

arising prior to the 14th day of January, 1895. The acts and defaults complained of are those of the Executive of the Colony of New Zealand, acting for the Queen by and through the Governor of the colony, or by and through the Minister for Public Works.

The Company claims as follows:—

1. That the undertaking of the Company, being work to be remunerated in part by land, as provided by clause 16 of the contract, the Queen, contrary to the provisions of the said contract, refused and prevented the exercise by the Company of its rights of selection over large areas of land within the authorised area.

2. That if any lands were properly reserved under subclause (c) of clause 16, then the Company was hindered and prevented in the exercise of its rights under clause 18, by being refused the right to the timber on such lands.

3. That the Queen has, in contravention of the contract, permitted and authorised the destruction and the removal of timber on lands available for selection, and thereby depreciated the value of such lands.

4. That the Queen, in contravention of the contract, refused to give effect to the requests of the Company, under clause 33, to sell or let lands within the authorised area in the Nelson and Westland Land Districts on the western side of the main range of mountains.

5. That the remuneration of the Company, being to the extent of £1,250,000 "B 1 value" in land (as the work of construction should proceed), the Queen (by and through the Parliament of the colony), by greatly increased and graduated taxation on land, imposed subsequent to the date of the contract, and without any exception in favour of the lands over which the Company had the right of selection, materially reduced the consideration of the contract and destroyed confidence in the undertaking of the Company as a commercial enterprise.

6. That the Queen, by withholding for an unreasonable time consent to the deviation of the railway-line from the western to the eastern side of Lake Brunner, and to the substitution of the incline for the tunnel line at Arthur's Pass, delayed and prevented the Company from proceeding with the works under the contract.

7. That the Queen, by further withholding for an unreasonable time consideration of the application of the Company for an extension of time, under clause 42 of the contract, prevented the Company from raising the capital necessary to complete the railway and to perform its other obligations, and to realise the benefits and rights conferred on it by the contract.

8. That the Queen, in derogation of the contract, by and through the Executive of the Colony, and particularly by the false and defamatory statements of the Minister for Public Works in October, 1892, before a Select Committee of the House of Representatives (which statements became a part of the public records of the colony), made it impossible for the company to raise the capital necessary to complete the railway and to perform its other obligations, and to realise the benefits and rights conferred on it by the contract.

9. That the Company being formed for the purpose of constructing a railway on the system of land-grants, as provided by "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884," and as expressed in the contract between the parties, and being thus known to the Queen as a Company which would have to raise money from time to time by share or debenture capital, or both, to enable it to carry out the contract, was, by reason of the premises, prejudiced and prevented from raising the capital necessary to complete the railway and to perform its other obligations, and from realising the benefits and rights conferred on it by the contract.

That, by and in relation to the foregoing matters, the credit of the Company has been destroyed, and consequently it has been prevented from completing the railway, and that thereby it has lost the whole of the share-capital subscribed, together with the profits reasonably to be expected thereon, and has lost the whole of the debenture-capital raised and expended, with interest thereon, and also other moneys and credits, amounting to the sum of £1,584,900, which sum the Company accordingly claims to recover from the Queen.

These particulars are in respect only of the matter in dispute and difference existing prior to and on the 14th January, 1895, and do not include the claims of the Company in respect of matters in dispute or difference arising since that date, and do not include the claim of the Company arising out of the seizure of the railway on the 25th May, 1895. All matters arising since the 14th January, 1895, up to the 13th day of July, 1895 (including the Company's claim for the seizure of the railway) the Company have, under clause 47 of the contract, submitted to arbitration under the notice dated 13th July, 1895.

(Delivered 23rd November, 1895.)

STATEMENT OF RESPONDENT'S CASE.

COLONY OF NEW ZEALAND.

In the Matter of an Arbitration between THE NEW ZEALAND MIDLAND RAILWAY COMPANY (LIMITED), Claimant, and HER MAJESTY THE QUEEN, Respondent.

THE respondent, by Hugh Gully, Crown Solicitor for the Wellington District, says:—

I.—1. In the year 1884 the Parliament of New Zealand passed "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884." By that Act several advantages were proposed and offered by the colony to such company as should undertake the construction of the railways therein specified. By section 7 of that Act it was provided that the Governor should cause an area of Crown land for a distance not exceeding fifteen miles on each side of the proposed line to be withdrawn from sale; that such lands should be surveyed into