

5. *Hon. Mr. Seddon.*] Will you give the dates as you proceed?—The first contract was signed on the 17th January, 1885. A day or two afterwards we left for England—myself and Messrs Fell and Dobson, the other two delegates. My colleagues returned to the colony after a period of about six or eight months. I remained in England until May, 1886, and then succeeded in forming the New Zealand Midland Railway Company.

6. All this arises under contract No. 1: not No. 2?—Yes.

7. *Mr. Wilson.*] Was one of the greatest inducements offered to financiers the assurance that the company would obtain all the benefits of the increase of value given to the land from timber, minerals, and settlement, to be developed by constructing this railway, more especially on the West Coast, where the largest proportion of the Crown lands are situated; and was there a considerable area to be opened by the company under the land-grant given to them?—There is no doubt this was the view which my colleagues and I took of it. As there were three of us concerned it was necessary that we should be all of the same opinion. Therefore we took the precaution of writing down the evidence, or statement, which we were prepared to lay before any body who entertained our proposals. Some of the inducements put forth were shortly these: First, the area of eastern land available for selection which it was considered would sell again readily, practically at “par value” (namely, that those lands would, on an average, sell at little over the price at which they would be granted to the company); secondly, the western lands, which, on the other hand, were considered likely to be increased in value by the construction of the railway, as they had been formerly completely isolated and without effective means of communication; so they must necessarily rise in value to a large extent, more particularly as regards those parts of them containing timber and coal, which of course were practically valueless without a railway.

8. Did the financiers with whom you came in contact ever form an opinion, or was any indication given by you, that the Government of the colony would change the incidence of taxation so as to make it impossible for the company to hold its land in large areas?—Certainly such an intimation could not be given, because in the first place no such thing had been considered; and in the next place, if any Government pass an Act substantially altering the conditions of any existing contract between themselves and outside persons, they cannot by so doing relieve themselves from their liabilities to the other party to the contract, or from the consequences, as regards the other party, of having passed such an Act.

9. Was it not always stated that time was an important element in bringing about the full value of these western lands, for settlement especially?—That was certainly put forward, for, so far as the eastern lands were concerned they were readily saleable, and for that reason they were of great value and essential to the whole concern with the view of their use for meeting interest during construction. The western lands, it was obvious, could only be sold in small holdings. We were not so sanguine as to imagine that they could be sold in very quick time. Therefore the western land must be necessarily held—not held with the object of holding—but held till it was reasonably possible to find purchasers for so large an area.

10. Was it not stated that the company would get the full benefit of the increase in value, more especially near their line on the West Coast?—I cannot say that it was particularly stated, but only because it was so obvious under the contract. It was clearly the opinion of the delegates, and of those who took up the contract, that the fact of the railway going through the western lands was of the greatest importance to the value of those particular lands and to all others in that part of the country.

11. Will you state what were the principal alterations in the contract when it was found that arrangement would not work?—You mean the alteration in No. 2 contract, as compared with the first? The alterations to be made are mentioned in the Act of 1886, in accordance with the correspondence between the company and the then Agent-General. But the outcome of them went somewhat further. The alternate blocks were done away with for this reason: it became necessary, owing to circumstances which had transpired between the time of the company being formed and of the negotiation for the new contract, for the company to require a guarantee from the Government that the land which the Government was proposing to give them was worth “anything.” I should say this necessity arose because the company had heard of various statements which had been publicly made that the land was not worth anything. It was therefore my duty to arrange with the then Premier for a guarantee of the value of the proposed land-grant. There was considerable opposition to giving the guarantee in the form of giving any more land outside the then present authorised area. The Government considered that they could not enlarge the area, and so make the guarantee more substantial. So they took another course: and they threw out the alternate blocks, in order to make a greater amount of land available, also to save the inconveniences that were likely to arise from mathematically taking the alternate blocks in the different parts of this particular country.

12. Were any of these particular blocks included as part of the reserves now made?—Yes.

12A. What effect had the speeches of some of the leading members of the House on the London market and the question of financing?—I cannot speak from my own knowledge; but, from the instructions received from the company, the effect was that they required an assurance that the land-grant proposed to be given was of any value. Hence they required that the guarantee should be given.

13. Were the financiers in London ever told that this railway was considered a national work by the colony; that it would receive every support from the Government and people of New Zealand?—That was certainly my own opinion and that of my colleagues (Messrs. Fell and Dobson). Although there had been considerable discussion in the House on the subject of passing the original Act, and opposition to it, still, the Act having been passed and the contract entered into, it was never regarded by us in any other light than as a national undertaking. At any rate, it was represented that there was a large body of people in Canterbury, Nelson, and Westland deeply