

1886.

NEW ZEALAND.

EAST AND WEST COAST AND NELSON (MIDLAND) RAILWAY

(CORRESPONDENCE RELATING TO).

[In continuation of D.—2, 1886.]

Presented to both Houses of the General Assembly by Command of His Excellency.

SIR,—

7, Westminster Chambers, London, S.W., 9th April, 1886.

I have to report what has taken place since writing you on the 23rd March, No. 356, on the subject of the East and West Coast Railway. On the 27th I telegraphed to you that it seemed likely that a company would be formed immediately to take over the contract, but that it would be advisable to continue keeping my messages confidential, in case of accidents. You replied on the 29th that it was important the matter should be settled soon, and inquired whether I approved of the concessions asked for; and you instructed me at the same time to inform you what course the affair was taking, and when it was likely to be definitely settled and the deposit paid. I replied at once that I was pressing for a definite reply, and that I approved of the concessions subject to certain safeguards about selection, and also to a condition that the rate of interest on capital during construction should not exceed 4 per cent., with a maximum of total amount and limit of time; also, that the deposit of £5,000 would be paid immediately the contract was taken over, but that there were some legal points still pending. On the 6th instant I telegraphed to you that I had heard a good proportion of the capital would be subscribed, but that the legal difficulties were still in the way, Messrs. Mackrell having advised me that there was no power to make any variation in the contract. To this you replied yesterday that, if the syndicate was willing to accept an assent by me on behalf of the Government, I was not to raise legal objections if it could be helped.

I have now felt obliged to send you a telegram to-day that nothing further has been definitely settled yet, and that the prospect now seems to me discouraging. At the last meeting of the gentlemen who are forming the company, a draft prospectus was submitted for approval. It was proposed to fix the share capital at £1,000,000, in 100,000 shares of £10 each, of which half was to be now offered for subscription, and to take up a further sum on debentures. The proposed directors were to be as follows:—

Mr. Thomas Salt, Chairman (Chairman of the North Staffordshire Railway Company, and Chairman of Lloyd's, Barnett's and Bosanquet's Bank).

Sir Charles Clifford (Chairman, New Zealand Trust and Loan Company).

Mr. Hart Davis.

Mr. Sheriff Hilton (Messrs. Miles Bros. and Co.), and

Mr. Brodie Hoare (Director of Lloyd's, Barnett's and Bosanquet's Bank).

Applications were to be invited at once for 50,000 shares, £1 being paid on application, £1 on allotment, and the balance in calls not exceeding £2 at intervals of not less than three months. Interest at 4 per cent. per annum was to be allowed to subscribers during six years, or for any shorter period required for the completion of the railway. Further proceedings were then adjourned, to ascertain whether the arrangements for underwriting the half million of present capital would succeed, but up to the present time I cannot learn that more than £150,000 has been taken up.

In the meantime a draft letter had been prepared for Mr. Salt to send me on behalf of the company, formally asking for the concessions they desired; but on the 30th March I wrote a letter to Mr. Scott,* copy of which is annexed, together with his reply, and I also had a long conference with Mr. Burchell, jun., of the firm of Burchell and Co., who were to be the solicitors for the company.

I need not say that the directors wished, as soon as their arrangements should reach a stage satisfactory to me, for their solicitors to be placed in communication with ours; and it was, of course, necessary for me to consult with Messrs. Mackrell in anticipation. The nature of the legal difficulty in the way is doubtless familiar to you, but, for purposes of record, I desired Messrs. Mackrell to explain it in a concise manner, which they have done in the letter, copy of which is transmitted herewith. I may summarize the points as follows:—

* This evidently means Mr. Salt, a copy of a letter from whom is annexed, but none from Mr. Scott.