use of this "reasonable time" by going to the Stock Exchange Committee to get the latter to put unfair pressure upon my Government. Moreover, they complain to the Stock Exchange Committee of being delayed by the Government in their efforts to get to the Privy Council, although their object in going to the Stock Exchange must be to prevent the case getting to the Privy Council at all.
- (4.) Messrs. Ashurst, Morris, and Crisp admit that, as the case is *sub judice*, its legal aspect should not be discussed, but nevertheless proceed to do so at some length.

The legal case for the debenture-holders, as stated by their solicitors, seems as singular as their tactics. It amounts to the old contention that the seizure of the line was effected under the Railways Construction and Land Act of 1881, which was a general Act, whereas the rights of the debenture-holders were secured under an Act of 1884, which was a special Act. Messrs. Ashurst, Morris, and Crisp take the trouble to quote from the preamble of the Act of 1884 to show its special character; yet the very title of the Act of 1884, only six lines before the solicitors' quotation, is this: "An Act to authorise the Construction of the East and West Coast (Middle Island) Railway under 'The Railways Construction and Land Act, 1881,' with certain Modifications and Extensions of the said Act." Again, on the very page of the Act of 1884 from which Messrs. Ashurst, Morris, and Crisp quote, the "general" Act of 1881 is defined as the "principal Act," and as the principal Act it is spoken of throughout the Act of 1884. Yet the public here is being asked to believe that the debenture-holders when they lent their money must be supposed to have known all about the Act of 1884 and nothing about the Act of 1881 which governs it.

Messrs. Ashurst, Morris, and Crisp, however, tell you that for the borrowing clauses in the "general" Act other borrowing clauses were substituted in the Act of 1884, and that the borrowing clauses in the "principal Act" were repealed. Why did they not tell you that in the repeal clause (18) of the Act of 1884 it is specially provided that, except as to clauses specially repealed, the whole of the "principal Act" shall have full force and effect—in other words, that the part of the Act containing the Government's power of seizure was kept alive?

If we admit, for the sake of argument only, that the debentures were issued under or in accordance with the Act of 1884, then the case stands thus: the debenture-holders could only ascertain their rights by a careful examination of the Act of 1884, and they could not examine the Act of 1884 without finding that it was governed by the "principal Act," by which they are now professing to be taken by surprise.

I do not think I need take up your space by following the divagations of the solicitors to the debenture-holders, where they quote an irrelevant verbal statement by Mr. Alexander Young, or make a mere innuendo about some alleged action of the Government in reference to land-claims, or complain that the Government would not go to arbitration with them. The Government has already been to arbitration once in connection with the Midland Railway matter, and then won a signal victory. But, though the Arbitrator was an English Q.C. and M.P. of the highest character and quite unconnected with the colony, that has not prevented a continuance of the reckless insinuations against my Government's good faith and conduct towards the company made by London papers friendly to the company and debenture-holders. Meanwhile, Messrs. Ashurst,

Morris, and Crisp's clients are plaintiffs in an action against my Government, and, so far, quite unsuccessful plaintiffs; this aspect of the case their solicitors conveniently slur over.

The two main points of my former letter to you they do not attempt to answer. These are, first, the grave impropriety committed by the debenture-holders in going to the Stock Exchange while their lawsuit with the Government is *sub judice*; second, the very serious question as to the policy of the Stock Exchange interfering in such cases at all. I do not admit for one moment that the committee has the slightest business in the matter or right to interfere in the dispute. New Zealand is not a foreign country where the debenture-holders have no legal remedy open to them. The New Zealand law-courts are Courts of the Empire; the New Zealand Judges are the Queen's Judges; and the debenture-holders have the final right of appeal to the Privy Council.

I am, &c.,

W. P. REEVES, Agent-General for New Zealand.

Westminster Chambers, 13, Victoria Street, London, S.W., 27th April.

The Editor of the *Times*.

[Extract from the *Times*, London, dated 24th April, 1899, of a letter from Ashurst, Morris, Crisp, and Co., 19th April, 1899.]

THE NEW ZEALAND GOVERNMENT AND THE DEBENTURE-HOLDERS OF THE NEW ZEALAND MIDLAND RAILWAY.

SIR,—

It was hardly to be expected that the grave allegations contained in the petition presented by our clients, the debenture-holders of the New Zealand Midland Railway Company, to the committee of the Stock Exchange would be allowed to pass unchallenged by Mr. W. P. Reeves, the Agent-General of that Government; but it cannot be doubted that the defence of the action of his Government, in his letter published in your issue of the 12th instant, only strengthens the position of the debenture-holders and condemns the attitude taken up by the Government of New Zealand.

The true issue between the Government and the debenture-holders, as raised by the petition referred to by Mr. Reeves, and apart from any purely legal question, appears to us to be, Can the New Zealand Government equitably, without either compensation to the debenture-holders or the recognition of their mortgage, appropriate some eighty or ninety miles of railway in the colony which has been constructed mainly out of money provided by the debenture-holders, and has been mortgaged by the company to the debenture-holders?

The legal and moral aspects of the question are quite distinct. Into the former it is impossible to enter, as the case is *sub judice*, but to elucidate the latter it is permissible to state the facts of the case. We venture to think the New Zealand Government itself would hardly contend that they are accurately presented in Mr. Reeves's letter.

Prior to the incorporation of the New Zealand Midland Railway Company in 1887 two important Acts had been passed by the Government of that colony—viz., the Acts of 1881 and 1884. The former, under which the Government seek to justify their seizure of the railway, applied to railways generally, the latter to the New Zealand Midland Railway in particular. The preamble of the Act of 1884 states that "it is desirable to give facilities for the construction by private enterprise . . . of a line of railway," &c., such line being the New Zealand Midland Railway.

Mr. Reeves relies upon the fact of the Act of 1881 having been recited in the concession or contract with the company to justify the seizure. Regarding this point we content ourselves with a statement of the facts.

The Act of 1881 does undoubtedly contain powers enabling the Government to enter into possession of a railway as against a company. But the Act of 1884 expressly repealed in respect of this railway the provisions as to borrowing contained in the Act of 1881, and enacted that the company, for the purpose of constructing the railway, might raise or borrow money, and (section 13) that the debentures of the company issued under the Act of 1884 "be a first charge on the railway and everything appertaining thereto," and the prospectus offering the debentures for subscription was based on the giving of such charge.

It is true, as Mr. Reeves points out, that the Act of 1881, containing confiscatory powers in favour of the Government, is recited in the contract or concession entered into between the company and the Government, but it is equally true—although Mr. Reeves singularly omits to state it—that the contract or concession expressly reserved to the company the borrowing-powers and the accompanying rights contained in the Act of 1884, and such reservation was in no way qualified or limited. Even if some qualification had been introduced into the contract between the Government and the company, it is difficult to see how it could have deprived the debenture-holders of the security so plainly and unconditionally reserved to them by the special Act of 1884, which in no way restricted or qualified the borrowing-powers and rights which formed the most important of the facilities conferred by the Act of 1884, declaring, as it did, that lenders of the money would have the security of the railway.

If, whenever any question arose between the Government and the company, the Government believed it had the right to take away the security set apart for the borrowed money, why did they not insert a plain and unequivocal reservation to that effect in the special Act of 1884? In the entire absence thereof the Government need not be surprised at the result of their present attempt to deprive the debenture-holders of their security, which grew as the line grew; and in the face of such an attempt it may well be asked, what becomes of the commercial morality so complacently referred to by Mr. Reeves in his letter already mentioned?

In the year 1895, after an arbitration between the Government and the company, in which the debenture-holders took no part, the Government seized the line, and the debenture-holders have instituted the present proceedings to try the question of the right of the Government to do so without accepting responsibility for the debenture-holders' mortgage or charge. The Act of 1881 enables the Government, as against a company, to continue the construction of a railway at the cost of a railway company, and to demand every six months from such company the amount which has been spent on construction account in excess of the net receipts of the railway; while provision is contained in the Act that if the company fails to repay the Government expenditure the Government may by an Order in Council retain the railway as their own property.

At a recent meeting of debenture-holders the Receiver, Mr. Alexander Young, appointed here by the Courts, spoke to the following effect: "When Mr. Seddon, the Premier, visited this city in Jubilee year I had several interviews with him. His chief cure for the situation was that I should present, on behalf of the debenture-holders, a petition *ad misericordiam* to the colonial Parliament. This, I had to state at once, was a course I could not adopt, seeing that it would in law give away the legal rights of the debenture-holders. Mr. Seddon then suggested that some day they might, perhaps, be giving us back the line, which, as I then remarked, would only have been giving us what we were entitled to; and, further, that some day, I believed, the railway would become of considerable value, seeing that the colony would themselves complete it. Mr. Seddon did not agree with that suggestion, but, on the contrary, declared that neither in his time nor mine would that railway be completed by the colony."

The debenture-holders allege that, notwithstanding the declaration of Mr. Seddon that the railway would never be completed, the policy of the Government has been to endeavour to exhaust the resources of the debenture-holders by continuously spending money for the extension of the line, and pressing for its repayment under threats that if not repaid at due dates the Government would issue the Order in Council already mentioned. Further, from information received from New Zealand, there are grounds for believing that the Government have refused to allow the issue of the certificates of title for some of the lands awarded to the company by the arbitrator, thus preventing the company using its securities to raise the very moneys which the Government have demanded.

These proceedings have been persisted in for a long time to the great detriment of the debenture-holders, and yet Mr. Reeves tries to justify them by stating that the New Zealand Government have agreed not to issue an Order in Council until the decision of the Privy Council has been given; but an undertaking not to issue the Order in Council was not given until as late as February, 1899. The fact remains that, of over £70,000 from time to time demanded by the Government, more than £36,000 has been paid to them under protest, and that it was only after the debenture-holders had exhausted all the opportunities of negotiation—after the colonial Courts had given a decision in favour of the Government, and after the debenture-holders had applied in vain for leave to appeal direct to the Privy Council—that an undertaking not to issue the Order in Council was given. The debenture-holders have offered arbitration, and that also has been rejected by the Government, who are now fighting the debenture-holders to appropriate their security without any compensation to them. Again, therefore, we may ask, Where, so far as the Government of New Zealand is concerned, is the "commercial morality within the British Empire" to which Mr. Reeves has so maladroitly appealed?

We are, &c.,

ASHURST, MORRIS, CRISP, AND Co.,

Solicitors for the Committee of Debenture-holders.

17, Throgmorton Avenue, London, E.C., 19th April.

The Editor of the *Times*.

B 5.—RETURN showing the Number of Farms, Grazing-runs, and Village-settlement Sections opened in Canterbury since November, 1893, and the Number of Separate Individuals who applied for these Lands when first offered.

Settlement.	Date when offered.	Class of Land and Tenure.	Number of Sections offered.	Number of Applicants.
Cheviot Estate	Nov., 1893	Farms, lease in perpetuity	58	258
"	"	Village homesteads	66	136
"	"	Small grazing-runs	3	8
"	Jan., 1894	Farms, lease in perpetuity	42	214
"	March, 1894	Grazing-farms	15	107
"	May, 1894	Farms, lease in perpetuity	8	33
"	"	Village homesteads	26	68
"	"	Grazing-farms	12	52
Rosebrook	June, 1895	Farms, lease in perpetuity	15	40
Otaio	"	"	8	19
Roimata	Aug., 1895	"	25	45
Braco	Nov., 1895	"	14	15

B 5.—RETURN showing the Number of Farms, Grazing-runs, and Village-settlement Sections opened in Canterbury since November, 1893, &c.—*continued.*

Settlement.	Date when offered.	Class of Land and Tenure.	Number of Sections offered.	Number of Applicants.
Kereta ...	Dec., 1895	Farms, lease in perpetuity ...	4	18
Ashley Gorge ...	"	"	10	122
" ...	"	Small grazing-runs attached to other sections	2	
Orakipaoa ...	June, 1896	Farms, lease in perpetuity ...	27	180
Highbank ...	"	"	70	1,261
" ...	"	Village lots ...	12	8
Waiapi and Rakitairi ...	March, 1897	Farms, lease in perpetuity ...	39	298
Albury ...	April, 1897	"	74	104
" ...	"	Small grazing-runs attached to other farms	4	
Marawiti ...	May, 1897	Farms, lease in perpetuity ...	13	188
Horsley Down ...	"	"	25	291
Hekeao ...	March, 1898	"	15	89
Waikakahi ...	March, 1899	"	130	640
" ...	"	Small grazing-runs ...	14	101
Takitu ...	March, 1900	"	5	14
Pareora No. 2 ...	"	Farms, lease in perpetuity ...	32	220
Punaroa ...	April, 1900	"	16	116
" ...	"	Small grazing-runs ...	1	16
Papaka ...	"	Farms, lease in perpetuity ...	9	109
Rautawiri ...	"	"	6	15
Totals ...			800	4,785

SUMMARY.

	Number.	Number of Applicants.
Farms, including six small grazing-runs ...	646	4,275
Small grazing-runs ...	50	298
Village settlements ...	104	212
	800	4,785

B 6.—COMPARATIVE STATEMENT showing Values and Population of Districts served by the Wellington-Manawatu Railway before and after the construction of that line.

	1885.	1888.	1891.	1898.
	£	£	£	£
Feilding Borough ...	117,515	119,696	146,884	233,367
Foxton Borough ...	Nil	63,006	85,743	100,051
Palmerston North Borough ...	264,209	325,641	489,618	631,796
Onslow Borough ...	Nil	Nil	144,053	202,971
Karori Borough ...	Nil	Nil	118,728	161,936
Melrose Borough ...	Nil	193,778	203,517	314,002
Wellington City ...	3,530,742	5,307,796	5,865,778	8,052,512
Manawatu County ...	603,893	536,996	810,171	950,957
Oroua County ...	945,766	1,397,753	*2,268,854	*1,908,338
Horowhenua County ...	282,516	569,274	858,648	1,147,850
Hutt County ...	1,416,052	†1,349,510	†1,030,745	1,272,436
	7,160,693	9,863,450	12,022,739	14,976,216
Percentage of increase on 1885	...	37	67	109

* Up to 1891 Kiwitea Road District was included, now a separate county.

† Up to 1888 Onslow and Karori Boroughs were included in the county.

Place.	1880.	1885.		1887.		1899.	
	Population.	Population.	Increase per Cent.	Population.	Increase per Cent.	Population.	Increase per Cent.
Wellington City	21,582	22,885	6	26,956	25	42,966	100
Palmerston North Borough ...	1,200	2,000	66	2,595	116	6,263	522
Total	22,782	24,885	10	29,551	30	49,229	116

Place.	1881.	1886.		1891.		1896.	
	Population.	Population.	Increase per Cent.	Population.	Increase per Cent.	Population.	Increase per Cent.
Manawatu County, including Horowhenua, Oroua, Kiwitea, and Pohangina Counties, and the Feilding and Foxton Boroughs, which have grown out of the Manawatu County	7,372	9,699	32	15,238	107	19,877	169

Port of Wellington.

IMPORTS.

1880.	1885.		1887.		1899.	
Value.	Value.	Increase per Cent.	Value.	Increase per Cent.	Value.	Increase per Cent.
£ 958,706	£ 1,369,392	43	£ 1,105,665	15	£ 2,067,111	115

EXPORTS.

1880.	1885.		1887.		1899.	
Value.	Value.	Increase per Cent.	Value.	Increase per Cent.	Value.	Increase per Cent.
£ 914,634	£ 1,067,951	16	£ 1,054,823	15	£ 1,896,291	107

B 7.—CORRESPONDENCE.

General Manager, Railways. 6th September, 1900.
Re MIDLAND RAILWAY PETITIONS.—Could you kindly let me have by Monday next, if possible, a roughly approximate estimate of the probable loss per annum to the Government railways between Nelson and Belgrove, Brunner and Greymouth, and the Canterbury railways by reason of the non-completion of the Midland Railway—viz., the loss to the Government railways of the increased traffic which the work of construction and development of traffic consequent on the completion of the Midland Railway would have brought over those lines. By Midland Railway I mean the whole line from Springfield to Brunner and Stillwater to Belgrove.

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

New Zealand Government Railways, Head Office, Wellington,
11th September, 1900.

The Under-Secretary for Public Works, Wellington.

MEMORANDUM *re* MIDLAND RAILWAY PETITIONS.—In reply to your memorandum, P.W. 610, of the 6th instant, I have the honour to inform you that I estimate the loss as indicated in your memorandum at approximately £20,000 per annum.

T. RONAYNE, General Manager.

SIR,—

11th September, 1900.

I have the honour to state that I brought this morning before the Committee sitting to consider the claims of the Midland Railway debenture-holders the letter addressed by the Under-Secretary for Public Works to yourself, and your reply, in which you state that approximately the loss to the Government railways by reason of the non-connection with the West Coast and Nelson lines is about £20,000 per annum.

The Committee desired to know whether this £20,000 is the gross or the net loss to the Government, that is to say, whether the traffic would only be increased by £20,000 per annum, or whether you considered that the net profit to the Government railways if the Company's lines were completed would be £20,000 per annum.

I should be obliged if you could kindly let me have a reply to this at your earliest convenience to-morrow morning, as I have to lay it before the Committee.

I have, &c.,
H. D. BELL.

The General Manager, New Zealand Railways, Wellington.

New Zealand Government Railways, Head Office, Wellington,
12th September, 1900.

SIR,—

In reply to your letter of yesterday's date, I have the honour to inform you that the approximate loss of £20,000 per annum referred to in my memorandum of the 11th instant to the Under-Secretary for Public Works is the estimated gross loss per annum to the Government railways between Nelson and Belgrove, Brunner and Greymouth, and the Canterbury railways, by reason of the non-completion of the Midland Railway Springfield to Brunner, and Stillwater to Belgrove.

This means that the completion of the Midland Railway would, it is estimated, increase the traffic on the Government railways by £20,000 per annum; against this there is, of course, the cost of working the extra traffic, but I am unable to say what this would be.

I have, &c.,
T. RONAYNE, General Manager.

H. D. Bell, Esq., Panama Street, Wellington.

SIR,—

Midland Railway.—Replying to your letter of this date, I trust you will endeavour to estimate approximately the net profit which the Government would receive out of the £20,000 per annum, as the point is one of some importance for the purposes of the Committee.

May I ask, if this be possible, that you will be kind enough to let me have the estimate either this afternoon or to-morrow morning.

I have, &c.,
H. D. BELL.

The General Manager, New Zealand Government Railways, Wellington.

New Zealand Government Railways, Head Office, Wellington,
13th September, 1900.

SIR,—

In reply to your letter of yesterday's date in regard to Midland Railway, I have the honour to inform you that, on a rough approximation, it is estimated 40 per cent. of the £20,000 per annum referred to in my letter of the 12th instant would be taken up by expenses, leaving a profit of £12,000 per annum.

I have, &c.,
T. RONAYNE, General Manager.

H. D. Bell, Esq., Panama Street, Wellington.

B 8.—LETTER written by Mr. SEDDON to the EDITOR of the *West Coast Times*.

SIR,—In reply to the manager of the Midland Company's letter, and which was published in your issue of the 7th instant, permit me to say that I am somewhat amused at having, by telling the truth, surprised Mr. Wilson. I always called a spade a spade, and I saw no reason when addressing my constituents at Hokitika to deviate from that course. Further, I fail to see how Mr. Wilson can logically infer that the expedition of the Public Works and Survey Departments in dealing with applications can be held to be a reflection on the business administration of the company on the West Coast.

"I give," says Mr. Wilson, "extracts from Mr. Seddon's statement and the actual facts of the case, which, in justice to the company," &c.; but Mr. Wilson withheld certain actual facts which were within his knowledge, and which, if given, would have fully proved my statements. To be disingenuous may for a time succeed, but to tell the whole truth unreservedly begets confidence and lasts for all time.

Mr. Wilson was fully aware that, from the beginning of 1890 until the end of 1891, there was a series of letters in respect to the proper and correct interpretation of section 33 of the contract—he, on behalf of the company, contending: (1) That regulations could be made under the contract, and by this means there would be no necessity to make a separate application in each case; (2) that applications should be made to the Commissioners of Lands without reference to the Minister, or that, in other words, the Minister could delegate his powers; (3) that section 29 of the contract did not apply to selections made on the western slope under section 33 of the contract; (4) that applications under section 33 of the contract should not be publicly advertised, and that the handing over by the Commissioner of his assessment of the lands applied for included the assent of the Government to the sale of the land.

A reference to his letters of the 23rd June and 4th July, 1890, will help to refresh Mr. Wilson's memory on these points. The then Minister in charge referred the matter to the Law Officers, who advised: (1) That section 29 of the contract applied to selections made on the western slope under section 33; (2) that the Crown must lease the land applied for, not the company; (3) that there was no power which would authorise the Minister to delegate his functions to the Commissioners of Lands; (4) that before any land could be sold or dealt with by the Crown, on the request of the company, the latter must be entitled to select and have selected the same, such

selection to be made subject to veto under section 29. My predecessor, the Hon. Mr. Fergus, by letter dated 29th August, 1890, notified Mr. Wilson accordingly.

That this decision did not please Mr. Wilson your readers on the West Coast goldfields will readily understand, for section 29 is the main safeguard for preventing individuals securing through the company auriferous lands, providing, as it does, that no selection shall be valid until a period of two months shall have elapsed after such selection has been made and notified to the Minister for Public Works by the company.

Now, Mr. Editor, at this time there was not one single acre of land reserved for mining purposes, and, no matter how careful the Commissioner of Lands may have been, and although the company would not intentionally wish to secure valuable auriferous lands, or lands required for mining purposes, yet other knowing persons, seeing free-trade was the order of the day, would have applied for and have secured such lands to the detriment of the mining industry.

Now, the power of selection under section 33 of the contract only applies to lands available for selection under clause 16 of the contract, and the said section exempts from selection all lands which from time to time, in the opinion of the Governor, are or may be required for *bond fide* mining purposes and the several privileges connected therewith, or incidental or conducive thereto, and power was given to reserve for these purposes 750,000 acres in blocks not exceeding 10,000 acres.

Now, Mr. Wilson, orally and by letter, strenuously opposed the making of these reserves. Ultimately, on the 29th August, 1890, by Memorandum 90/821, the company were notified that lands for mining purposes would be set apart by Proclamation. The company, by letter dated the 6th October, 1890, asked to be supplied with plans of the reserves. By letter dated the 23rd October, 1890, my predecessor agreed to furnish these plans. About the end of December, the regulations again came up, for in Mr. Wilson's letter of the 30th December, 1890, the following passage occurs: "They are drawn on the basis of all applications for land under clause 33 being advertised. If considerable mining reserves are about to be made, this advertising is both unnecessary and objectionable from the company's point of view. If, however, mining reserves are not to be made at present the company would be prepared, as you have been already informed, to agree to the system of advertising. I must await your reply on this point before returning the regulations." So here ends, Mr. Editor, 1890. No applications made to Minister for Public Works to assess separate and distinct applications under clause 33, and subject to clause 29. The question, regulation or no regulation, still under consideration.

In the year 1891 Mr. Wilson set the ball rolling by sending to the Under-Secretary for Works the following telegram on the 22nd January: "Land Regulations: When shall I have reply to letter of 30th December, 1890?" In the meantime my predecessor had directed that his successor should deal with Mr. Wilson's letter of the 30th December. On the 27th January, 1891, I received from Mr. Wilson the following telegram: "Hope can count on your assistance get regulations settled for dealing with lands in Westland. Waiting reply to letter 30th December to Minister Public Works." Being a Ministerial youth, inexperience was counted on. On the 7th February I replied that the question of the reservation of land for mining purposes had not yet been decided by Government, but under any circumstances it would be necessary for all applications affecting lands under clause 33 to be duly advertised. On the 10th February, 1891, the company forwarded its proposed regulations, with a long explanatory letter. The power under these regulations was vested in the Commissioner of Lands instead of in the Minister, and the advertising was to be at the direction of the Commissioner in all cases, and although the company had been notified and the Government advised to the contrary. The following passage was contained in the letter accompanying the regulations: "Although these proposed regulations are drawn on the assumption that the Minister is entitled to direct notification of any section applied for, it must be understood that the company does not agree that such reference is necessary under the contract in respect of lands dealt with under clause 33."

On the 24th February, by Memorandum 91/271, I acknowledged receipt of draft regulations, and informed the company the same were drawn upon the assumption that the Government did not intend to make large reserves for mining purposes; and I further said I would be glad if the company would submit alternative proposals for dealing with these lands on the assumption that reserves for mining purposes would be made. Mr. Wilson replied to this on the 2nd March. The first part of the letter pointed out the expense and delay in advertising applications; the concluding paragraphs being as follows: "No doubt the Government has no wish to cause unnecessary delay in dealing with lands, and the Minister (through the Commissioner of Crown Lands) would determine at once in nearly all cases the reply required as to any particular pieces of land if referred under clause 29 of the Midland Railway contract. These being the only alterations which would be required in the proposed regulations in the event of the mining reserves being made, it seems unnecessary to submit an alternative draft as suggested in your letter under reply." To this I replied the matter would be brought under the notice of the Minister of Lands on his arrival in Wellington. Other letters from Mr. Wilson followed, the tenor of same being alleged delay in the matter of opening land for settlement, and urging agreement to regulations.

On the 22nd July the following extracts from Memorandum 91/1291 put the views of the Government on the matter: "In reply, I am to state that the Government is not in any way responsible for any delays in this matter, as all the lands which have so far been earned by the company have been duly granted to it, and if the company has seen fit to make almost the whole of its selections on the east side of the ranges instead of on the West Coast the Government cannot be blamed therefor. No impediment has been placed in the way of your company selecting lands within the railway area on the west coast of the Middle Island. It would, moreover, appear that the company desires to avoid publicity being given to proposed selections of land in localities where gold-mining operations are being carried on. This has already been, and is likely to be, an obstacle

in the way of the approval being given to the draft regulations submitted by the company for dealing with lands under clause 33 of the Midland Railway contract.—H. J. H. BLOW, Acting Under-Secretary, Public Works.”

To this Mr. Wilson replied, of course, denying the soft impeachment made, and still urging approval of the regulations, and non-advertising of applications, if the mining reserves were made. To this the reply was given on the 20th August, that the mining reserves were being made as rapidly as possible, and that, when reserves were made, draft regulations would be dealt with. From the 20th August to the 14th December, 1891, Mr. Wilson did not communicate with me further as to regulations or land-settlement under clause 33; and, in the meantime, the proclaiming of the reserves in Westland was proceeded with as rapidly as the terms of the contract permitted.

On the 14th December, 1891, Mr. Wilson telegraphed, urging dealing with lands on western slope under the company's regulations. To this, on the 23rd December, 1891, I directed the following reply to be sent to Mr. Wilson:—

“Re *Midland Railway. — Proposed Regulations for dealing with Lands under Clause 33 of the Midland Railway Contract.*

“SIR,—Referring to former correspondence on the above-mentioned subject, I have the honour, by direction of the Minister for Public Works, to state that, upon a closer examination of the terms of the contract relating to the matter, it would appear that no provision is contained therein for making regulations such as those proposed by the company.—H. J. H. BLOW, Under-Secretary for Public Works.”

To this, on the 24th December, Mr. Wilson replied, contending still in the first part of his letter that there was power to make regulations, but by the concluding paragraph he accepted the inevitable. The paragraph was as follows: “In consequence of your letter under reply, the company will be compelled to cause applicants for land and timber to proceed in the manner provided under clause 33, without waiting for any further or more detailed agreement to be made.” Mr. Wilson, therefore, on behalf of the company, as regards the making of regulations, “threw up the sponge,” after fighting for same with a persistency worthy of a better cause for one year and three months. For it was by letter dated the 29th August, 1890, that my predecessor, the Hon. Mr. Fergus, acting under the Law Officers' advice, notified the company that the Minister could not delegate his powers, and that selections under clause 33 were governed by clause 29, which gave the Minister the power of veto.

The next and very important communication was from Mr. Wilson, dated the 21st January, 1892, as follows:—

“SIR,—I have the honour, by direction of the general manager, to forward under separate cover a number of applications for land which the company desires to deal with under clause 33 of the Midland contract, and to request that you will forthwith cause the value of such land to be assessed, as provided in subsection (2) of the above clause. These applications can all be located by the Commissioners of Crown Lands for the districts from the information given. There is therefore no reason why they should not be dealt with at once. For convenience the Westland and Nelson applications have been divided according to lists enclosed.—W. KENNEDY, Secretary.—The Hon. the Minister for Public Works.”

Now, this list contained 125 applications from Nelson, and fifteen applications from Westland. This, however, completes the applications in order under clause 33 up to February, 1892, the date mentioned by Mr. Wilson in his letter.

I will now, from the afore-recited data, reply to the points raised in Mr. Wilson's letter categorically.

1. I said the applications sent in by the people of the West Coast were greatly delayed by the company, although they were expeditiously treated by the Public Works and Survey Departments. The Government were asked to make regulations which they had no power to make. Mr. Wilson in the first paragraph of his letter coolly left out the words, “The Government were asked to make regulations which they had no power to make.” These words explained how the company had caused the delay. Surely, in the face of the correspondence given, Mr. Wilson will not say that regulations were not demanded and fought for by the company, and that at last by the company's action they have admitted there was no legal power to make such regulations. Mr. Wilson says that between February, 1890, and January, 1892, he sent in for assessment 230 applications. Seeing the contract was signed in August, 1888, what became of the West Coast applications from that date to February, 1890? And why did Mr. Wilson not state to whom the applications were sent each month in the two years? And why give so large a margin? It might be inferred that the whole were sent in on the 1st February, 1890, or the last day of January, 1892. The letter from Mr. Wilson of the 26th January, 1892, speaks for itself: A hundred and forty applications were sent in on that date. What has become of the other ninety-one? Mr. Wilson knows best. Perhaps the making of the mining reserves prevented these applications being proceeded with, or perhaps they have been sent to the Commissioners of Crown Lands without reference to the Minister for Public Works. Under the terms of the contract the Minister for Public Works is the authority mentioned as having the power of veto under clause 29.

The applications for assessment of lands in Westland were forwarded to the Survey Department on the 16th February, and by the Survey Department here were then sent to Hokitika, and returned complete from Hokitika on the 14th April. I used every expedition, and Mr. Strachan used every expedition. I made my speech on the 22nd April, and stated the actual facts when I said the Public Works and Survey Departments had expeditiously dealt with the applications. Owing to the absence of the Surveyor-General from Wellington, the applications had to be held over until his return. He dealt with same immediately, and forwarded to Mr. Wilson the Westland assessed applications on the 10th May, 1892. The total area covered by the sixteen applica-

tions amounted only to 1,442 acres. Of that area, 500 acres had already been granted to the company in Block XXVIII.; 200 acres are now held under lease by Mr. Morgan; 30 acres are held for river protection; 125 acres under occupation license; 20 acres under license to quarry; 30 acres adjoins a gold-mining claim: thus leaving only 437 acres to the selection of which the Lands Department have no objections to offer.

It will, however, be clear now, even to Mr. Wilson, that the greatest care should be taken, and each application be dealt with separately, otherwise very serious complications are bound to arise. Now, in regard to the Nelson applications, Mr. Wilson is well aware the Government are proclaiming the mining reserves as rapidly as the terms of the contract permit. He is also fully aware that no selections under clause 33 can be made of land required for mining purposes. I have little doubt that many of the applications will be found to be within the mining reserves. One hundred and forty-one applications cannot be dealt with hurriedly without causing complications. At the same time, every expedition has been and will be used by the Public Works and Survey Departments.

2. The question of regulations: Those better able to judge than either Mr. Wilson or myself have settled that there is no power under the contract to make the same; and there being no power to make them is, I again assert, a good thing for both the company and the colony. Indiscriminate selection of Crown lands under regulations in mining districts would injure the mining industry, and would not promote settlement. Mr. Wilson states it is difficult to see how the Minister can say there is no power to agree upon a method of dealing with these lands. In this Mr. Wilson shifts his ground, for under clause 33 the Minister has power to agree upon the price, and power to agree whether the land shall be sold for cash or on deferred payment, or whether the same may be leased. The agreement in each case to be specific, and not to be by regulation, dealing *in globo* with all and sundry applications.

3. That the Government has not retarded settlement; and what object could I have in trying to make delays? Mr. Wilson says the answer is that until the assessments are made by the Government the company could not proceed with the applications. My answer is that it was only on the 26th January last that, in compliance with clause 33, Government was requested to assess the value of the lands mentioned in the application; and that until requested by the company to assess the Government were powerless to act. The reason the company did not request separate assessments is shown by the correspondence—namely, the company wanted to deal with the Commissioners of Crown Lands direct, under regulations, and to set aside the veto power of the Minister under clause 29.

4. The difficulties in regard to royalties on timber: It would have been wise on Mr. Wilson's part had he refrained from referring to this question. By his own showing he admits the sawmillers and the company took the law into their own hands—trespassed upon Crown lands, cut the timber, constituted the company agents for the Government, and with the most innocent assurance adds, "as per contract." Now, what are the facts? The company submitted regulations to be made for cutting timber; at the same time they submitted regulations for dealing with the land. The company were informed no power existed to make such regulations, yet upon the draft regulations the company collected royalties from all and sundry without the consent of the Government. Altogether some £ were collected. Now, Mr. Wilson promised to pay the whole of these moneys into the Suspense Account. When, however, formal demand was made that this should be done, there was very great difficulty experienced in obtaining from the company the amounts collected; and, whilst a royalty of 6d. per 100 ft. for cutting rimu had been demanded and collected by the company, all the Government received was 3d. per 100 ft., the company retaining the other 3d. Fifty per cent. for cost of collecting by illegally and self-constituted agents is rather a stiff tariff. Now that Mr. Wilson has nominated himself an agent for the Government, probably he will hand over to the principals the whole of the moneys collected as fees and royalties upon timber cut from off Crown lands, and which have not been, and which cannot possibly be, selected by the company. Or, probably, seeing the Commissioners of Crown Lands have accepted a royalty of 3d., Mr. Wilson has generously handed back to the sawmillers the extra 3d. per 100 ft. collected under the draft regulations, which were never agreed to, could not be agreed to, and which the terms of the contract definitely precluded.

5. Selections made by the company and values of same: On the eastern slope—Canterbury and Amuri districts—the company have selected 193,746 acres, of the assessed value of £117,576; whilst on the western slope—Westland District—only 20,500 acres, of the value of £20,500, has been selected. At the end of February, 1892, the area selected on the western slope amounted only to 11,000 acres, of the value of £11,000. This is exclusive of the lands the values of which the company has asked to have assessed, and which lands may or may not be subsequently selected by the company.

In conclusion, I admit it is unusual for a Minister to defend his administration by letter through the columns of a newspaper, but, seeing, however, that the attack made by Mr. Wilson was in respect to the speech made to my constituents, and seeing also that time will not admit of my making another speech, I hope your readers will pardon this departure. I have every respect for Mr. Wilson, the company's manager; he is energetic, faithful, and knows his business, and in what he has done has doubtless meant to further the company's interests. I know, also, the serious difficulties met with by the company in carrying out the gigantic and national work which they are engaged upon. I am and always have been friendly disposed towards the company. At the same time, it is in the interest of both the company and the colony that the contract should be strictly adhered to. A departure therefrom must, in the end, land all concerned in serious difficulties; and I assure all parties that the Public Works and Survey Departments, now that the lines of selection under clause 33 are well defined, will use the utmost expedition in furthering selections made by the company on either the eastern or western slope of the range.

To the Editor.

R. J. SEDDON.

PREVIOUS REPORTS OF PUBLIC ACCOUNTS COMMITTEES.

REPORT.—1892.

THE petitioning company state,—

That the company entered into certain contracts with the Government, dated the 17th day of January, 1885, and the 3rd day of August, 1888, respectively, for the construction of the East and West Coast and Nelson Railway, and, pursuant to those contracts, raised large sums of money, and entered upon the construction of the works.

As specific allegations of departure by the Government from the contract, the company cites,—

- (a.) The method of the Government in proclaiming mining reserves, and that such Proclamations have been greatly in excess of the requirements, and will be a hindrance to settlement.
- (b.) That the Government have allowed the company's interest to be injured by permitting timber to be cut for other than mining purposes, and has imposed difficulties and delays in the way of the company dealing with lands for settlement purposes on the west coast of the South Island.
- (c.) That long and unnecessary delays were caused by the Government in consenting to the deviation of the railway-line at Lake Brunner, though such deviation is beneficial to the colony.
- (d.) That great and unnecessary delay took place in the consent of the Government to the construction by the company of an incline line at Arthur's Pass instead of a tunnel line, and the consequence of this delay has been disastrous to the company.
- (e.) That on the 15th day of March, 1892, the company applied to the Government for an extension of its contract time under clause 42 of the contract; and, though the delay in construction has not been caused by the "wilful default or neglect of the company," the Government has neglected to give such consent, and by reason of such neglect the company is powerless to make further financial arrangements.
- (f.) That the imposition of the graduated land-tax has seriously depreciated the value of the grants of land to be made to the company, and that the imposition of the tax on debentures has increased the company's difficulties in raising further capital.

As to local taxation, the company, while not alleging that the matter under this head has been the result of the action of the Government of the colony, or that any change has been made since the formation of the company, submits that it should not be taxed by local bodies in respect of its railway-line, which provides a means of access through the country.

The company has made certain proposals to the Government to surrender its future land-grant in return for certain Government guarantees.

The company prays—

1. That Parliament will appoint a Committee to inquire into its proposals, in order to settle all existing differences between the Government and the company.
2. That Parliament will consider the grievances which the company has in consequence of the action of the Government and the injury caused to the company thereby.

The Committee, having carefully considered the petition and taken voluminous evidence thereon, have the honour to report as follows:—

A.—The Proclamations reserving Land for Mining Purposes.

1. The generally auriferous character of the country through which the Midland Railway passes on the western slope has made it possible for the Government to reserve an area of land in continuous blocks exceeding what might have been reasonably contemplated by the company to have been reserved in this way. It does not appear to the Committee that in doing so the Government has exceeded its legal rights, nor has reserved or proposed to reserve more land than an exclusive regard for possible future mining developments may prove to be of advantage to that industry, but the Committee are of opinion that the reservation in continuous blocks of such a large portion of the land in the Grey Valley could not have been reasonably contemplated by the company.

B.—Regulations of the Government injuriously affecting the Company.

2. The company has had some grounds for complaint under this head, but the Committee do not consider them of such importance as to seriously affect the position of the company.

C.—The Delay in respect of the Lake Brunner Deviation; and D.—The Delay in Consent to the Incline.

3. These delays have arisen in consequence of time being necessary for the consideration of proposals by the company for modifications of certain provisions of the contract, but these proposals were made by the company in its own interest: the Committee therefore do not think the company can reasonably complain.

E.—The Refusal or Delay in Extension of the Time for Completion of the Line.

4. The Committee are of opinion that the time allowed in the original contract for the completion of the work was sufficient, but that, owing to the delays consequent upon the negotiations for modifications of the contract, and also owing to the many other difficulties under which the company has laboured, it is evident the work cannot now be completed within the contract time. The

Committee, therefore, recommend that the Government should grant a reasonable extension of time for the completion of the contract. In any such arrangement, the Committee consider that the Government should insist on reasonable progress being made with the work, and should endeavour to arrange with the company for a release of the land reservation not later than the end of the term of the present contract.

F.—Taxation.

5. The Committee are of opinion that with regard to general taxation the company has no claim to special treatment. The Committee is further of opinion that local taxation presses heavily upon the company; and the Committee desire to direct the attention of the Government to this matter.

Proposals for Guarantee.

6. The Committee cannot recommend that these proposals should be entertained in their present shape; to do so would practically increase the liability of the colony.

Conclusion.

7. The Committee recommend that any proposals which may be the result of negotiations between the Government and the company should be submitted to Parliament at its next session.

8. The petition and the evidence taken thereon, together with the documents and maps produced before the Committee, are attached hereto.

A. R. GUINNESS, Chairman.

8th October, 1892.

REPORT.—1893.

THE Public Accounts Committee have carefully considered the proposals made by the New Zealand Midland Railway Company for a modification of their contract which are contained in the correspondence laid upon the table of the House of Representatives; they have also taken evidence on the subject; and have agreed to the following report:—

1. The Committee cannot recommend the acceptance of the proposals of the company as embodied in the draft contract submitted by them.

2. The Committee recommend that the contract be amended so as to provide that, in lieu of land-grants being made to the company on account of work hereafter to be executed by them, debentures of corresponding value plus 15 per cent. of the B1 value of the land 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 right to select land within the reserved area of about 5,600,000 acres, after deducting the quantity to which they are entitled and to which they may be entitled for works in progress.

3. 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.

4. That, if desired by the company, the debentures to which they may become entitled be deposited with the Public Trustee, to be issued to the company in as near as may be twenty equal half-yearly instalments; the interest of each debenture while in the hands of the Public Trustee to be applied as the company may direct. That this provision shall not be considered a variation of other terms of the contract.

19th September, 1893.

J. M. SHERA,
Chairman, Public Accounts Committee.

REPORT.—1894.

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.

REPORTS.—1896.

PETITIONER [G. B. Parker] prays that Parliament will consider the grievances which the debenture-holders in the New Zealand Midland Railway Company have against the Government, in respect of the seizure of the railway; and also the claim of the said debenture-holders for payment of the amount expended on the construction of the said railway.

Your Committee has the honour to report that, having carefully considered the petition of the debenture-holders in the Midland Railway Company, it finds that, from the facts contained in the report of the Committee of even date with this in respect to the Midland Railway Company's petition, it has no recommendation to make.

29th September, 1896.

W. J. M. LARNACH,
Chairman.

Petitioners pray for compensation in respect of the loss they have sustained through their being prevented from fulfilling their contract by the seizure of the railway; or that such assistance may be given them as will enable them to make arrangements for the carrying-out of the said or any other contract for the completion of the said railway.

Your Committee has the honour to report that, inasmuch as the Midland Railway Company does not regard its contractual rights as being at an end, but, on the contrary, expresses its intention of paying the account already rendered to it by the Government up to 29th February last, in pursuance of section 123 of "The Railways Construction and Land Act, 1881," on or before the expiry of the notice served upon its representative in July last under section 125 of the said Act, and as the Midland Railway Company claims that upon such payment being made all its rights in the matter of land-selection and otherwise under the contract of the 3rd August, 1888, are and will be fully preserved, the Committee is unable to make any recommendation on the company's petition.

29th September, 1896.

W. J. M. LARNACH,
Chairman.

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AREAS WITHIN THE MIDLAND RESERVATION IN WESTLAND TAKEN UP UNDER SECTION 219 OF "THE LAND ACT, 1892."

(1)	30	0	00	(71)	60	0	00	(141)	7	0	00
(2)	50	0	00	(72)	60	0	00	(142)	100	0	00
(3)	50	0	00	(73)	100	0	00	(143)	40	0	00
(4)	200	0	00	(74)	11	0	00	(144)	8	0	00
(5)	30	0	00	(75)	80	0	00	(145)	4	0	00
(6)	5	0	00	(76)	30	0	00	(146)	8	0	00
(7)	4	0	00	(77)	100	0	00	(147)	100	0	00
(8)	130	0	00	(78)	300	0	00	(148)	25	0	00
(9)	50	0	00	(79)	40	0	00	(149)	60	0	00
(10)	50	0	00	(80)	130	0	00	(150)	120	0	00
(11)	150	0	00	(81)	150	0	00	(151)	225	0	00
(12)	98	0	00	(82)	90	0	00	(152)	800	0	00
(13)	200	0	00	(83)	50	0	00	(153)	550	0	00
(14)	50	0	00	(84)	5	0	00	(154)	700	0	00
(15)	50	0	00	(85)	3	0	00	(155)	307	0	00
(16)	10	0	00	(86)	100	0	00	(156)	325	0	00
(17)	100	0	00	(87)	73	0	00	(157)	550	0	00
(18)	25	0	00	(88)	6	0	00	(158)	500	0	00
(19)	100	0	00	(89)	50	0	00	(159)	360	0	00
(20)	100	0	00	(90)	150	0	00	(160)	200	0	00
(21)	100	0	00	(91)	150	0	00	(161)	225	0	00
(22)	25	0	00	(92)	40	0	00	(162)	250	0	00
(23)	200	0	00	(93)	5	0	00	(163)	74	0	00
(24)	50	0	00	(94)	19	0	00	(164)	100	0	00
(25)	50	0	00	(95)	150	0	00	(165)	300	0	00
(26)	50	0	00	(96)	100	0	00	(166)	116	0	00
(27)	6	0	00	(97)	20	0	00	(167)	64	0	00
(28)	50	0	00	(98)	75	0	00	(168)	635	0	00
(29)	73	0	00	(99)	60	0	00	(169)	96	0	00
(30)	100	0	00	(100)	119	0	00	(170)	173	0	00
(31)	12	0	00	(101)	70	0	00	(171)	50	0	00
(32)	71	0	00	(102)	100	0	00	(172)	193	0	00
(33)	3	0	00	(103)	15	0	00	(173)	118	0	00
(34)	60	0	00	(104)	20	0	00	(174)	50	0	00
(35)	50	0	00	(105)	20	0	00	(175)	171	0	00
(36)	150	0	00	(106)	50	0	00	(176)	174	0	00
(37)	70	0	00	(107)	130	0	00	(177)	64	0	00
(38)	100	0	00	(108)	400	0	00	(178)	189	0	00
(39)	50	0	00	(109)	350	0	00	(179)	100	0	00
(40)	100	0	00	(110)	100	0	00	(180)	125	0	00
(41)	20	0	00	(111)	100	0	00	(181)	60	0	00
(42)	100	0	00	(112)	100	0	00	(182)	109	0	00
(43)	7	0	00	(113)	100	0	00	(183)	143	0	00
(44)	2	0	00	(114)	150	0	00	(184)	350	0	00
(45)	25	0	00	(115)	100	0	00	(185)	500	0	00
(46)	20	0	00	(116)	200	0	00	(186)	43	0	00
(47)	3	0	00	(117)	75	0	00	(187)	120	0	00
(48)	12	0	00	(118)	100	0	00	(188)	130	0	00
(49)	15	0	00	(119)	34	0	00	(189)	120	0	00
(50)	5	0	00	(120)	50	0	00	(190)	100	0	00
(51)	20	0	00	(121)	100	0	00	(191)	122	0	00
(52)	20	0	00	(122)	175	0	00	(192)	35	0	00
(53)	100	0	00	(123)	100	0	00	(193)	354	0	00
(54)	15	0	00	(124)	200	0	00	(194)	100	0	00
(55)	100	0	00	(125)	115	0	00	(195)	580	0	00
(56)	100	0	00	(126)	50	0	00	(196)	100	0	00
(57)	100	0	00	(127)	165	0	00	(197)	240	0	00
(58)	100	0	00	(128)	100	0	00	(198)	100	0	00
(59)	30	0	00	(129)	32	0	00	(199)	100	0	00
(60)	150	0	00	(130)	100	0	00	(200)	30	0	00
(61)	100	0	00	(131)	100	0	00	(201)	300	0	00
(62)	20	0	00	(132)	9	0	00	(202)	300	0	00
(63)	20	0	00	(133)	100	0	00	(203)	304	0	00
(64)	50	0	00	(134)	425	0	00	(204)	300	0	00
(65)	50	0	00	(135)	200	0	00	(205)	300	0	00
(66)	140	0	00	(136)	100	0	00	(206)	200	0	00
(67)	50	0	00	(137)	32	0	00	(207)	74	0	00
(68)	100	0	00	(138)	500	0	00	(208)	500	0	00
(69)	100	0	00	(139)	74	0	00	(209)	100	0	00
(70)	245	0	00	(140)	10	0	00	(210)	300	0	00
				(141)	50	0	00	(211)	200	0	00



No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.
WESTLAND DISTRICT							
1	4,700	80	376,000	21	11,600	150	1,740,000
2	4,700	80	376,000	22	11,600	150	1,740,000
3	4,700	80	376,000	23	11,600	150	1,740,000
4	4,700	80	376,000	24	11,600	150	1,740,000
5	4,700	80	376,000	25	11,600	150	1,740,000
6	4,700	80	376,000	26	11,600	150	1,740,000
7	4,700	80	376,000	27	11,600	150	1,740,000
8	4,700	80	376,000	28	11,600	150	1,740,000
9	4,700	80	376,000	29	11,600	150	1,740,000
10	4,700	80	376,000	30	11,600	150	1,740,000
11	4,700	80	376,000	31	11,600	150	1,740,000
12	4,700	80	376,000	32	11,600	150	1,740,000
13	4,700	80	376,000	33	11,600	150	1,740,000
14	4,700	80	376,000	34	11,600	150	1,740,000
15	4,700	80	376,000	35	11,600	150	1,740,000
16	4,700	80	376,000	36	11,600	150	1,740,000
17	4,700	80	376,000	37	11,600	150	1,740,000
18	4,700	80	376,000	38	11,600	150	1,740,000
19	4,700	80	376,000	39	11,600	150	1,740,000
20	4,700	80	376,000	40	11,600	150	1,740,000
GANTERBURY DISTRICT							
41	8,400	80	672,000	67	9,100	90	819,000
42	8,400	80	672,000	68	9,100	90	819,000
43	8,400	80	672,000	69	9,100	90	819,000
44	8,400	80	672,000	70	9,100	90	819,000
45	8,400	80	672,000	71	9,100	90	819,000
46	8,400	80	672,000	72	9,100	90	819,000
47	8,400	80	672,000	73	9,100	90	819,000
48	8,400	80	672,000	74	9,100	90	819,000
49	8,400	80	672,000	75	9,100	90	819,000
50	8,400	80	672,000	76	9,100	90	819,000
51	8,400	80	672,000	77	9,100	90	819,000
52	8,400	80	672,000	78	9,100	90	819,000
53	8,400	80	672,000	79	9,100	90	819,000
54	8,400	80	672,000	80	9,100	90	819,000
55	8,400	80	672,000	81	9,100	90	819,000
56	8,400	80	672,000	82	9,100	90	819,000
57	8,400	80	672,000	83	9,100	90	819,000
58	8,400	80	672,000	84	9,100	90	819,000
59	8,400	80	672,000	85	9,100	90	819,000
60	8,400	80	672,000	86	9,100	90	819,000
AMURU DISTRICT							
88	20,000	100	2,000,000	117	8,000	100	800,000
89	20,000	100	2,000,000	118	8,000	100	800,000
90	20,000	100	2,000,000	119	8,000	100	800,000
91	20,000	100	2,000,000	120	8,000	100	800,000
92	20,000	100	2,000,000	121	8,000	100	800,000
93	20,000	100	2,000,000	122	8,000	100	800,000
94	20,000	100	2,000,000	123	8,000	100	800,000
95	20,000	100	2,000,000	124	8,000	100	800,000
96	20,000	100	2,000,000	125	8,000	100	800,000
97	20,000	100	2,000,000	126	8,000	100	800,000
98	20,000	100	2,000,000	127	8,000	100	800,000
99	20,000	100	2,000,000	128	8,000	100	800,000
100	20,000	100	2,000,000	129	8,000	100	800,000
101	20,000	100	2,000,000	130	8,000	100	800,000
102	20,000	100	2,000,000	131	8,000	100	800,000
103	20,000	100	2,000,000	132	8,000	100	800,000
104	20,000	100	2,000,000	133	8,000	100	800,000
105	20,000	100	2,000,000	134	8,000	100	800,000
106	20,000	100	2,000,000	135	8,000	100	800,000
107	20,000	100	2,000,000	136	8,000	100	800,000
108	20,000	100	2,000,000	137	8,000	100	800,000
109	20,000	100	2,000,000	138	8,000	100	800,000
110	20,000	100	2,000,000	139	8,000	100	800,000
111	20,000	100	2,000,000	140	8,000	100	800,000
112	20,000	100	2,000,000	141	8,000	100	800,000
113	20,000	100	2,000,000	142	8,000	100	800,000
114	20,000	100	2,000,000	143	8,000	100	800,000
115	20,000	100	2,000,000	144	8,000	100	800,000
116	20,000	100	2,000,000	145	8,000	100	800,000
117	20,000	100	2,000,000	146	8,000	100	800

**MAP SHOWING
LANDS SELECTED BY MIDLAND RAILWAY COMPANY,
LANDS SET APART FOR MINING PURPOSES,**



JAMES McKEERROW
Surveyor General.

N. Z. MIDLAND RAILWAY

PLAN SHEWING
THE SEVERAL BLOCKS WITHIN THE AUTHORIZED AREA
VALUED IN TERMS OF SECTION 8 SUBSECTION 3 OF
"THE EAST AND WEST COAST (MIDDLE ISLAND) AND
NELSON RAILWAY AND RAILWAYS CONSTRUCTION
ACT 1884"

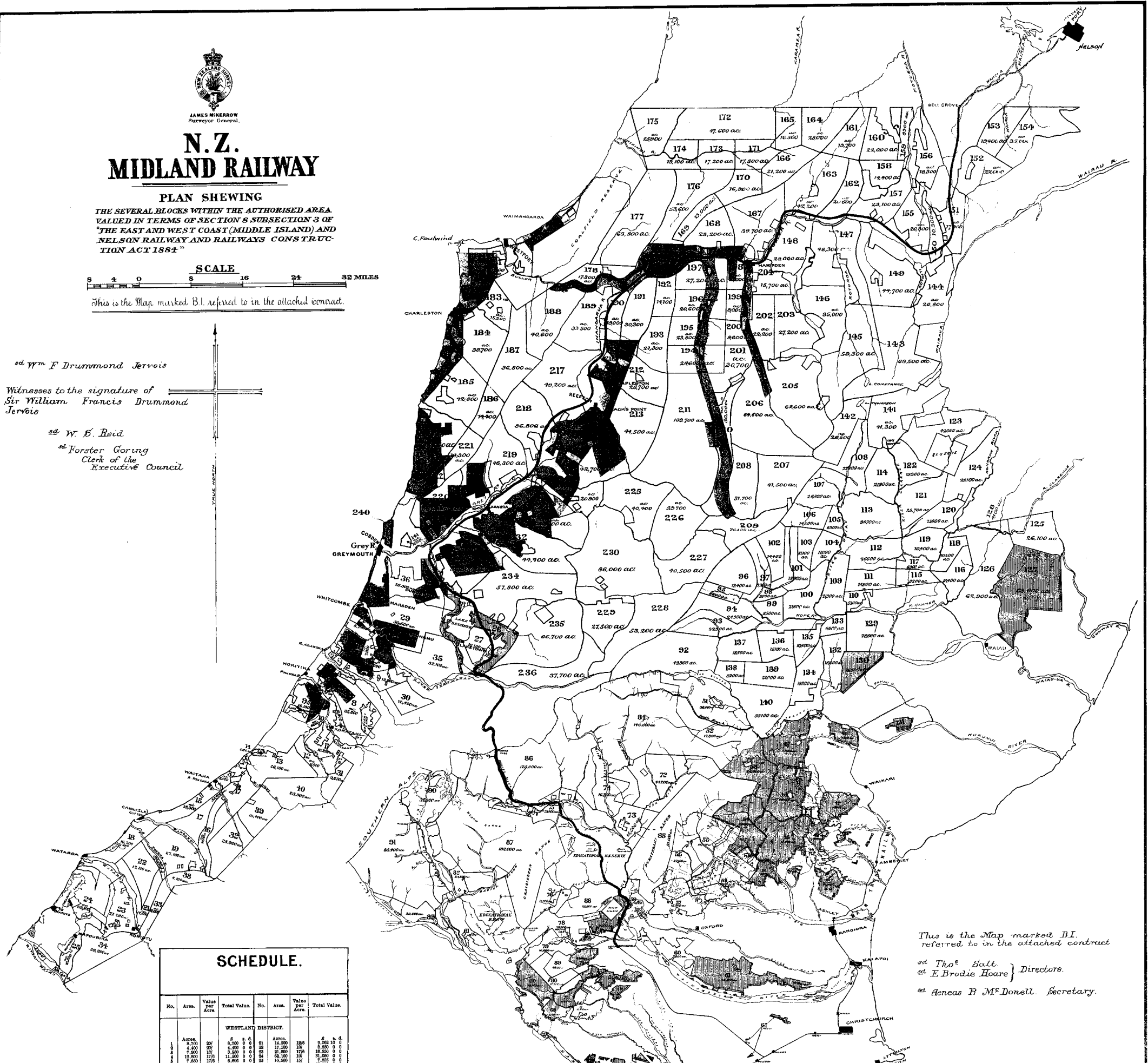
SCALE
0 4 8 16 24 32 MILES
This is the Map marked B.I. referred to in the attached contract.

ed Wm F Drummond Jervois

Witnesses to the signature of
Sir William Francis Drummond
Jervois

ed W. S. Reid

ed Forster Goring
Clerk of the
Executive Council



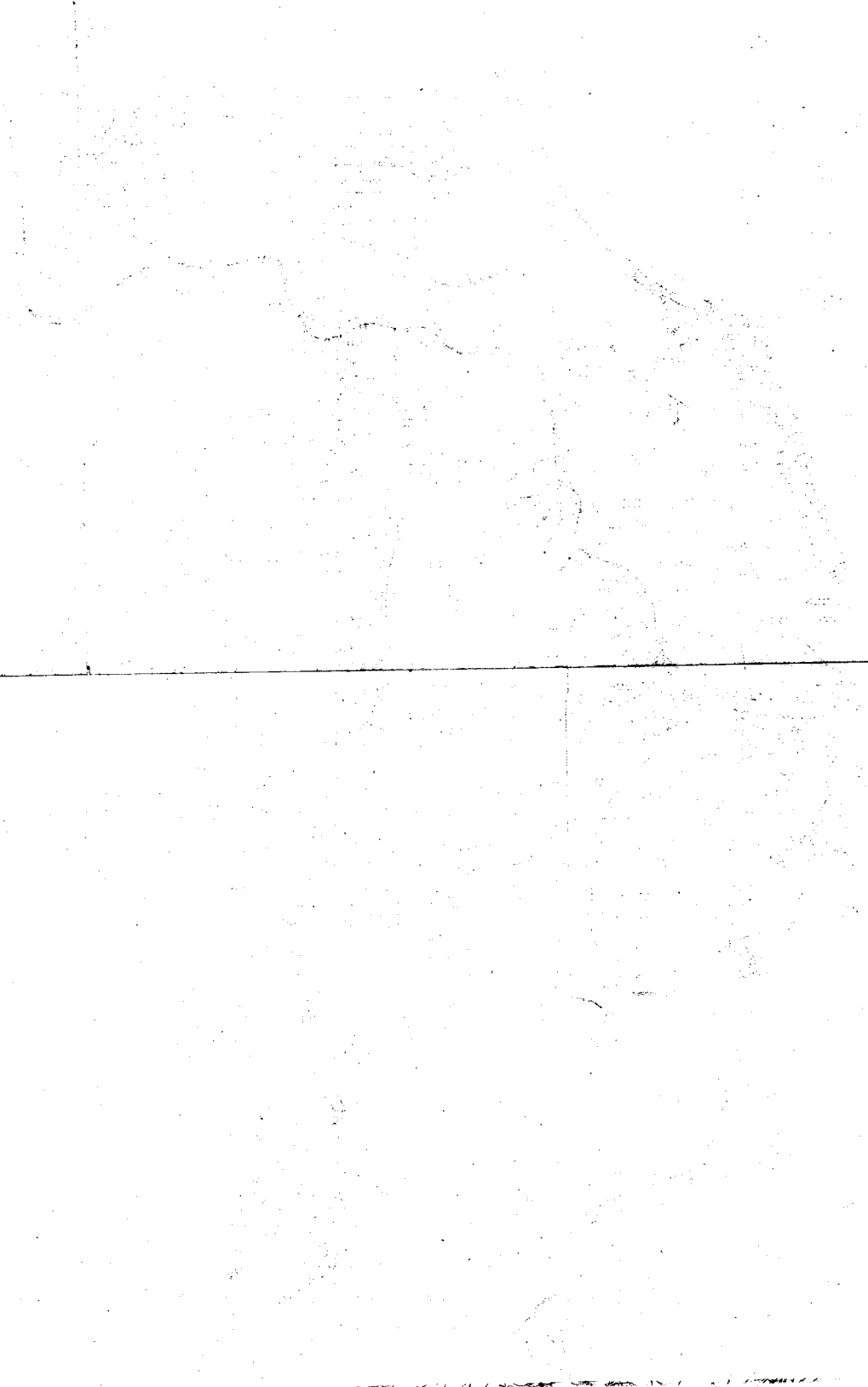
This is the Map marked B.I. referred to in the attached contract

ed Tho^s Salt,
ed E Brodie Hoare } Directors.
ed Aeneas B McDonnell Secretary.

SCHEDULE.

No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.
WESTLAND DISTRICT.							
1	2,970	2/0	5,940 0/0	28	13,200	1/6	21,960 0/0
2	2,970	2/0	5,940 0/0	29	13,200	1/6	21,960 0/0
3	2,970	2/0	5,940 0/0	30	13,200	1/6	21,960 0/0
4	2,970	2/0	5,940 0/0	31	13,200	1/6	21,960 0/0
5	2,970	2/0	5,940 0/0	32	13,200	1/6	21,960 0/0
6	2,970	2/0	5,940 0/0	33	13,200	1/6	21,960 0/0
7	2,970	2/0	5,940 0/0	34	13,200	1/6	21,960 0/0
8	2,970	2/0	5,940 0/0	35	13,200	1/6	21,960 0/0
9	2,970	2/0	5,940 0/0	36	13,200	1/6	21,960 0/0
10	2,970	2/0	5,940 0/0	37	13,200	1/6	21,960 0/0
11	2,970	2/0	5,940 0/0	38	13,200	1/6	21,960 0/0
12	2,970	2/0	5,940 0/0	39	13,200	1/6	21,960 0/0
13	2,970	2/0	5,940 0/0	40	13,200	1/6	21,960 0/0
14	2,970	2/0	5,940 0/0	41	13,200	1/6	21,960 0/0
15	2,970	2/0	5,940 0/0	42	13,200	1/6	21,960 0/0
16	2,970	2/0	5,940 0/0	43	13,200	1/6	21,960 0/0
17	2,970	2/0	5,940 0/0	44	13,200	1/6	21,960 0/0
18	2,970	2/0	5,940 0/0	45	13,200	1/6	21,960 0/0
19	2,970	2/0	5,940 0/0	46	13,200	1/6	21,960 0/0
20	2,970	2/0	5,940 0/0	47	13,200	1/6	21,960 0/0
21	2,970	2/0	5,940 0/0	48	13,200	1/6	21,960 0/0
22	2,970	2/0	5,940 0/0	49	13,200	1/6	21,960 0/0
23	2,970	2/0	5,940 0/0	50	13,200	1/6	21,960 0/0
24	2,970	2/0	5,940 0/0	51	13,200	1/6	21,960 0/0
25	2,970	2/0	5,940 0/0	52	13,200	1/6	21,960 0/0
26	2,970	2/0	5,940 0/0	53	13,200	1/6	21,960 0/0
27	2,970	2/0	5,940 0/0	54	13,200	1/6	21,960 0/0
28	2,970	2/0	5,940 0/0	55	13,200	1/6	21,960 0/0
29	2,970	2/0	5,940 0/0	56	13,200	1/6	21,960 0/0
30	2,970	2/0	5,940 0/0	57	13,200	1/6	21,960 0/0
31	2,970	2/0	5,940 0/0	58	13,200	1/6	21,960 0/0
32	2,970	2/0	5,940 0/0	59	13,200	1/6	21,960 0/0
33	2,970	2/0	5,940 0/0	60	13,200	1/6	21,960 0/0
34	2,970	2/0	5,940 0/0	61	13,200	1/6	21,960 0/0
35	2,970	2/0	5,940 0/0	62	13,200	1/6	21,960 0/0
36	2,970	2/0	5,940 0/0	63	13,200	1/6	21,960 0/0
37	2,970	2/0	5,940 0/0	64	13,200	1/6	21,960 0/0
38	2,970	2/0	5,940 0/0	65	13,200	1/6	21,960 0/0
39	2,970	2/0	5,940 0/0	66	13,200	1/6	21,960 0/0
40	2,970	2/0	5,940 0/0	67	13,200	1/6	21,960 0/0
41	2,970	2/0	5,940 0/0	68	13,200	1/6	21,960 0/0
42	2,970	2/0	5,940 0/0	69	13,200	1/6	21,960 0/0
43	2,970	2/0	5,940 0/0	70	13,200	1/6	21,960 0/0
44	2,970	2/0	5,940 0/0	71	13,200	1/6	21,960 0/0
45	2,970	2/0	5,940 0/0	72	13,200	1/6	21,960 0/0
46	2,970	2/0	5,940 0/0	73	13,200	1/6	21,960 0/0
47	2,970	2/0	5,940 0/0	74	13,200	1/6	21,960 0/0
48	2,970	2/0	5,940 0/0	75	13,200	1/6	21,960 0/0
49	2,970	2/0	5,940 0/0	76	13,200	1/6	21,960 0/0
50	2,970	2/0	5,940 0/0	77	13,200	1/6	21,960 0/0
51	2,970	2/0	5,940 0/0	78	13,200	1/6	21,960 0/0
52	2,970	2/0	5,940 0/0	79	13,200	1/6	21,960 0/0
53	2,970	2/0	5,940 0/0	80	13,200	1/6	21,960 0/0
54	2,970	2/0	5,940 0/0	81	13,200	1/6	21,960 0/0
55	2,970	2/0	5,940 0/0	82	13,200	1/6	21,960 0/0
56	2,970	2/0	5,940 0/0	83	13,200	1/6	21,960 0/0
57	2,970	2/0	5,940 0/0	84	13,200	1/6	21,960 0/0
58	2,970	2/0	5,940 0/0	85	13,200	1/6	21,960 0/0
59	2,970	2/0	5,940 0/0	86	13,200	1/6	21,960 0/0
60	2,970	2/0	5,940 0/0	87	13,200	1/6	21,960 0/0
61	2,970	2/0	5,940 0/0	88	13,200	1/6	21,960 0/0
62	2,970	2/0	5,940 0/0	89	13,200	1/6	21,960 0/0
63	2,970	2/0	5,940 0/0	90	13,200	1/6	21,960 0/0
64	2,970	2/0	5,940 0/0	91	13,200	1/6	21,960 0/0
65	2,970	2/0	5,940 0/0	92	13,200	1/6	21,960 0/0
66	2,970	2/0	5,940 0/0	93	13,200	1/6	21,960 0/0
67	2,970	2/0	5,940 0/0	94	13,200	1/6	21,960 0/0
68	2,970	2/0	5,940 0/0	95	13,200	1/6	21,960 0/0
69	2,970	2/0	5,940 0/0	96	13,200	1/6	21,960 0/0
70	2,970	2/0	5,940 0/0	97	13,200	1/6	21,960 0/0
71	2,970	2/0	5,940 0/0	98	13,200	1/6	21,960 0/0
72	2,970	2/0	5,940 0/0	99	13,200	1/6	21,960 0/0
73	2,970	2/0	5,940 0/0	100	13,200	1/6	21,960 0/0
74	2,970	2/0	5,940 0/0	101	13,200	1/6	21,960 0/0
75	2,970	2/0	5,940 0/0	102	13,200	1/6	21,960 0/0
76	2,970	2/0	5,940 0/0	103	13,200	1/6	21,960 0/0
77	2,970	2/0	5,940 0/0	104	13,200	1/6	21,960 0/0
78	2,970	2/0	5,940 0/0	105	13,200	1/6	21,960 0/0
79	2,970	2/0	5,940 0/0	106	13,200	1/6	21,960 0/0
80	2,970	2/0	5,940 0/0	107	13,200	1/6	21,960 0/0
81	2,970	2/0	5,940 0/0	108	13,200	1/6	21,960 0/0
82	2,970	2/0	5,940 0/0	109	13,200	1/6	21,960 0/0
83	2,970	2/0	5,940 0/0	110	13,200	1/6	21,960 0/0
84	2,970	2/0	5,940 0/0	111	13,200	1/6	21,960 0/0
85	2,970	2/0	5,940 0/0	112	13,200	1/6	21,960 0/0
86	2,970	2/0	5,940 0/0	113	13,200	1/6	21,960 0/0
87	2,970	2/0	5,940 0/0	114	13,200	1/6	21,960 0/0
88	2,970	2/0	5,940 0/0	115	13,200	1/6	21,960 0/0
89	2,970	2/0	5,940 0/0	116	13,200	1/6	21,960 0/0
90	2,970	2/0	5,940 0/0	117	13,200	1/6	21,960 0/0
91	2,970	2/0	5,940 0/0	118	13,200	1/6	21,960 0/0
92	2,970	2/0	5,940 0/0	119	13,200	1/6	21,960 0/0
93	2,970	2/0	5,940 0/0	120	13,200	1/6	21,960 0/0
94	2,970	2/0	5,940 0/0	121	13,200	1/6	21,960 0/0
95	2,970	2/0	5,940 0/0	122	13,200	1/6	21,960 0/0
96	2,970	2/0	5,940 0/0	123	13,200	1/6	21,960 0/0
97	2,970	2/0	5,940 0/0	124	13,200	1/6	21,960 0/0
98	2,970	2/0	5,940 0/0	125	13,200	1/6	21,960 0/0
99	2,970	2/0	5,940 0/0	126	13,200	1/6	21,960 0/0
100	2,970	2/0	5,940 0/0	127	13,200	1/6	21,960 0/0
101	2,970	2/0	5,940 0/0	128	13,200	1/6	21,960 0/0
102	2,970	2/0	5,940 0/0	129	13,200	1/6	21,960 0/0
103	2,970	2/0	5,940 0/0	130	13,200	1/6	21,960 0/0
104	2,970	2/0	5,940 0/0	131	13,200	1/6	21,960 0/0
105	2,970	2/0	5,940 0/0	132	13,200	1/6	21,960 0/0
106	2,970	2/0	5,940 0/0	133	13,200	1/6	21,960 0/0
107	2,970	2/0	5,940 0/0	134	13,200	1/6	21,960 0/0
108	2,970	2/0	5,940 0/0	135	13,200	1/6	21,960 0/0
109	2,970	2/0	5,940 0/0	136	13,200	1/6	21,960 0/0
110	2,970	2/0	5,940 0/0	137	13,200	1/6	21,960 0/0
111	2,970	2/0	5,940 0/0	138	13,200	1/6	21,960 0/0
112	2,970	2/0	5,940 0/0	139	13,200	1/6	21,960 0/0
113	2,970	2/0	5,940 0/0	140	13,200	1/6	21,960 0/0
114	2,970	2/0	5,940 0/0	141	13,200	1/6	21,960 0/0
115	2,970	2/0	5,940 0/0	142	13,200	1/6	21,960 0/0
116	2,970	2/0	5,940 0/0	143	13,200	1/6	21,960 0/0
117	2,970	2/0	5,940 0/0	144	13,200	1/6	21,960 0/0
118	2,970	2/0	5,940 0/0	145	13,200	1/6	21,960 0/0
119	2,970	2/0	5,940 0/0	146	13,200	1/6	21,960 0/0
120	2,970	2/0	5,940 0/0				

1912
No. 1000
1000



1000
1000
1000



JAMES McKERRON
Surveyor General.

N. Z. MIDLAND RAILWAY

PLAN SHEWING

THE SEVERAL BLOCKS WITHIN THE AUTHORISED AREA VALUED IN TERMS OF SECTION 8 SUBSECTION 3 OF "THE EAST AND WEST COAST (MIDDLE ISLAND) AND NELSON RAILWAY AND RAILWAYS CONSTRUCTION ACT 1884"

SCALE



This is the Map marked B.I. referred to in the attached contract.

at Wm F Drummond Jervis

Witnesses to the signature of
Sir William Francis Drummond
Jervis

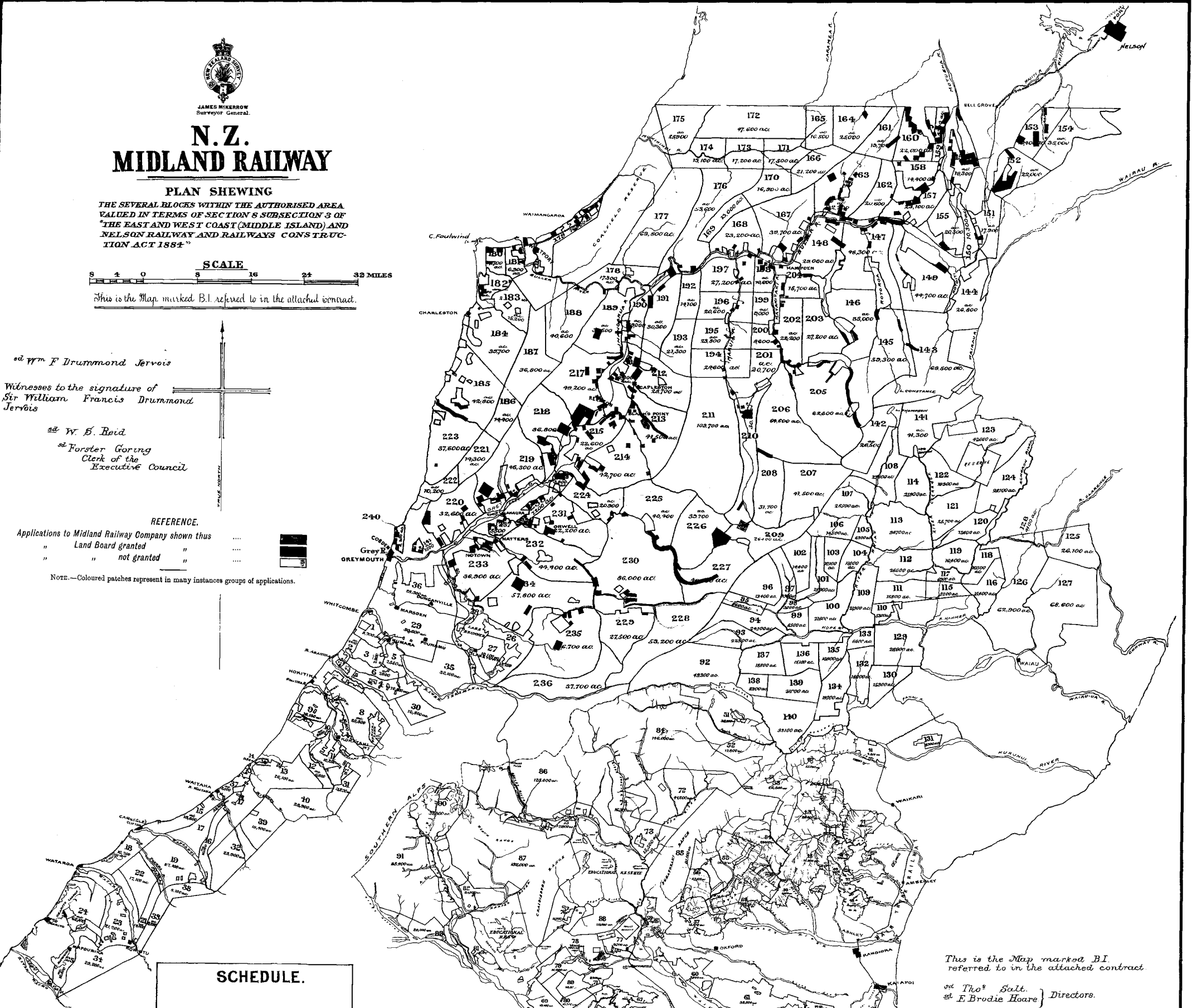
at W. B. Reid

at Forster Goring
Clerk of the
Executive Council

REFERENCE.

Applications to Midland Railway Company shown thus
Land Board granted " " not granted " "

NOTE.—Coloured patches represent in many instances groups of applications.



This is the Map marked B.I. referred to in the attached contract

at Tho^s Salt,
at E Brodie Hoare } Directors.

at Aeneas H Mc Donnell Secretary.

WESTLAND DISTRICT.				CAPTIVITY DISTRICT.				NELSON DISTRICT.				WESTLAND TOWNS.			
No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.
1	4,000	10	40,000	1	10,000	5	50,000	1	10,000	10	100,000	1	10,000	10	100,000

AMURI DISTRICT.				NELSON TOWNS.			
No.	Area.	Value per Acre.	Total Value.	No.	Area.	Value per Acre.	Total Value.
1	10,000	10	100,000	1	10,000	10	100,000

AGGREGATE AREA 5,913,200 Acres				AGGREGATE VALUE £3,127,000			

AGGREGATE AREA 5,913,200 Acres				AGGREGATE VALUE £1,743,4			

In accordance with Section 8 Subsection 3 of the East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act 1884 we have ascertained the values of the Crown lands out of which lands may be granted to the New Zealand Midland Railway Company Limited in pursuance of that Act and the Amendments thereof and such values are set forth in this map and schedule whereby it is shown that 613,300 acres of Rural lands are valued at prices above ten shillings per acre the aggregate value of which lands amounts to the sum of £539,600 and the remainder of the Rural lands are valued at the price of ten shillings per acre. The Town lands being separately set forth in the Schedule dated this 19th day of March 1888

(Signed) James McKerron
Surveyor General.
(Signed) to Alan Scott
Clerk for the Company.
To the Hon.
The Minister for Public Works
Wellington.

12/11/1914



12/11/1914

12/11/1914

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