

The company have hitherto selected most of the lands earned by construction from the eastern lands; they being more readily saleable, the exigencies of finance required the conversion of land-grant into cash. It is therefore assumed that the company would in future select western lands in larger proportion, as the profits from the increased value would be much greater than those on the eastern lands.

I have the honour to submit the following proposals relative to prices at which the company would sell the land-grant to the Government. These proposals are subject to approval of my Board of Directors:—

The B 1 value of £618,250 is proposed to be allocated as follows:—

<i>Eastern Lands—</i>		£
237,800 acres B 1 value, 10s.; selling value, 20s. (? 12s. 6d.)	...	= 148,625
<i>Western Lands, with Coal and Timber rights—</i>		
764,300 acres B 1 value, 10s.; selling value, 20s.	...	= 764,300
30,000 " " 15s.; " " 30s.	...	= 45,000
94,700 " " 20s.; " " 40s.	...	= 189,400

B1 value, £618,250.—Selling value, £1,147,325

It is suggested that the payment for the land-grant should be made against the certificates for work done in connection with the construction and administration of the East and West Coast line.

A similar trust to that adopted for the Springfield and Nelson Sections might be arranged, to carry out the sale and purchase of the lands and payment to the company.

Purchase payments might be made to the trustees in Government Stock ($3\frac{1}{2}$ per cent.) at current market prices, and the trustees convert this stock into cash to meet the payments to the company.

With the view of overcoming all past difficulties and adjusting all claims and differences between the Government and the company, it is suggested that a new contract should be entered into between the Queen and the company.

In this new contract there should be new clauses to cover the following conditions:—

- The bush lands on the West Coast to be exempt from graduated land-tax.
- The company's debentures to be exempt from income-tax, at least during the time interest is being paid out of capital.
- Local taxation only to be applicable to the company in such districts as are affected by the traffic of construction, and only during the period of construction.
- The schedule of maximum rates and fares chargeable by the company is not to be increased or reduced without the consent of the company. The rates and fares are not to be dependent upon the charges made on the Government railways as at present.
- The land-grant earned by construction and pledged on the sections under construction to remain the property of the company, although not yet selected by the company.
- The construction of the line from Reefton to the end of the Belgrove Section not to be compulsory on the part of the company, but may be left for future negotiations.

In the event of the Government purchasing the land-grant, as set out in these proposals, the company would be in a position to complete the East and West Coast line without further delay. The following statement of estimated cost of works and other expenditure indicates the financial position, and the further capital necessary:—

	£
Cost of works from Springfield to Jackson's, including extra cost for alterations on incline	1,090,500
Administration, and further interest on debentures to be provided during construction	150,000
	1,240,500
Extension into the Motueka Valley at the Nelson end	30,000
	£1,270,500
East and West Coast land-grant purchase price	1,147,325
Belgrove extension: land-grant, 15,000 acres at 10s., and increased to £1	30,000
	£1,177,325

This leaves £93,175, or, in round figures, a further sum of £100,000 to be financed later, by the company issuing preference-shares or debentures when progress with the works has created the necessary security to enable them to do so.

I trust these proposals will receive the early and favourable consideration of the Government, as it is imperative for the company to take immediate action relative to the present financial position, and its legal rights under the existing contract.

I have, &c.,

ROBERT WILSON,
Engineer-in-Chief and General Manager,
New Zealand Midland Railway Company (Limited).

The Hon. the Minister for Public Works, Wellington.