

- (1.) The power to the Government to enter into a contract having only extended to the first day of the then next session, any fresh contract or modification of the existing contract can only be made after legislation :
- (2.) The concession as to selection of land being a variation, not of the contract but of the Act, cannot be made without the authority of Parliament :
- (3.) The Government being entitled to purchase the line at a price to be fixed by arbitration, any stipulation affecting the basis of price (such as interest during construction) can only be made effectual by a new Act :
- (4.) Any agreement as to running powers being now determinable on either side by one year's notice, no permanent arrangement can be made without legislation :
- (5.) Although the time for expending the £150,000 may be extended, this can only be done by the Governor himself, who cannot delegate his power.

In addition to these points, you will see that Messrs. Mackrell cannot advise the Government to consent to any assignment without the assignees coming under direct liability to the Government; and they recommend a supplementary contract being made in the colony, after the company has been registered and domiciled there, so as to make it a "New Zealand contract." These points all involve a great deal of consideration, and may perhaps put an end to the negotiations; but so far I have been given to understand that the company would be satisfied with the promise of the Government to introduce the necessary amending Bill, as they feel confidence in its ratification by the Legislature.

As the matter will be so soon settled finally one way or the other, I had perhaps better say no more at the present moment.

* Copies of the telegrams which have passed between us are annexed.

I have, &c.,
F. D. BELL.

Enclosures.

The AGENT-GENERAL to Mr. SALT.

7, Westminster Chambers, London, S.W., 30th March, 1886.

New Zealand East and West Coast Railway.

DEAR MR. SALT,—

In accordance with what was arranged between us at our last conversation on the 20th, Mr. Scott has shown me the draft prospectus of the proposed company, and has prepared the letter which it was agreed should be sent to me, to which I will give due consideration.

I may, however, say at once that there are some points in regard to which I think alteration in the prospectus is necessary, and I shall be ready to talk these over with you at any moment. But in the meantime I must ask you to let me impress upon you the necessity of your deciding as to the first step being taken, and whether you propose taking over the contract.

Please therefore let me express the hope that this decision will be come to one way or the other at your Board meeting on Friday. If it is once finally settled in the affirmative I will, as I promised you, do my best to meet you on any point. But what I want to know for certain is that the assignment of the contract will be taken by you if all questions are satisfactorily arranged.

I am, &c.,
F. D. BELL.

[NOTE.—Mr. Salt's reply is marked private. Its substance is, that he thinks the matter will proceed, and that he is quite as anxious as the Agent-General to have it settled one way or another.]

MESSRS. MACKRELL and Co. to the AGENT-GENERAL.

21, Cannon Street, London, E.C., 5th April, 1886.

East and West Coast Railway.

DEAR SIR FRANCIS,—

We have perused the East and West Coast Railway Act of 1884, the print of the contract made in pursuance of it, dated 17th January, 1885, and the copy of the telegram sent to the colony by Mr. Scott, and have considered the points discussed with you.

The fourth section of this Act gives special powers to the Government to enter into a contract only prior to the first day of the then next session of the General Assembly, and as this date has now passed we consider that it is not now competent for them to enter into any fresh contract, or make any modification of the existing contract, without further parliamentary powers.

The variation desired by the contractors as to the selection of the land, so that it should be made forthwith, would not be a variation of the contract but of the Act itself, and of the provisions of the general Act, which are very precise. Such a variation, therefore, clearly cannot be made without the authority of Parliament.

The general Act specifies the terms on which the Government are entitled to purchase, viz., at a price to be settled by arbitration, and we think that the importing into the provisions of the Act any stipulation as to the basis on which the price is to be arrived at, such as including interest on cost during construction, could only be made effectual by an Act of Parliament.

The Governor is authorized under the provisions of the fifth section of the East and West Coast Act to make from time to time agreements with the company as to running powers, but any such agreement is determinable by either side on one year's notice. If a permanent arrangement is now desired this would have to be authorized by Parliament.

* Already printed and laid on the table.