

company by the Crown would thereby be enhanced in value. To obtain this enhanced value, however, the company would have to hold the grants perhaps for years, and although the lands so held would be unremunerative, still it would pay to hold them, because there would be no tax on them. The graduated tax Act was introduced in 1891, and was directed against large holdings, and the company found it was impossible to continue to hold large areas from the increment which was expected from the carrying-out of the railway-work. I am dealing now with the difficulties which the company met when they went to borrow more money to carry out their work. They were met with the question, "What about this graduated tax? That is really a charge on the property, and then there is the risk that it may be further increased." "You cannot," said financiers, "hold your lands with the prospect of the increment which you were led to expect three or four years ago. We do not like such a security." That was how the company was met when they attempted to raise further money. I do not blame the Government; they were naturally trying to get more taxation; but I say that was one of the clauses which operated and operated powerfully against the company getting the money. Then there was the Debenture-tax Act, also introduced in 1891. It put a double tax on the debenture-holders. The company had not only to deduct income-tax from its debenture-holders, but also to pay the land- and income-tax itself on the property which the debenture-holders' money had treated. The debenture-holders looked at that fact, and there is no doubt that, too, was some obstacle to the raising of more money. I pass over the great difficulties with regard to the mining reserves, and will only refer to one matter in connection with them. It is said by Mr. Blow, in his answer, that we were mistaken in our interpretation of the contract, and it has been so said elsewhere. We acknowledge it; but we say, with regard both to these mining reserves and to the nature of our first charge, that we submitted the questions to some of the most eminent lawyers here and also at Home, and acted on their advice; and I have reason for saying that my friend Mr. Bell has said that the Government was not right in its interpretation of the statute. However, the Premier, by that inspiration which so often seems to strike him, took the proper legal view of the matter, and we cannot now complain. The matter was brought before the Arbitrator, Mr. Blake, and we recognise, although the debenture-holders were no parties to that arbitration, that the view taken by the Premier was the legal view. We say we made a mistake in our view of these rights, and we discovered afterwards that the whole of the Gray Valley could be taken and was taken by the Government for mining purposes, and the lenders of the money were astounded to find this possible. I repeat that we should not be charged with recklessly making a mistake in the interpretation of the contract, since such eminent lawyers as Mr. Bell and others shared our view of the matter. Another feature which affected our security was that in regard to the extension of time for the completion of the contract. We had six years and a half in which to complete the contract. Long before the term of the contract expired an application for extension of time was made, and, I suppose for reasons which they deemed good enough, the Crown would not grant the concession. We had not made sufficient advance with the work, and although every pressure was brought upon the Government they would not give further time. The contract was to finish in January, 1895, and three months afterwards the line was seized. The line and all the property of the company were seized, although the Government could grant a further extension of time unless the delay was caused by the wilful neglect of the company. As a matter of strict law they were no doubt right; but I will put it in this way: I undertake to build a great work for you, and I find when I have got a half or a third way through that I am embarrassed in my finances and ask you for an extension of time. You are entitled to say that in strict law that that is wilful neglect, and on that ground you seize and confiscate all the work I have done. That is the strictly legal view of the matter, and no doubt the Crown, acting on the advice of its lawyers, took the legal course; but I say that coming now as we do to the Committee as suppliants we are entitled to different treatment. I am sure you will remember reviewing the causes of the company's failure, and I submit to you that all these circumstances were powerful agents in stopping the work. It was the desire of the company to see the work through, and the East and West Coast Railway would have been pushed through if the concessions asked for had been granted in 1892. One suggestion after another was made by which the company might have gone on, but no concession was granted. It is true, and we are grateful to the Premier for the attitude which he took up, that the Government submitted a Bill to Parliament in 1896, which, if it had passed, would have put an end to this difficulty, but it did not find favour with the House. Now, if I have satisfied you that there were circumstances in the early stage of the enterprise for which we were not responsible I have attained my present object. I do not say they were the only circumstances which led to the failure of the work, but they powerfully contributed to the position in which we now find ourselves. I now pass on to another matter. I beg you to recognise the distinction between the debenture-holders and the shareholders of the company. You have a petition from the shareholders, which you were told the other day was merely a formal petition, presented because it was thought right that you should have all the parties before you; but there is a great distinction between the two parties—the debenture-holders and the shareholders. The debenture-holders embarked their money in the enterprise expecting that, if the enterprise were prosperous, they would get their capital and interest back. There can be no doubt that, after the company was formed, and after the capital of £250,000 was paid up, the present debenture-holders were approached as ordinary lenders of money, and were offered a first charge over the railway; and the result was that something over £750,000 was then advanced. It is by no means an unusual thing for the money for such enterprises to be advanced on such security. There is the Manawatu Railway Company, for instance. I believe they have a share-capital of £100,000, and all the rest of the money required for the construction of the line was raised by means of debentures. Mr. Blow has put the matter in a nutshell when he says, in effect, that the debenture-holders did not assume that they were getting a first charge on the line, for he asks whether