1892.
NEW ZEALAND

THE MIDLAND RAILWAY CONTRACT

(PROPOSALS BY THE MIDLAND RAILWAY COMPANY FOR AN AMENDMENT OF).

Laid on the Table by the Hon. Mr Seddon, with the Leave of the House.

No. 1

The GENERAL MANAGER, Midland Railway Company, to the Hon. the PREMIER.

SIR,— Wellington Club, Wellington, N.Z., 19th May, 1892.

In accordance with the wish expressed by you yesterday, when I called upon you with Mr Hilton in reference to business connected with the Midland Railway, I have now the honour to submit in writing the proposals we then made, to enable you to lay them before the Cabinet.

It has occurred to my directors in London that it might meet the wishes and views of the present Ministry and of the country if some arrangement could be come to by which the company should resign all rights to the balance of the land grants for the East and West Coast line other than that already pledged to existing debenture-holders, and that to be earned on completion of the section to Jackson's, now in progress, which is also pledged.

The B1 value of the land grant proposed to be resigned is £618,000, guaranteed. It is suggested that the Government should, in exchange for this sacrifice on the part of the company, give a guarantee of 3 per cent. interest on £1,600,000 ordinary share capital to complete the East and West line and to extend the Belgrove section into the Motueka Valley, and further should, at the end of five years from the opening of the East and West line, pay off, out of the proceeds of the sales of the lands resigned by the company, £372,500 of the company's present debenture-issue.

The company on its part will undertake to at once proceed to raise the necessary capital, and to let contracts to complete the East and West line and open into the Motueka Valley, with every possible despatch.

The advantages to the colony will be—(1.) To free not only the land actually likely to be selected by the company, but to release also at once the whole land within the reserved area for immediate sale and settlement by the Government. (2.) In the event of the Government in future exercising its powers under the contract to purchase the line, there will be, presuming it has all been constructed, —namely, the East and West and Nelson sections—a saving to the country of about one million sterling, or on the East and West line alone of between £400,000 and £500,000, this is calculated on a basis of raising capital with and without a Government guarantee—capitalising the difference of the annual interest-charge at 6 per cent. (3.) There will be immediately spent over £1,000,000 in the country, and employment found for fifteen hundred to two thousand men for at least three years.

Figures are given in the statements enclosed supporting the above contentions, and showing the amount of interest likely to be required from the Government. It is understood that the consent to the incline over Arthur's Pass, and to the extension of time asked for, will be granted.

The state of the money-market in London is such at present as to preclude my directors from raising further capital for some time, without a guarantee of interest, except at a great cost, which would ultimately fall on this country To go on building the line expeditiously now is therefore advantageous both to the colony and to the company.

The company will at once undertake to proceed to raise the capital to complete the line from Reefton to the Motueka Valley, when the East and West Coast line is open for traffic, if called upon to do so. In that case the Government to increase the guarantee of interest to 3½ per cent. on £2,900,000, the total sum required to finish the East and West line and the Nelson end. It will be necessary to raise the guarantee by ½ per cent. because the receipts from the Nelson line will so diminish the rate of interest which can be earned on the total cost as to make it impossible to hold out any inducement to a capitalist, except at a ruinous discount, and the land grant and