

The terms for working are also distinctly more favourable to the company than in the existing contract, as the Government is now to be bound to maintain the formation and bridge works, and to remove all large slips, which is not the case under the existing contract.

Clauses 10, 11, 12, and 13: These clauses are new. They provide (clause 10) that on the completion of the line from Brunnerton to Jackson's the land to be earned by the company under the existing contract in respect thereof shall be granted to it, such grants to be made by 1st January, 1895; and (clause 11) for the surrender by the company of all rights to select any further land; and (clause 12) for payment to the company, in consideration of such surrender, of the sum of £850,000 by twenty half-yearly payments of £42,500 each, the first to be paid at once; and (clause 13) for the cessation of the company's rights in the matter of the construction of the Motueka-Reefton Section, if no agreement for its construction is made within one year after the opening of the East and West line.

Clause 15: This clause materially modifies the provisions of the existing contract as regards the rates to be charged on the railway when opened for traffic. The existing contract provides that the rates shall not exceed those for the time being in operation on the Wellington-Masterton Railway with 25 per cent. added thereto. The rates specified in the schedule attached to the new draft contract (to which 25 per cent. is also to be added) largely exceed the rates in force on the Wellington-Masterton Railway. Moreover the general tendency of freight rates is to get less; whereas the new draft contract proposed to make the schedule, with 25 per cent. added, apply for all time.

This provision is very important in the public interest, as reductions in the schedule of charges on the Wellington-Masterton line have been made already, and doubtless many others will be made in the future.

Clause 17: This clause is new. It provides that the company shall not be chargeable with any rates, taxes, charges, or duties other than such as may be levied by the Government direct, and also that such rates, &c., shall be assessed upon the income of the company and not upon the capital value of its railway or property. The effect of this will be to relieve the company of all local taxation, as well as from the land-tax.

Clause 20: This clause is also new. It provides that if the main line—viz., the East and West line, and the line from Brunnerton to Reefton, is purchased at the option of the Government, under the powers conferred by Act, that the price to be paid for the same shall be £2,500,000.

The existing contract makes no special provision in the matter, merely confirming the powers of purchase given by Act, except to provide (clause 44) that interest on capital during construction, to an amount not exceeding £400,000, is to be reckoned as part of the cost of the line and paid to the company accordingly.

"The Railways Construction and Land Act, 1881," provides that, in the event of the purchase of the line by the Government, the price to be paid is to be settled by arbitration on the following basis:—

Nothing to be awarded to the company in respect of lands the use of which for the railway has been granted by the Crown, or which may have been gratuitously granted to the company by private persons, but improvements on such lands shall be paid for. Also, nothing is to be paid for goodwill, but the arbitrators are to take as a basis of their valuation the cost of other similar railway works, plant, and rolling-stock at the time when the works forming the subject of the arbitration were constructed, and are also to allow for depreciation in the permanent-way, plant, rolling-stock, buildings, and other works of the railway, also any onerous or burdensome provisions respecting the use of the railway, or the works thereon, or any easements, rights, or privileges in connection therewith. If the line is purchased within fourteen years of the railway being opened for traffic, 5 per cent. it to be added to the price arrived at as above; and if between fourteen and twenty-one years, 10 per cent. is to be added.

It is impossible to say what price the Government would have to pay for the purchase of the East and West and the Reefton lines on this basis, but it would probably not amount to nearly as much as £2,500,000, as the following figures will show:—

Government estimates of cost of East and West line, on				£	£
tunnel route	...	...	...	1,505,000	
Less saving by adoption of incline (company's estimate)				470,000	
Net cost	...	...	...	...	1,035,000
Government estimate of cost of Reefton line			...	...	275,000
Total	...	...	...	...	1,310,000
Add 5 per cent., as provided by Act	...	...	...	...	65,500
Add interest during construction	...	...	...	...	400,000
Gross total	...	...	...	...	£1,775,500

In the above computation I have allowed the maximum amount claimable for interest during construction, as if the whole railway, including the Reefton-Motueka Section, were made and purchased; but if this latter section is not constructed, the amount allowed under that head should in equity be somewhat less than the whole amount claimable, if the contract is carried out in its entirety.

Clause 20A: This is likewise a new clause. It provides that the company may, at any time after the main line has been open for ten years, call upon the Government to purchase the same, but in this event the price is to be £2,000,000 only. Even this price would appear to be rather a full one, if the above estimates are reliable.