

I have, for the sake of brevity, used the word "Government," although in the contracts distinctions are drawn between the Governor and the Minister or President of the Department of Public Works.

I will now shortly state the terms under which railways are constructed in India:—

The railway companies select their own lines of railway, and, of course, select only those which are likely to be most remunerative, not regarding what may be required to develop the resources of the country. They are under no restrictions as regards the cost of the railways, but whatever sums they expend in construction are allowed as between themselves and the Government. They pay their capital to the Indian Treasury as fast as they think fit, and the Government pay 5 per cent. interest from the time of such payment, paying out the moneys as wanted, but continuing to pay interest. Having made their own selection of lines, the companies take upon themselves the risk of working expenses, and the Government covenant to pay them 5 per cent. interest on all their capital.

The profits are applied, first, in exoneration of the covenant of the Government to pay interest, and one moiety of the surplus is applied to recoup moneys previously advanced by the Government under their guarantee, with interest at 5 per cent., and subject thereto all the profits belonging to the railway companies.

The railways are granted to the companies for ninety-nine years, and the Government have the right to buy them up only at the expiration of the first twenty-five or fifty years, when they have to repay to the companies the market-value of all their capital, according to the last three years' average price of the stock or shares, taking over all their property. The companies, however, have the privilege of relinquishing their undertaking at any time during the ninety-nine years, in which case the Government have to repay their capital.

It will thus be seen that the contracts you have secured for the New Zealand Government give to that Government advantages which the Indian Government have not obtained. The New Zealand Government have the absolute right of selection of the lines of railway, and may choose those best calculated to develop the resources of the colony, irrespective of the question of immediate profit; nevertheless, very properly taking upon themselves any risk of the railways not paying their working expenses, whereas the Indian Government have no such advantage.

The cost of the railways in New Zealand is limited to the net prime cost, with a simple addition of 5 per cent. only for Contractors' profits, whereas there is really no limitation as to cost in the Indian contracts.

The New Zealand Government may alter the lines during construction in any way that they may think fit, which is a privilege not accorded the Government in the case of the Indian railways.

The New Zealand Government may purchase, at any time they think fit, under arrangement No. 1, within forty years, and under arrangement No. 2, within twenty years, any of the railways or any sections of any of the railways opened for traffic, with the plant belonging thereto, and at the bare cost of the same, with 5 per cent. only for Contractors' profits, and with deductions in respect of any deterioration in value; whereas the Indian Government can only buy up the whole of a railway at certain stated periods of twenty-five and fifty years, and have then to pay the full value of all the stock or shares of the company according to the average of the three preceding years, which, in the case of railways selected by promoters, will probably be, at that distance of time, at a very considerable premium. Moreover, the railway companies can at any time relinquish their undertakings, and call upon the Government to repay their capital.

I think you may fairly congratulate yourself that your protracted and most difficult negotiation with Messrs. Brogden and Sons has been brought to so satisfactory a termination, and that there has been deposited by them securities for the sum of £25,000 as a guarantee for the carrying-out of the obligations they have entered into.

From the many questions raised by Messrs. Brogden from time to time, and from the extreme reluctance with which they concluded the arrangements, I must confess I doubted very much whether the contracts would have been completed and executed; and I cannot but feel that it was only owing to your excellent diplomacy that (although at the very last moment) the arrangements were brought to a satisfactory conclusion.

I have, &c.,

The Hon. the Colonial Treasurer.

JOHN MACKRELL.

Mr. J. DENNISTOUN WOOD'S OPINION.—The Governor of New Zealand and Messrs. John Brogden and Sons.

THE Colonial Treasurer wishes to be advised by counsel as to the relative advantages (if any) which, in the opinion of counsel, may have been secured to the Governor of New Zealand by the contracts entered into by Messrs. Brogden, as compared with those entered into by the Secretary of State in Council with railway companies for the construction of railways in India.

Mr. Dennistoun Wood is therefore requested, by reference to these contracts and the accompanying print of one of the contracts entered into by the Government of India, to advise accordingly.

21, Cannon Street, 28th June, 1871.

Opinion.

In comparing the two contracts, into one or both of which it is intended that the Governor of New Zealand shall enter on behalf of the colony, with the contract made between the East India Company and the Scinde Railway Company, I will first of all remark upon the remuneration to be paid to the Contractors, which may be considered under the two heads (1) of payments to be made not in the nature of purchase-money, and (2) of the terms of purchase.

As regards the first head: The East India Company guarantees interest to the railway company at the rate of 5 per cent. upon the capital expended by it. The interest guaranteed by the Government of New Zealand is somewhat higher, being $5\frac{1}{4}$ under Contract No. 1, and $5\frac{1}{2}$ under Contract No. 2; but, on the other hand, under the Indian contract the Government pays interest on the capital from the day on which it was paid into the Treasury, and of the estimated probable expenditure of £500,000 no less a sum than £276,845 8s. 9d. was so paid, or taken to have been paid, before the date of the