

I also transmit Mr. Fitzgibbon's opinion, by enclosing copy of his letter to myself (Sub-Enclosure 2) of 19th March last.

Although I concur with much that Messrs. Fox and Sons recommend, it would be unsatisfactory to you, I imagine, were I to suspend my endeavours to carry out your instructions in consequence of these reports. It is apparent to me that the Government are committed to the system sanctioned by the General Assembly, and on that basis only can negotiations be entered into for the construction of the line. I therefore merely submit, without further remarks, the reports in question.

The concession to be granted was brought under the notice of Colonel Maude, of the Royal Artillery. This gentleman, upon further consideration, wrote and requested me to furnish him with the fullest details of the conditions, &c. You will observe in Colonel Maude's letter of the 5th instant, copy of which (Sub-Enclosure 3) is sent herewith, the names of the gentlemen of position and influence with whom he proposes to co-operate. Complying with his request, I submitted to him the fullest details in my possession. I also furnished him with extracts from your letter to myself (the one now under review, No. 13) of 2nd January. The parts not given were the paragraphs referring to the statistical tables published under the authority of the General Government, the amount of security to be lodged, and about Sir George Grey and Mr Fitzgibbon, inasmuch as I deemed them of no immediate importance; but I must observe that Colonel Maude was made aware that security would have to be provided, also that in the first instance my instructions were to confine my efforts to making known the nature of the concession to capitalists likely to entertain them.

It is premature for me to offer any opinion, seeing that the negotiation with Colonel Maude is as yet undeveloped; but I beg to assure the Government that my best endeavours shall be continued to test, in the most economical and yet thorough manner possible, the value of the Government offer.

I have, &c.,

His Honor the Superintendent, Nelson.

JOHN MORRISON.

Sub-Enclosure 1 to Enclosure in No. 4.

SIR CHARLES FOX AND SONS, London, to A. FITZGIBBON, Esq., London.

DEAR SIR,—

Spring Gardens, S.W., London, 17th March, 1869.

We have very carefully considered the Report of Mr. Henry Wrigg, dated Nelson, 31st March, 1868, which you were kind enough to send to us, together with "The Nelson and Cobden Railway Act, 1868," and we would remark thereon as follows:—

1st. The estimates are admittedly unreliable, in the absence of detailed plans, sections, and cross sections, which are essential if tenders are expected from this side.

2nd. The grant of land spoken of, even were it all suitable for agricultural purposes (which it evidently is not) would not be any inducement to capitalists to come forward, especially as it would exclude the coal mines referred to; but even were these ceded, the prospect of return is too remote to encourage parties here to invest money in the stock.

3rd. The service of steamships *via* Panama having ceased, the value of the coal mines must be proportionately reduced.

Having had extensive experience, both in Europe, America, the Cape of Good Hope, India, and Australia, of the various modes of raising capital for the construction of railways; by grants of land; by mileage subsidies from the Government; by the issuing of bonds and the construction of the railway by Government; and by a direct Government or Provincial guarantee to a Company; we are, each year, more and more confirmed that the last-named mode is in every respect the best.

1st. If grants of land only are given, great, and at present almost insurmountable difficulties are thrown in the way of those endeavouring to raise the capital. The land is valued at a merely nominal rate, and high rates are charged for placing capital under what are considered risky conditions, thus swelling the first cost of the railway, and to the like extent prejudicing the interests of the country through which it runs by rendering it necessary to charge high tolls for passengers and goods in order to secure a return. The land gets into the hands of speculators, who, if the railway be opened, run up the price, and thus the country not only has a railway charging high tolls, but has parted at a ruinous sacrifice with land which may prove of the greatest value. Under this system, also, the Government can exercise but little control over either the expenditure or the quality of the works.

2nd. If mileage subsidies are given, either with or without land, the same difficulties arise to a greater or less degree, as in the case of simple land grants.

3rd. If the railways are constructed by the Government itself, as has been the case in several instances within our experience, although the capital is probably raised on rather easier terms than under any other arrangement, the Government is under great disadvantage in several respects. Political influence and political changes often most materially impede the proper carrying out of the works; and very frequently the details, both of construction and management, instead of being decided on their merits, become party questions. It has also been found practically impossible for a Government to restrain the expenditure, or to exercise proper control, too much power being necessarily vested in the officers intrusted with the execution of the works, whose desire is naturally to protect themselves against any possible blame, and who are thus apt to err on the side of costly construction. It has also been found that railways in the hands of a Government are not worked with that desire to meet public convenience which results from their being in the hands of commercial men.

4th. The system adopted in India and elsewhere is as follows, in brief:—

1. The Government select the route of the railway; the company undertake to complete and open it with all practicable speed.

2. The Government expropriate and hand over to the company the land required for the works.

3. The company thereupon undertake to commence and complete the works; stations and telegraph, the details of permanent way, and other works, being first approved by the Government.

4. The Government may require the line to be opened in sections.