equal to one-sixth of the amount so paid out is also to be paid to them on account of the subvention; and when any manufactured materials or plant are placed or delivered upon a railway, the Government are to pay to the Contractors a sum equal to one-sixth of the value thereof according to the certificate of the Government Engineer, such payment on account not to exceed one-half of the subvention, until the completion of each section, when the balance of the subvention in respect thereof is to be paid.

At the expiration of forty years the Government are to, and they may at any earlier time, on giving twelve months' notice, purchase the right and interest of the Contractors in any railway or any section thereof completed and open for traffic, and the plant belonging thereto; the price to be the total cost thereof as appearing by the capital account so approved as aforesaid, deducting therefrom the amount of any deterioration in value through wear and tear or want of repair, and giving credit for the sums paid for subvention. The Contractors are to give up possession, with all plans, sections, and documents relating thereto.

If before the Government purchase the railways the Contractors wish to issue debentures, the Government are to furnish a statement showing what sum the Government is entitled to have allowed on account of the subvention, but the Government are not to be deemed thereby in any way to guarantee any debentures.

Within ten years after the commencement of any railway the Contractors are to land not less than 10,000 European immigrants, to be approved of by a Government officer before sailing from Europe, in not less than the following proportion: First year, 500; second year, 750; third year, 1,000; fourth year, 1,000; fifth year, 1,000; sixth year, 1,000; seventh year, 1,250; eighth year, 1,250; ninth year, 1,250; and tenth year, 1,000. The Government to pay for each immigrant so landed, whether or not employed on the railways, £1 in the month of December in each year for ten years from the time when each immigrant landed, unless in case of death or ceasing to reside in the colony.

To encourage improvements the Government are to guarantee mortgage-bonds, with interest not exceeding 5 per cent., for not exceeding ten years, to an amount not exceeding one-half of the moneys expended, to the satisfaction of the Government officers, in such improvements as may be approved by the Government; such bonds not to exceed £500,000. The Government to have all the mortgagees' rights to recoup themselves for any moneys paid under such guarantee.

The special provisions relating to arrangement No. 2 are as follows:—

The Government are, with all convenient despatch, to intrust to the Contractors the making and providing railways and plant to cost £500,000, and the Contractors are to make and provide the same. The Government are, during the construction of the railways, to pay interest at the rate of 5½ per cent. per annum on the last days of June and December in each year on all moneys deposited with the Colonial Treasurer for expenditure in New Zealand, and on all the moneys expended by the Contractors in England for manufactured materials or plant.

The military, police, and other forces, when proceeding on duty, and the public mails, are to be carried free of charge.

In case of forfeiture of the railways the Government are not to pay for the Contractors' working plant, &c., but are to pay as follows: Firstly, for any completed sections and plant belonging thereto, the same sum as on purchase. Secondly, for any completed sections, such a sum as will be equal to the sums deposited with the Colonial Treasurer for expenditure in New Zealand, the Government retaining any unexpected moneys. And, thirdly, for plant *in transitu* or course of manufacture, the agreed cost thereof, with all charges and expenses, but without any percentage for profit. The payments firstly and thirdly mentioned to be in Government debentures having thirty years to run, with interest at 5 per cent., and the payment secondly mentioned, by a grant of a Government annuity at 5½ per cent. for the residue of the term of thirty-five years, computed from the commencement of the railway or sections.

When the railway or any section thereof is completed and open for traffic, the same is to be demised to the Contractors for ninety-nine years, at the nominal rent of one shilling per mile, and at the expiration or sooner determination of the term is to revert to and become the property of Her Majesty.

The lease is to contain all reasonable and necessary covenants, with a forfeiture-clause, but subject to a condition that if, within eighteen calendar months after taking possession, the Government shall, by perception of profits or other means, have been satisfied or compensated in respect of the grounds of forfeiture, the Contractors are to be reinstated.

From the opening of any railway or section for public traffic, the Government are to pay to the Contractors half-yearly, in England, until the expiration of thirty-five years from the commencement of such railway, or the purchase of the railways at an earlier period, and until the payment of the purchase-money, such a sum as, with the net receipts from all the railways in the Contractors' hands then open for traffic, after paying all working expenses, maintenance, and other outgoings properly chargeable against revenue, will give the Contractors a dividend at the rate of 5½ per cent. per annum on the aggregate amount of the total cost of all the same railways and their plant, as appearing by the capital accounts of the railways respectively, within four months after the examination and approval by the Government of the half-yearly revenue accounts. When such net receipts are more than sufficient to pay such dividend at the rate of 5½ per cent., the excess is to be first applied in recouping to the Government any sums paid for working expenses, with interest at 5½ per cent., and the balance divided, one-fourth to the Government and three-fourths to the Contractors, until the Government are recouped all advances under their guarantee, with a like interest thereon, when the Contractors are to take all the profits.

At any time within twenty years after the completion of any railway, or any section thereof, the Government may, on giving twelve months' notice, purchase the right and interest of the Contractors in the railway or section, and its plant; the price to be the total cost thereof, as then appearing by the capital account so approved as aforesaid, deducting therefrom the amount of any deterioration in value through wear and tear or want of repair.