

15. Government to grant sufficient areas in the Harbours of Auckland, Napier, Wellington, Lyttelton, Dunedin and the Bluff, for the purposes of stations, warehouses, and wharves in connection with the railways, with power to charge wharfage and other like dues for the use of the same.

16. Subject to any political circumstances which may impede the completion of the lines in the North Island, the several lines to be completed within periods to be fixed by the Government in each case, not exceeding ten years from the date at which the Company commences its operations.

17. Subject as hereinafter mentioned, the Company to have absolute authority to fix all traffic rates on the lines. The Government to have the power, if at any time the net profits from any line exceed 10 per cent., of requiring the Company to reduce traffic rates to the extent of the excess.

18. The Government to give direct guarantee on capital expended by the Company £5 10s. per cent. per annum net profit, payable half-yearly, for forty years; and on the cost of branch lines constructed with consent of Government, having regard to guarantee, a like rate of profit for the residue of years then unexpired of the guarantee term in relation to the main lines which it feeds.

19. For the purposes of the guarantee, capital expended is to be ascertained as follows, namely:—

- A. Cost of compensation to Messrs. Brogden, and of preliminary surveys and works.
- B. A bonus of £1 10s. per cent. on total cost of railways, in order to cover charges of forming Company and raising the necessary capital.
- C. Actual outlay in purchase of existing lines and in construction of projected lines, until they are brought to condition of ultimate character, as mentioned in clause 11, but not exceeding, with rolling stock, the fixed limit of £8,000 a mile.
- D. Simple interest at £5 10s. per cent. per annum, computed on monthly outlay, until the opening of any line or part thereof, but not beyond date fixed for completion.

N.B.—The mode in which accounts are to be kept for the several above purposes will of course be specified.

20. If during the term of guarantee the rate of profit shall at any time exceed $5\frac{1}{2}$ per cent., the guarantee is to cease during such time; and in case the rate of profit exceeds $6\frac{1}{2}$ per cent., one half of the excess is to be paid to Government in part liquidation of the amount previously paid under the guarantee.

21. All lines constructed to be in perpetuity the property of the Company.

22. Obligations on both sides to be correlative and dependent, the fulfilment on each side being dependent on performance on the other.

23. Acts to be passed by Assembly giving effect to the arrangement, and providing the necessary powers to the Company for the proper and efficient working of the lines, in the like manner, as nearly as may be, as exist with regard to railways in England.

No. 2.

The Hon. J. D. ORMOND to Mr. JAMES BROGDEN.

SIR,—

Public Works Office, Wellington, 30th July, 1872.

I have the honor to acknowledge the receipt of your letter of the 24th instant, in which you submit proposals for the consideration of the Government relative to the formation of a Company for the construction of Railways throughout New Zealand, and beg to inform you, in reply, that after giving to your proposals full consideration, the Government regret that they are not able to recommend them to the Legislature.

James Brogden, Esq., Wellington.

I have, &c.,
J. D. ORMOND.
