

ANTICIPATIONS LAST SESSION, AND THE TERMS OF THE CONTRACT.

No doubt, very much interest will be manifested in comparing the arrangement now entered into with Messrs. Brogden with the anticipations expressed last session as to the nature of the terms on which it would be possible to secure the construction of railways in New Zealand. It will be remembered that those anticipations were largely based upon somewhat unreliable evidence—such, for example, as newspaper reports, and brief sketches of the nature of certain arrangements proposed by other colonies. I am convinced, by inquiries which I instituted in London, that we formed a somewhat too favourable estimate of the terms upon which we might secure the introduction of a large amount of capital for constructing railways under either a system of guarantees or of land subsidies. We were under the impression, for instance, that a railway was to be constructed in Tasmania upon a bare guarantee of 5 per cent. Although, on the surface, this will appear to be the fact, I am led to believe that there are in the agreement collateral provisions which materially alter its nature. Thus, as I am told, something like £25,000 for preliminary expenses and what is sometimes called “promotion-money” is to be put down to cost of construction. Further, I am informed that the gentlemen who are entering into the arrangement at home, have sent out to the colony insisting on a provision to the effect that the amount of discount at which they may find it necessary to dispose of shares or other securities, shall be considered as a portion of the construction-money. I do not mention these things with any view of reflecting upon the agreement made by Tasmania: I merely desire that New Zealand should understand that the assertions so freely made that the construction of railways could easily be secured upon a 5 or a 5½ per cent. guarantee may be very much affected by other provisions contained in an agreement, the basis of which appears to be simply such a guarantee. Many foreign and colonial railway enterprises are being brought out in the London market, upon terms which wholly put in the shade so low a rate of guarantee as that just stated. After I left England I received from Mr. John Morrison copy of a prospectus of the Wellington, Grey, and Bruce Railway Company, of Canada, announcing the intended issue of £71,000 7 per cent. first mortgage bonds, in which it is stated:—

“Taking into account the dates of the payment of the instalments, and the fact that the full half-year’s interest will be allowed on 1st January, 1872, the price of issue is in effect reduced to 88½. At this price the bonds yield 8 per cent. to the investor, in addition to the advantage arising from the redemption fund provided under the agreements with the Great Western Railway Company, by the application of which the whole of the bonds will probably be paid off at par within fourteen years.”

LAND GRANTS IN PAYMENT.

In respect to the construction of railways for land grants, I have to observe that I am very doubtful whether we are likely to be able to arrange for the construction of any railway for such grants only, upon any approach to terms that would be deemed admissible. One of the alternative agreements with Messrs. Brogden does, as the Government will observe, provide for an arrangement based on land grants, coupled with a guarantee; only one-fifth of the land to be granted being such as would be classed as “good” land, the rest being such as it may suit the convenience of the colony to part with; and there being a clear understanding that the two million acres which it was proposed to give for the Nelson Railway might be included in the amount. Should it not be desirable to part with the Nelson land, and with other land of the same character, I do not doubt but that Messrs. Brogden would consent to receive a very much smaller quantity of good land. The land-grant element in this arrangement is no doubt of very much importance, inasmuch as it represents the profit which Messrs. Brogden hope to make, the cost of the railway being otherwise minimized as much as possible. Had I proposed that railways should be constructed wholly for land grants, I should have had to give, in some form, a guarantee as to the value of the land to be parted with. You are aware that last year Messrs. Brogden negotiated for the construction of a railway in Nelson Province, which was to be paid for wholly in land. That land was exclusively of a mineral character, and the arrangement into which Messrs. Brogden proposed to enter, but which was not carried out, really amounted to this: that, except in respect to a short railway to the coal mine, they were to take three years to examine into the character of the country, or, in colonial phrase, to “prospect” it; and that, at the end of three years, they were to be at liberty to decline to proceed further in the matter, in which event they were to be compensated for the expense to which they had been put, by being allowed to select 5,000 acres of land free of cost. So that, in reality, what the Nelson Railway agreement would have effected would have been this: Messrs. Brogden would have incurred the outlay necessary for examining and surveying the country through which the railway was to pass, they having three years for the purpose; and, in the event of their concluding that it was not worth their while to proceed with the works, they were to be recouped their expenses by a free grant of 5,000 acres of land. Thus, although the arrangement might have led to the construction of the railway for land grants only, it would not have done so unless Messrs. Brogden became satisfied that the land they would receive was specially valuable on account of minerals; and therefore the agreement was not of a character to come within the ordinary meaning of the phrase, “Railway to be constructed under land-grant system.” I am not taking any exception to the proposed arrangement. On the contrary, it was devised with much care, and would in any case have led to the opening of the Brunner mine. No doubt, railways have been, and are being, constructed under a system of land grants in other parts of the world; but in such cases the land subsidies given are enormous, the contractors are unfettered as to the character of the railways to be constructed, and considerable grants of money are indirectly obtained.

I am doubtful whether the extent of land available in New Zealand is sufficient to place the colony in the position of obtaining the construction of railways for land grants only; although I do not doubt that such portions of land as can be spared for the purpose may be employed as useful adjuncts in obtaining the railways we require.