

6. In the full measure of this faith a contract, dated the 3rd August, 1888, was entered into between Her Majesty the Queen and the company, and the company began the construction of the New Zealand Midland Railway line, and completed various sections of it, and equipped the same with all requirements at the cost of about £1,338,000.

7. This money was raised in Great Britain partly by the issue of shares in the company, but mainly by the issue of debentures, and the total issue of debentures was about £850,000.

8. To induce debenture-holders to advance to the company the large sums of money so required an Act was passed called "The East and West Coast (Middle Island) and Nelson Railway and Railways Construction Act, 1884," by which the company was empowered by this colony to give a first charge on the railway. Section 13 of that Act runs as follows: "All such debentures and interest payable thereon shall be a first charge on the entire assets of the company, including the railway and everything pertaining thereto."

9. The debenture-holders erroneously, as it now seems, relied upon this Act and advanced and lent their money as investors in a colonial security in the belief that they were getting a valid first charge over the railway, its rolling-stock and appurtenances. They had no share in the company's undertaking, and were merely in the position of mortgagees who were entitled to receive a certain rate of interest, the return of their loan, and nothing more.

10. It would be fruitless and invidious to set out all the reasons why the company did not prosper, but from a variety of causes it found itself unable to carry on and complete the whole length of railway-line provided for in the contract.

department is not aware that such faith has been at all misplaced. Mr. Blake's award appears to be conclusive on this point. The provincial districts referred to—especially Canterbury—have progressed considerably, and would have progressed to a much greater extent but for the failure of the Midland Railway Company to complete its contract, and but for the locking up of six million acres of Crown lands for fifteen years in the interests of the company. The security offered—viz., a land-grant of 50 per cent. of the agreed estimated cost (proportional to a total estimated cost of £2,500,000) of each section of railway completed—has been found to be perfectly valid and safe, the land having been regularly granted to the company as earned and applied for, and having, moreover, for the most part, been sold by the company at a price beyond the value estimated for the purposes of the contract. The relations of the company with the Government were also of a very friendly nature until the latter portion of the contract term, when it became evident that the company would be unable to complete its contract within the prescribed time, and when the company also began to threaten legal proceedings.

6. There must be some mistake in the figures quoted in this paragraph. The estimated cost of the sections of railway between Brunnerton and Jackson's and Stillwater and Reefton, completed by the company—the estimates being the joint production of the late Mr. Blair (then Government Assistant Engineer-in-Chief) and Mr. C. Napier Bell (who afterwards acted as Engineer in general charge of the construction of the line for the company)—being only £478,500. Add to this the actual expenditure on the Springfield and Belgrove sections, £127,185, and we get a gross total of £605,685. If, therefore, these sections of the line actually cost £1,338,000, then the whole railway, on the same ratio of cost compared with estimate, would have entailed an expenditure of over £5,000,000 instead of £2,500,000 as estimated.

7. No remarks.

8 and 9. To quote the portion of the Act mentioned without also referring to its other provisions is misleading. Section 18 of the Act repeals the borrowing sections of "The Railways Construction and Land Act, 1881," but goes on to state that "otherwise the principal Act shall have full force and effect in respect of the railway to be constructed under the authority of this Act, and the company constructing the same, except as herein is specially provided in modification thereof." The "principal Act" is "The Railways Construction and Land Act, 1881," and section 123 *et seq.* of that Act gives the Governor power to take possession of the railway in case of delay by the company in the prosecution of the works. This provision is in no way modified by the Act of 1884. Further, in the contract itself the Act of 1881, and the power of the Governor to take possession, are distinctly referred to. Every debenture-holder therefore had notice of the Governor's powers of seizure, and invested his money with a full knowledge of this risk.

10. It is only fruitless or invidious to detail the reasons why the company did not carry out its contract, if the petitioner concedes that its failure was not due to any interference by the Government. If the petitioner could assert that the company had been improperly interfered with he would doubtless