

have agreed to make a free grant to the company of lands to the nominal value of £1,250,000. The directors are fully persuaded of the substantial character of this grant, as the value is to be arrived at by arbitrators to be nominated by either party, and they are only to take into consideration the estimated market value of the lands immediately prior to the making of the original contract, without reference to any prospective value that will be given to such lands by the railway. It is a matter of common knowledge that in New Zealand, as in other new countries, the making of a railway rapidly increases the value of the lands served by it. It appears, therefore, to be a moderate estimate to assume that lands which have been thus valued at, say, 10s. per acre will, on the making of the line, realise at least 20s. per acre, thus making the company's estate worth at least £2,500,000 for the purposes of realisation." Further on it says, "In the country traversed by the line are large and valuable deposits of gold, coal, iron, and other minerals, with abundance of timber, and hard and soft building-stone of excellent quality. From these sources alone a valuable traffic should come upon the railway. The export of gold from the western districts during the year 1884 (as shown in the Government returns) was of the value of £454,519, which may be taken to be about the average. The coal, from its excellent bituminous properties, is valuable not only for local consumption, but for export, and from this source alone considerable traffic may be expected. The demand for timber is already great, not only on the treeless plains of Canterbury, but also in most parts of New Zealand and Australia. The railways in the South Island, as shown by the official returns, earned on an average 4 per cent. per annum during the five years ending in 1885, on the capital invested in them, by traffic alone." That was in the prospectus which was issued by the company, after being approved by the Agent-General. The share capital is stated in the prospectus as £500,000, of which £250,000 was offered for subscription, and was taken up. The company proceeded, even before the present contract was entered into, with certain works for the purpose of employing the capital which had been raised, although at that time it had not the formal contract which was considered essential for the purpose of the undertaking, and which afterwards, on the 3rd August, 1888, entered into. The contract with Chrystall and others had been, on the 14th May, 1886, transferred to the company by indorsement on the original deed, and £5,000 deposited in terms of that contract with the Agent-General.

*Sir R. Stout*: When do you say the prospectus was issued?

*Mr. Hutchison*: On the 30th April, 1886; and in the next month, on the 14th May, the Chrystall contract was transferred to the company; so that we have from that date, at any rate, the company in the position of a party contracting with the Queen, or rather in the position of the assignee of certain concessions which were recognised by both sides as standing in need of modification. Afterwards another contract was substituted, as expressing the modifications considered necessary, but not until after long negotiation. On the 30th July in the same year—1886—was passed the East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act Amendment Act; and I think this Statute will justify the introduction of some evidence which might otherwise be open to challenge. There are recitals in this Act which are important. The first recital is that of the Chrystall contract. Then there is the recital of the assignment I have just referred to, and a recital of the deposit of the £5,000 which I have also referred to. Then comes this recital: "And whereas it has been proposed by the company [meaning the Midland Railway Company] that certain modifications in the original contract shall be made, the nature and terms whereof are generally indicated in the correspondence set out in the Second Schedule hereto, and it is expedient that the authority of the General Assembly should be given for making a further contract embodying such modifications as hereinafter provided." Section 2 provides that "the company shall undertake to carry out and be bound by all the provisions of the original contract, with such modifications thereof as are mentioned in the correspondence set out in the Second Schedule." Further on it says that such contract "shall, immediately upon the execution thereof, and without any further or other proceeding, be operative and have full force and effect, notwithstanding that the terms thereof may be repugnant to or inconsistent with the provisions of the said Acts or either of them." As a matter of fact, there was no modified contract entered into under this statute. The negotiations were difficult and protracted, and some other circumstances intervened to make it for a time impracticable to arrive at a consensus of opinion as to what the precise terms should be. In December of the same year an effort seems to have been made by Mr. Brodie Hoare, who was one of the directors of the company then in the colony, and the Government, to arrive at a contract under this Act of 1886, and a draft was prepared and sent to London for the approval of the directors of the company. That draft contract will be found indicated by a certain arrangement of type in D.-2, 1887. The directors, however, did not see proper to accept the proposed contract, and further negotiations took place. I would at this point seek to refer to certain events which I submit have a material bearing upon the subject of the present inquiry. In January, 1887, there appeared, what will be often referred to throughout these proceedings, a Proclamation by which the whole tract of Crown lands in the Grey Valley were declared to be a reserve under the Mining Act at that time in force.

*Sir R. Stout*: Was it not dated December?

*Mr. Hutchison*: I said, in January, 1887.

*Sir R. Stout*: Was it not dated December?

*Mr. Hutchison*: The 11th January is the date. It was gazetted on the 20th. I will have occasion to refer again to this Proclamation when I come to deal with the subject of the mining reserves. In this connection, however, I may state that when news of that Proclamation reached London it had a most detrimental effect upon the operations of the company. That the whole of a territory, aggregating between 700,000 and 800,000 acres, along the course of the railway north and south should be in one block reserved for mining purposes, and so withdrawn from the right of selection by the company, was nothing short of a blow that a company formed on the basis of the right to select land likely to be benefited by the construction of the railway could scarcely