

Clause 21: Another new clause. This clause provides for the purchase by the Crown of the section of the railway from Belgrove to Motueka, within six months of its completion, for £100,000. It is open to question whether this section will cost the company £100,000; but in any case the purchase could not be other than a very unprofitable one for the colony, for there is no reasonable prospect of the line even paying working expenses.

In addition to the foregoing provisions in the new draft contract, which are not to be found in the existing contract, there are sundry useful and desirable provisions in the existing contract which are not reproduced in the new draft.

Clause 8: Clause 8 of the existing contract gives the Governor power not only to call upon the company to make any additions, alterations, or repairs that the Government engineers may consider necessary to the works of the railway (as provided by section 48 of the Act of 1881), but permits him to direct the Government engineers to effect the repairs, &c., themselves, if necessary. This is omitted in the new draft.

Clause 10: The portion of this clause which provides that the company's time-tables are to be subject to the approval of the Governor, is also omitted in the new draft.

Clause 21: This clause, which provides for the holder of a miner's right being entitled to construct water-races or works for mining purposes on or over or under the railway, subject to certain conditions, is also entirely omitted.

Clause 41: This clause, which empowers the Minister for Public Works to require the company to reduce its haulage rates, if any of them are considered excessive, is also omitted.

Clause 43: The portion of this clause which provides that if, under the provisions of any Act, or by virtue of the contract, the Governor shall be entitled to take possession of the railway, or any part thereof, then, in lieu of taking possession, he may, if he think fit, purchase the railway, although not completed, or the period of ten years from the date of completion may not have expired, is also omitted.

Clause 47: The last proviso to this clause is also omitted, but this is probably not material if the price to be paid for the line is definitely fixed in the contract.

Most of the above alterations speak for themselves, and every one of them seems to be in favour of the company.

Only one of them need call for any further remark from me, I think, and that is the provision for the purchase of the company's land-grant by the Government for £850,000, as contained in clause 12 of the new draft contract.

As regards this, I would point out that the value of the land-grant that would accrue to the company on the completion of the East and West line under the existing contract is £618,000. The land is only claimable by the company, however, as sections of the line are completed, and certified by the Engineer appointed by the Governor under the contract as having been carried out in accordance with the contract, and to his satisfaction. The construction of the East and West line will occupy at least three years. I therefore assume that if the work is pushed on vigorously the six hundred and eighteen thousand pounds' worth of land might fall due to the Company somewhat as follows, say: 31st December, 1894, £200,000; 31st December, 1895, £200,000; 31st December, 1896, £218,000: total, £618,000.

Should the Governor agree to take over the land-grant from the company, and to give them cash (or debentures) in its stead, and to pay the amount by twenty half-yearly instalments, extending over ten years (the first to be paid on the signing of the new contract), as now asked by the company, the amount that would be equivalent to a payment of £618,000 on the dates shown above (taking the value of money at 4 per cent.) would be £675,000, or twenty half-yearly payments of £33,750 each, as against £850,000, or twenty half-yearly payments of £42,500 each, asked for by the company.

I am indebted to Mr. Morris Fox, the Actuary of the Government Insurance Department, for the actuarial calculation giving the above results.

H. J. H. BLOW,

The Hon. the Minister for Public Works.

Under Secretary for Public Works.

No. 36.

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

SIR,—

Wellington Club, Wellington, 15th August, 1893.

I have the honour to state that, after perusal of the reports of the Railway Commissioners, and of the Public Works Department, upon the proposals of the company, I have to submit the following modifications of the proposals with the view of endeavouring to meet the objections raised in these reports, and in the hope of inducing the Government and the House of Representatives to favourably consider the offer in its new form.

The clauses modified are as follows:—

No. 9: This modification does not call upon the Government to work any section of the company's railway, excepting for contractors' traffic purposes, and at the cost of the company for traffic and maintenance.

No. 12: Is inserted a provision that the annual payment for land-grant may be made by the issue of Government bonds, bearing $3\frac{1}{2}$ per cent. interest per annum. The bonds to be issued at the current market price on the day of issue.

No. 20: The bonds issued for the payment of the purchase of the railway to bear $3\frac{1}{2}$ per cent. interest, instead of 4 per cent.

No. 21: The payment for the Belgrove line to be extended for a period of ten years, on the same terms as those mentioned in clause 12. The second modification of this clause, that the com-