

Upon considering the report of the Public Accounts Committee, the Board believe that the main objections to their former proposals were caused by the demand for a guarantee of interest upon share capital, and they have taken great pains to endeavour to find some means of eliminating this part of their request.

To enable them to come to a trustworthy conclusion they have taken very eminent financial advice, and they believe that if the offer they now make is accepted by the New Zealand Parliament the company will be able to carry out its share of the compromise.

I am therefore instructed to submit the following proposals for the consideration of the Government and Parliament of New Zealand, proposals which are, as my Board believes, very favourable to the colony, which will insure the construction of the East and West line, will relieve the colony from any further difficulties with the land-grant without imposing upon it any burden, and which do not contain any guarantee either of interest or of the earnings of the line, and which are at the same time the least that the company can agree to. The proposals, if accepted, will also be taken by the company as a complete discharge of all claims upon the colony in respect of the past.

The proposals I am instructed to lay before you are as follows :—

1. That the time for completing the railway from Brunnerton to Springfield with the Incline line shall be extended for such time as may be necessary. The works to be proceeded with as rapidly as possible after the execution of the contract and the completion of the necessary financial arrangements.

2. That the time for completing the extension of the Belgrove line, to the junction between Norris's Gully and the Motueka Valley, be extended for two years from the signing of such contract.

3. That no time be fixed for the construction of the rest of the railway.

4. That the company shall before the 1st July, 1895, select all lands earned by the construction of the line from Reefton to Jackson's, in accordance with the contract of the 3rd August, 1888, with proper provisions in case of any delay being caused by the Government refusing their assent to any particular selection.

5. That the Government shall, if the company so require, work or maintain at 60 per cent. of the gross receipts, the line from Springfield to the eastern side of the Incline line, until the Incline line is finished.

6. That the company's present maximum rates shall not be affected by increases or reductions of the rates on the Government railways.

7. That the company shall forthwith indicate what lands they require to be reserved for selection under the 4th head hereof, and, subject to such reservation, shall at once release to the Government all lands comprised in the B1 map annexed to the contract of the 3rd August, 1888, other than those already selected and granted, or those to be reserved under this head.

8. In consideration of this release, the Government to pay to the company in London the sum of £850,000 (eight hundred and fifty thousand pounds), by twenty half-yearly payments, on the 1st of January and 1st of July in each year, of £42,500 each, without any deduction or taxation of any sort or kind whatsoever.

9. The company to be relieved from local taxation, as recommended by the Public Accounts Committee.

10. The company to be taxed on its net income from the traffic and rentals, and not on the amount of capital expended.

11. The Government to purchase the line from Belgrove to the Motueka Valley for £100,000 (one hundred thousand pounds), within one year after its completion, and, pending such purchase, to work and maintain the Belgrove line for 60 per cent. of its gross receipts.

12. The Government to have the right to construct the line between the Motueka Valley and Reefton, in which case the company shall afford them terminal facilities in Reefton Station.

13. If the Government require the company to construct the line from the Motueka Valley to Reefton, the terms shall be agreed between the parties.

My directors, on hearing that these terms are agreeable to the Government, and will be submitted by them to Parliament, will send out a draft contract embodying them.

My directors desire to impress upon the Government and Parliament that it will be perfectly hopeless to attempt to raise money for the completion of the line on any lower terms than those now proposed; and they request the Government to lay this letter before Parliament for its consideration, so that there may be no misapprehension on the part of any member of the sincere desire of the company to meet the views of the colony, even to the extent of abating much of its strict rights.

I have, &c.,

ÆNEAS R. McDONELL, Secretary.

The Hon. the Premier, Wellington, New Zealand.

No. 28.

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

SIR,—

Wellington Club, Wellington, 4th July, 1893.

I have the honour to send you herewith six prints of the proposed new contract between the Queen and my company, and have the honour to remain, Sir, your obedient servant,

ROBERT WILSON,

Engineer-in-Chief and General Manager,

The New Zealand Midland Railway Company (Limited).

The Hon. the Premier, Wellington.