

always been present to me—namely, that so long as agents were paid by the year instead of by the result, there was no particular reason for them to hurry through their negotiation, their occupation being gone as soon as the transaction was over. It would have been far better if they had been paid by results instead of by annual salary; yet so it was. But it was not supposed at the time that even this known dilatoriness would have extended to such a period as five years, for the Government had long been unquestionably anxious to acquire the land in question for the purposes of settlement. Knowing this, the company had every reason to suppose that, within the period named, the Government would have been in a position to supplement the deficient allocations. The company also believed that the Government would be diligent in its endeavours to do so, not only for purposes of settlement, but also for the purpose of keeping faith with the company, which had voluntarily surrendered its right to land at the eastern side of the range in order that the Government might not have to face political or other difficulties in connection with it. A good deal of correspondence took place upon this matter between the company's Secretary and its Chairman and the Government. This correspondence had three phases. Firstly, the phase anterior to the formation of the company; next, the phase immediately succeeding its formation, and from thence up to the end of 1883; and, lastly, that which it assumed when the correspondence was reopened in the year 1885. With respect to this last period, the company has, with regret, to express its belief that the late Minister of Native Affairs was not disposed to afford any consideration to the company, or, indeed, to give effect to the assurances of his predecessors in office in connection with this matter. Indeed, it will be my duty to bring before this Committee evidence that the honourable gentleman, in dealing with Native proprietors of some of the blocks which were under negotiation even so long ago as when the company's contract was entered into, has expressly stated "that he was not prepared to complete his negotiations until the expiration of the five years mentioned in the contract; because, if he did so, it would give the company the right to claim an allocation which he was not at all disposed to favour." In point of fact, we say that the late Minister of Native Affairs has expressly delayed the completion of the purchase of these blocks in order to defeat the right of the company, and the company, as this Committee will observe, is quite justified in treating such conduct as a breach of faith, which it is believed the Legislature will not countenance, and which was certainly not in contemplation when the contract was entered into. Now, Sir, I would like to say a word or two with reference to the policy of allocations of the kind made to the company I represent. There is a general, but, as I submit, false impression on the minds of persons outside with respect to the object of endowments such as are contemplated by the Railways Construction and Land Act. The accounts of the Public Works Department of the colony show sufficiently that the Government railways, at all events, do not yield, by a long way, the interest on the cost of construction; that there is, in fact, a considerable loss on that head, which has to be supplemented from other sources of revenue. This was in contemplation both by capitalists and the Government at the time that the Act in question was passed, and the object of providing the allocations in question was not to give a mere bonus to persons who might be induced to enter upon the class of undertaking contemplated by the Act, but to supply them with the means of making up the loss which must inevitably for some time result where such works are constructed through thinly-populated districts. The risk to those who embark their capital is manifest, and the Government felt that it was not, as I understand, violating any political principle in making some provision against that risk. It is popularly supposed that, because some portion of the land allocated to the company I represent has realised very good prices upon sale, the lands allocated are likely to be a source of great profit; but the company is absolutely precluded, by the terms of its agreement with the Crown and by its own memorandum of association, from appropriating any portion of the proceeds of the lands, or even of such land as it may acquire by purchase, to any other purpose than the construction and working of the railway, until a clear profit is shown from the traffic on the line. Moreover, the estimate for the purposes of allocation was a low one—£5,000 per mile—and the company is in a position to say that it has expended a far larger amount than this in the construction of its works. It is manifest, too, that, so soon as it is shown that its line is worked at a profit on the capital cost, the Government, acting under the powers of the Land Act, will at once take it over. The Government will wait until the company has succeeded before availing itself of the power to acquire the line; but there can be little doubt that, so soon as the company has shown that it has established a line capable of yielding a profit, it will be deprived of its undertaking by the Government taking it over under the provisions of the Act. Now, Sir, I propose to go through the correspondence which has taken place between the company and the Government. But, before doing so, I formally put in a copy of the memorandum and articles of association. You have the contract before you, and a statement of the case which the company proposes to make. You have also before you a copy of the return, prepared by the Waste Lands Department, of the lands available for allocation, though, as I have already mentioned, some of these lands were afterwards withdrawn from the allocation area in consequence of the representations made by the Government to the company. It will not surprise the Committee when I state that it was found impossible to raise the whole capital of the company in New Zealand, or that, although the promoters were able to obtain from local sources such an amount of capital as indicated the *bona fides* of the undertaking, it could not reckon upon locally raising so large a sum as £650,000 or £700,000 for the construction of a railway which was to run through a thinly-populated country. In order to obtain the balance of capital necessary the company availed itself of the services of Sir Julius Vogel, who then resided in London. Of course, what he did in his capacity as agent for the company could not bind the Government, but the prospectus which he issued for the purposes of the company indicates the opinion he entertained of the position of the company in relation to the matters before the Committee. The prospectus now produced was issued under his direction, and its contents indicate the importance which he attached to the clauses in the contract relative to the deficient land allocation. This prospectus was issued for the purposes of a loan of £360,000 on 5 per cent. debentures at par, and, in the estimate which it contains of the assets of the company which were to form the security to lenders, the land