

a high rate of interest would have to be paid for it; and although the company's articles of association provided for an increase of capital hereafter, unless the fact of a prospective increase was declared in the present prospectus, shareholders subscribing now would complain by-and-by of their stock being "watered." If, on the other hand, the money for building the line was to be got by sales of land, it was equally evident that the company would simply be throwing their estate away. At the same time I told Mr. Salt that, however much I regretted the reduction of share-capital, my objection did not extend to withholding consent to the assignment. The next morning a further conference took place between Mr. Shireff-Hilton (one of the directors), Mr. Burchell (solicitor of the company), the delegates, and myself. As had been the case all along, the real question was the rate to be allowed for interest during construction if the Government should hereafter buy the line; and at last I cut the matter short by saying I would agree to 5 per cent. instead of 4 being counted on the first half million raised.

It had been agreed that letters should be exchanged between the company and myself to define the concessions, and I enclose copies of the correspondence. I need only refer here to four points in the terms I laid down. 1. As to the land, I had to take care that the company did not monopolize the frontage of the line, but in view of the great risk of new delays I dispensed with some other conditions which, in more favourable circumstances, I should have insisted on. 2. As to interest, I fixed an average rate of 4 per cent., a limit of six years, and a total of £400,000; this sum being arrived at by estimating what money would have to be raised during the six years if the works were to be prosecuted with vigour, and none of the land was sold. 3. As to the assignment, I required the company to covenant that they would execute a new contract direct with the Government, and restricted them from making any assignment themselves until this was done. 4. On your part, I promised that you would bring in a Bill next session to ratify the concessions.

All this was agreed to, and the prospectus was coming out forthwith, when the company's brokers decided to wait till after Easter. I telegraphed asking you to confirm my promise as to the Bill, and was much obliged by your reply. Thereupon the company was immediately registered, and the draft assignment was settled to-day between Messrs. Mackrell and Messrs. Burchell, and approved by me.

The company has taken offices, and fixed upon its name as "The New Zealand Midland Railway Company."

I annex copies of all the telegrams that have passed between us.*

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,

F. D. BELL.

* Printed in previous paper.

Enclosure 1 in No. 3.

MR. SALT to the AGENT-GENERAL.

The New Zealand Midland Railway Company (Limited).

SIR,—

24, Throgmorton Street, E.C., 15th April, 1886.

Referring to our conversation of the 20th ultimo and subsequently, in which it was agreed that a letter should be written expressing more fully than in the telegram sent by Mr. Scott to the Christchurch Committee, on the 12th ultimo, the various points as to the construction of the Acts of Parliament and the contract of the 17th January, 1885, I now beg to define those points as follows:—

First. That the selection of the land to be ultimately granted to the company shall be commenced by it as soon as reasonably possible after the assignment to them of the contract, the valuation being of course carried on concurrently.

As soon as each block of land is selected and valued, it shall be at once set aside by the Government (if that be not already done) in such way as may be agreed upon, so that it shall be held for the sole benefit of the company as soon as earned by them.

Notwithstanding any order in which the company may select the lands to be ultimately granted to them, the company shall be entitled to apply for and obtain Crown grants of the various blocks or sections in any order which they may choose.

Second. That the Government admit that the term "cost price," at which they have the right hereafter to purchase the line, shall be deemed to include interest upon the cost during construction, provided that the total sum so expended does not in any case exceed £500,000.

Third. That the Government will at once enter into agreements with the company for giving and receiving mutual running powers and terminal facilities over their respective lines of railway, on the basis, as a minimum, of those given to the most favoured company or other railway owners or authority; such agreement more particularly to give the company access to the Ports of Lyttelton, Nelson, and Greymouth, and to the termini appertaining to the Government lines at those ports or at Christchurch.

Fourth. That the time during which the sum of £150,000 must be expended in accordance with the contract shall be forthwith extended until the 17th day of July, 1887.

I have further to request that, in order to remove any doubts, you will undertake, on behalf of the Government, that they will, if necessary, introduce a Bill into the New Zealand Parliament, in the coming session, to give powers to the Government to deal with all or any of these matters in the fullest possible way, and to use their best endeavours to carry such Bill.

I am, &c.,

THOMAS SALT.

Enclosure 2 in No. 3.

MR. SALT to the AGENT-GENERAL.

SIR,—

24, Throgmorton Street, London, E.C., 15th April, 1886.

For the satisfaction of my colleagues and myself, I should be glad if you would say whether the following statements are in accordance with the facts and law of New Zealand:—

1. Does the grant of lands to be made to the company include the timber upon them and the mines and minerals under them?

2. If the Government resume the possession of lands under "The Resumption of Lands for Mining Purposes Act, 1882," do they have to pay compensation for any lands so resumed?

3. Are there large and valuable deposits of gold, coal, iron, and other minerals in the country traversed by the line?

4. Did the railways in the South Island earn, during the past five years, an average return of 4 per cent. on the capital invested in them?

5. Have the New Zealand Government the right to purchase the line at cost price after ten years from the date of completion?

Sir Francis Dillon Bell, K.C.M.G., Agent-General for New Zealand.

I am, &c.,

THOS. SALT.