

amount of seven hundred thousand pounds; but if the said Contract No. 2 is not cancelled, and Contract No. 3 is not entered into, then the construction of the said railway from Blenheim to Picton is to be deemed a subsisting but a separate and independent work, and not to be included in the works to be constructed under the provisions of the said Contract No. 2.

5. Pending negotiations with the Contractors for Contract No. 3, it is further proposed by the Governor, and accepted by the Contractors, that the Contractors shall, on the terms hereinafter specified, and according to such plans, specifications, and conditions as shall be fixed by the Governor, commence and proceed with the construction of such of the railways so to be specified by the Governor as aforesaid, for purposes of Contract No. 3, as the Governor shall think fit, or such part or parts thereof as the Governor shall think fit, the Governor providing for that purpose the cost of all necessary labour, skilled and otherwise, and of all necessary plant, tools, implements, and materials.

6. Such interim construction shall be carried out under the inspection and subject to the control and direction of an Engineer, appointed for that purpose by the Minister of Public Works, for each railway, and on failure by the Contractors to comply with any directions of such Engineer, then the Governor may at once take out of the hands of the Contractor the further construction, under clauses five, six, and seven of this agreement, of the railway as to which such directions shall have been given.

7. All intended expenditure on account of such construction shall be approved of by the Engineer so to be appointed by the Governor as aforesaid, and the money for such expenditure shall be provided and disbursed by the Governor; and the Contractors are to receive from the Governor, by way of remuneration for such construction, the sum of ten pounds for every one hundred pounds expended in manner aforesaid, and no more; but the Contractors are not to be entitled to receive such percentage on any moneys expended on plant or materials not actually consumed or used in or about the construction of work under the provisions of clauses five, six, and seven of these presents, nor upon plant or materials in respect of the expenditure for which he may have previously received such percentage either under the above clauses or under any separate or independent arrangement.

8. If Contract No. 3 is entered into, then all disbursements made by the Governor under the terms contained in clauses five, six, and seven of these presents, and all percentages paid to the said Contractors, shall be deemed to be payments in cash under Contract No. 3 in respect of the railway upon which such disbursements have been made, if such railway shall be included in Contract No. 3: Provided that it shall be lawful for the Governor, in lieu of including in Contract No. 3 any railway of which any part or parts has or have been constructed on the terms mentioned in clauses five, six, and seven of these presents, to require the Contractors to complete such railway upon the same terms, in which case the estimated cost of such railway shall form part of the seven hundred thousand pounds payable under Contract No. 3, unless the Governor and the Contractors shall agree for the construction of some other railway in lieu thereof, the price of which shall be equal to such estimated cost, in which case such estimated cost shall not be computed in such seven hundred thousand pounds.

9. If any railway, the construction of which has been commenced under the provisions of clauses five, six, and seven of these presents, is not included in Contract No. 3 or Contract No. 2, as hereinafter provided, the Governor may, if he thinks fit, take the same into his own hands for the purpose of completing the same; and, upon such possession being taken, the Contractors shall give up to the Governor or his Engineer all plant, materials, tools, and implements belonging to the Governor, or brought on to the works by any engineer, or workman, or other person employed by or on behalf of the Governor.

10. Provided, further, that if Contract No. 3 is not entered into, then, in regard to any railway of which any part or parts has or have been constructed on the terms contained in clauses five, six, and seven of these presents, which is not included in the railways to be constructed under the said Contract No. 2, the Governor may, if he thinks fit, and so far as such railway or any part of it is not completed at the time of either party giving to the other notice that negotiations have failed to be made for Contract No. 3, require the Contractors to complete such railway or any part thereof on the terms contained in the said clauses five, six, and seven of these presents.

11. Provided, further, that if Contract No. 3 is not entered into, the Governor may include any railway, any part or parts of which has or have been constructed on the terms contained in clauses five, six, and seven of these presents, amongst the lines of railway to be constructed under the said Contract No. 2; and all moneys paid and disbursed by the Governor under the clauses five, six, and seven of these presents, on account of such railway or any part or parts thereof, including all percentage paid to the Contractors in respect thereof, shall form part of the capital or agreed cost on which guarantee is to be paid to the Contractors; but the Contractors shall forthwith, after the cost of the line of such railway is agreed on for the purposes of the said Contract No. 2, refund to the Governor all moneys paid and disbursed by him under clauses five, six, and seven of these presents on account of such railway or any part or parts thereof, and all percentages paid to the Contractors, and all moneys expended for plant and materials purchased for the purposes of such railway, whether such plant or materials shall actually have been used or consumed in such construction, or shall be ready to be so consumed or used, or shall have been purchased for the purpose and not delivered, and all percentages, whether under these proposals or not, paid to the Contractors in respect of any such plant or materials; and this provision shall extend to the plant and material ordered through the Agent-General of New Zealand, by letter of the twenty-fifth day of November, one thousand eight hundred and seventy-one, of which a copy is hereunto annexed and marked "A," so far as the same shall have been used or consumed in or for or appropriated to the purposes of such railway, together with all percentages paid to the Contractors in respect thereof. In the construction of this contract the term "plant" shall be deemed to include buildings; but for the purposes of clause eleven shall only include such buildings as shall have been erected for the purposes of any railway, with the mutual consent of the Contractors and the Engineer appointed by the Minister of Public Works under this contract.

In witness whereof the Seal of the Colony has hereunto been affixed, and the said Contractors have hereunto set their hands and seals the day and year first above written.

G. F. BOWEN. (Seal of the Colony.)