

Mr. Rolleston.
26th Nov. 1877.

payments, amounting together to £8,000, in sums of £5,000 on tunnel plant, and £3,000 additional when the line on the plains was commenced.

"These allowances have all been recouped in respect of the claim for the alteration of the tunnel (the additional embankment). The £3,000 was paid in progress payments as part of the whole tunnel works, and the stuff now claimed for was being laid down at the time when the works were in progress, but no extra payment was claimed on that account.

"Messrs. Holmes and Co. themselves, without reference to me, laid out the running line in its present altered position.

"My orders were simply to keep out the new embankment in the same relative position to the new line as the line of embankment shown in the contract was to the old running line; that is, the edge of the embankment was to be as much to the seaward of the centre line as in the contract plan. I never gave any other instructions. Any instruction which I gave was entirely in terms of the arrangement for the alteration of the line.

"In equity, I don't consider the contractors entitled to payment for the additional embankment; because they gave no intimation at the time that they would prefer such a claim, and also because it was evident that there would be a large amount of surplus stuff for which they must provide a place of deposit.

"I might, at the time, if a claim had been made, have agreed to a small payment—say, not exceeding a shilling a yard. I think that this payment would be fair at the present time on account of the hardness of the stuff generally in this tunnel, and because the Government have really gained a considerable value in the additional ground they have obtained. If they had had soft stuff, the work would have been sooner done, and they would have been obliged to find some shoot, or to have protective works to keep the harbour from silting up. I would not give them more than one shilling a yard.

The above was read over to Mr. Dobson, and admitted by him to be correct.

"W. ROLLESTON,
"W. MONTGOMERY."

On 27th June Mr. Dobson said at another interview that:—

"The claim of Messrs. Holmes and Co., in respect of the additional width of embankment at Lyttelton, has never been recognized at all, and no money has been paid upon it.

"The Government has recognized the claims of Holmes and Co. to ballast by paying for broken metal for the station and yards at Christchurch and Lyttelton.

"They (Messrs. Holmes and Co.) have supplied broken metal by tender. Messrs. Holmes, at a meeting of the Executive, in Mr. Dobson's presence, guaranteed that the whole expense of the alteration in the tunnel should not exceed £5,000 (five thousand pounds). Mr. Maude was present.

"The instruction was given to Mr. Dobson to see the work carried out, but no written contract was made.

"The alteration was begun in 1864. The difference of the position of the stone was an essential consequence of a change of the centre line.

"On one occasion Messrs. Holmes and Co. asked me verbally, in 1865 or 1866, whether they might sell material out of the tunnel for ballasting vessels, and I refused to allow any stuff to be sent away until the necessary width of embankment had been completed. They in consequence did not sell. I would not have allowed any charge at the time. I considered that £5,000 would cover the whole change (alteration). No letters passed on the subject. The position of the spoil was not shown in the drawings, but it followed as a matter of course. It is what I call taking an unfair advantage of Government.

"I think they (Messrs. Holmes and Co.) have a legal claim.

"I don't consider that the Government has any claim to the stuff out of the tunnel after all the works specified have been carried out. Had the tunnel been straight through in the first instance the present embankment would have been an absolute necessity. The contract would have shown about 30,000 yards more than it did. With regard to the claim for extra payment on account of the line between Christchurch and Heathcote, no payments have been made on a scale in excess of that provided in the contract. The 10 per cent. was reserved, and the balance was paid over after the 12 months' maintenance. No intimation was ever given to me that any extra claim would be made on the ground of making the line before the tunnel.

"On reading the agreement it appears to me to bar the claim. There was no contract for the Ferrymead portion of the line, but it was to be paid for at the same rates of payment as far as possible as the rest of the line along the flat.

"They (Messrs. Holmes and Co.) received payment accordingly.

"It is not the case that the contractors got any payment in excess of contract rates.

"The above statements are correctly taken down, and were read over to Mr. Dobson, and allowed by him to be correct in our presence.

"W. ROLLESTON,
"W. MONTGOMERY."

The Committee will observe that, in Mr. Dobson's opinion, the contractors had a legal claim. I should like to say to the Committee, with respect to that, that, so far as I recollect the circumstances, we called for tenders for broken metal, and that, in accepting Messrs. Holmes and Co.'s tender, we were advised that we did not prejudice the question of the ownership of the metal, because it was a question in which labour was involved. It was the metal that we wanted. The question of ownership was not prejudiced at all.

99. Was there any particular metal specified?—I cannot speak positively of that.

100. I want you to state whether the stone was to come out of the tunnel?—I do not know that it was.

Mr. Rolleston proceeded: On the furnishing of the General Report there was a reference made to this specific claim for £5,000. At the end of this General Report, furnished by Mr. Patterson,