

directors making even temporary financial arrangements until this extension of time is formally granted to the company. The delay on the part of the Government in carrying out the conditions of the contract has entailed serious loss to the company.

I must leave for London on Thursday next, and trust you will be able to issue the formal consent to the extension of the contract time prior to my departure, and also to give me a reply stating definitely whether the Government is prepared to accept the latest proposals of the company, or, if not, what modifications of these the Government is prepared to accept.

I have, &c.,

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

The Hon. the Premier, Wellington.

No. 22.

The Hon. the MINISTER for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.
Public Works Department, Wellington, 31st January, 1893.

SIR,—

Re Midland Railway Contract.

Your letter of the 27th instant, on the subject of your proposals for a modification of the Midland Railway contract, and stating that you had not received the formal notice of extension of the contract time, has been forwarded to me by the Hon. the Premier, with a request that I would reply thereto. The proposals of the company for a modification of the contract have several times been under consideration in Cabinet, and have again been considered this morning, and I hope that by to-morrow, or Wednesday at the latest, to be able to inform you of the decision to which the Government have come in reference thereto.

As regards the extension of the contract time asked for by the company, the Government considers that it is premature to deal with this question at present, as the existing contract has still about two years to run, and it is unusual for an extension of contract time to be asked for until the original contract time has nearly expired. Moreover, it is impossible to see at present what the condition of the works on the company's railway will be two years hence, so as to indicate what extension of time will be necessary. I would further point out that the question of extension of time is also involved in the company's proposals for a new contract.

I have, &c.,

R. J. SEDDON,
Minister for Public Works.

The General Manager,
New Zealand Midland Railway Company, Wellington.

No. 23.

The Hon. the MINISTER for PUBLIC WORKS to the GENERAL MANAGER, Midland Railway Company.

Public Works Department, Wellington, 1st February, 1893.

SIR,—

Re Midland Railway: Proposals for a New Contract.

Referring to the former correspondence on the above-mentioned subject, I have now the honour to state that the matter has been very carefully considered in Cabinet, with the result that the Government cannot see its way to accept the proposals of the company as submitted in your letter dated 29th October last.

As the company is desirous of having the contract amended in its own interests, it appears to the Government that any proposals for modifications thereof should come from the company. The Government considers that it has fairly and equitably carried out its part of the contract, and that the allegations which have been made from time to time to the effect that certain provisions in the contract have been strained as against the company are entirely without foundation.

The Government observes that the proposals of the company, as submitted by letter dated 29th October last, already alluded to, refer only to the section of the railway between Springfield and Brunnerton, and make no provision for the section between Reefton and Belgrove, and would be glad to be informed what the intentions of the company regarding this latter section may be.

The Government regrets to be informed that the company is unable, owing to financial difficulties, to carry out its part of the contract, but, at the same time, considers that there is no ground whatever for the company to assume that the lands to be earned under the contract will not realise the sum which the company alleges the colony has represented would be obtained; and there is also no reason to suppose that the said lands will prove unsaleable, and thus remain on the hands of the company. So far, the lands selected have been sold at prices satisfactory to the company, and the Government sees no reason why this should not continue.

Should, however, the company prefer to surrender to the Government its right to select lands, and to accept in lieu thereof the colony's debentures bearing $3\frac{1}{2}$ per cent. interest to the same nominal value as the land the company would have been entitled under the existing contract to select, and make definite proposals in writing to this effect, the Government will consider the advisableness of submitting the same for the consideration of Parliament.

It would, of course, be understood that any such proposals would apply to the railway from Brunnerton to Belgrove as well as from Springfield to Brunnerton, and would also involve the entire abandonment of all the company's rights under the contract to select further lands, and that, as a consequence, the whole of the lands at present reserved from sale within the Midland Railway area