

An extension of time for the expenditure of the £150,000 is expressly authorized by the contract, but it must be done by endorsement on the contract by the Governor, and he cannot delegate his power to you.

The benefit of the contract can only be assigned with the consent of the Governor, who may, however, appoint any person either in the colony or elsewhere for the purpose of giving such consent, and on the consent being given the personal liability of the contractors is to cease, and such liability is to be deemed to be transferred to the assignees of the original contractors in the same way as if they had been named parties to the contract itself.

We cannot, however, advise the Government to give any consent to an assignment without the assignees coming under a direct liability to the Government, for many difficulties might otherwise be raised by the assignees if it should be necessary to enforce the original contract against them.

The proper course to be taken will be for a supplementary contract to be entered into between the Government, the contractors, and the company, whereby, with the consent of the Government thereby expressed, the contractors will assign over the contract to the company, and the company will become bound directly to the Government to carry out and observe its provisions, subject to the desired modifications which the Governor will undertake to ask Parliament to sanction so far as may be necessary, if the necessary authority has not then been obtained.

Of course, before assenting to any such supplementary contract, you will require to be fully satisfied as to the financial position of the company, and their ability to carry out the work. This supplementary contract should be made and entered into by the company in the colony after the company has been registered and domiciled in the colony, so as to make it a New Zealand contract, and bring it under the laws of the colony, and so that the contract may be governed thereby.

When the company decide to take over the contract we shall, we presume, be placed in communication with their solicitors, and the necessary supplementary agreement can be settled here with them and sent to the colony for execution. In the meantime, we presume, you will ask your Government to pass the necessary Act enabling the Governor to enter into the proposed supplementary contract.

We have, &c.,

The Agent-General for New Zealand.

MACRELL, MATON, AND GODLEE.

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