

The company let contracts for three sections of the line in England without public tender, in the year 1886, and the construction of the railway was commenced by the contractors on the 24th January, 1887, and progressed steadily. I ask the Committee to observe the facts, that the company commenced its work on the 24th January, 1887, and that their contract was signed in 1888, and that at the time they signed the contract three sections of the railway were nearly completed. How, then, is it possible for the company to suggest that they did not know every circumstance of their position and prospects when they signed the contract? The Committee will observe that until August, 1888, no contract with the company had been signed. The company were the assignees of the Chrystal contract, with special provisions in their favour under the Act of 1886, and under that they expended large sums in construction. They had their own officers and servants in the colony superintending the works. Mr. D'Avigdor, one of the English contractors for construction, and a large shareholder in the company, came out to the colony. They had ample, and more than ample, opportunity for estimating the cost of the work they had undertaken and their prospects.

The contract which was finally entered into directly between the company and the colony bears date the 3rd August, 1888. The draft of the contract was considered by both Houses in the session of 1887. It was approved by "The Midland Railway Contract Act, 1887," and executed in August, 1888. At that time they had long finished the first three sections of the line, and they had other sections in process of construction. I here refer to an extract from the report of their first annual meeting. I may say the company have been good enough to give me access to their reports and balance-sheets, and I have had printed any portions that I wish to refer to. Of course, if they desire to have them printed in full, that will be done. This is the report of the meeting held on the 25th November, 1887, in which it is stated,—

Extract from First Report of the Midland Railway Company, dated 16th November, 1887, presented at General Meeting of the Shareholders held 25th November, 1887.

The construction of the railway was commenced on the 24th January, 1887, and the works have been making steady and satisfactory progress.

Since the last general meeting the Deputy-Chairman, Mr. E. Brodie Hoare, has visited New Zealand, and has inspected the country through which the line will pass, in company with members of the committee of advice in New Zealand, the engineers, Mr. H. Alan Scott (the manager), and others, and was well satisfied with the progress of the railway as an undertaking, and also with the value of the land to be granted to the company.

To this report and balance-sheet is appended a report by Mr. Wilson, dated London, 15th November, 1887, referring to the three contracts then in progress:—

Contract No. 1, Stillwater to Teremakau; length, 7 miles 41.25 chains: The report states that this will be completed in December, 1887.

Contract No. 2, Brunnerton to Stillwater: length, 1 mile 16 chains: This section was finished on the 15th September, with the exception of the wrought-iron girders over the Stillwater Creek, but these would be in place by the end of October, 1887, and the line ready for opening.

Contract No. 3, Stillwater Junction to Nelson Creek: length, 6 miles 67 chains; Report anticipates that this contract would be completed by the end of February, 1888.

And yet, Sir, it is still suggested that this company entered into the contract relying upon what they had read in the newspapers, and what public men had stated in the colony. The Committee thus finds that the company took the assignment of the Chrystal contract in May, 1886; then raised £250,000 of share capital; then entered into negotiations with the Government of the colony, and asked for and obtained concessions; then, in 1887 and 1888, spent £200,000 on construction; and, in August, 1888—more than two years after the assignment of the Chrystal contract—the company entered into the contract with the Government which is the subject of the present dispute, they having in the meantime had officers and servants in the colony, and full reports from them. Surely they cannot say they did not know what they were doing.

(d.) *The First Debenture Issue.*

I pass now to the issue of debentures. The company had begun work in the beginning of the year 1887, and in 1889 the first £250,000 of share capital was coming to an end, and it was necessary for the company to finance further. In addition to their share capital they had moneys coming from the proceeds of the land-grants, which they had obtained in respect of completed sections of the railway, and which land they had sold. But that also was at an end; and you will see from the reports that they had a very difficult task before them in raising money. They attributed their difficulty to the fact that New Zealand was not just then in favour on the London Stock Exchange. They issued a prospectus for the issue of debentures to the amount of £750,000, and raised the money at a heavy discount. This is, I repeat, nearly three years after the first assignment of the contract to the company, more than two years after the work of construction had been commenced, more than two years after Mr. Brodie Hoare's official visit, and some time after over £200,000 had been spent on the line. Further, they had obtained land-grants for a large area. In the year 1888 they had sold lands to the amount of £20,000; and in 1889 they sold 15,000 acres at a price realising 41 per cent. above the value at which they took it. Can it be said that they issued the debenture prospectus without knowing what their prospects were? I shall later on in my specific answer to the petitions have to refer in detail to the debenture issue, and the debenture trust deed executed at the same time, and I therefore pass from them in this narrative.

(e.) *The Work between 1889 and 1892, and the Commencement of Disputes.*

From 1889 on to 1892 the company proceeded fairly steadily with the work of construction on the portion of the lines between Jackson's and Reefton—all level and easily constructed portions. They asked for various concessions: a deviation to the eastern side of Brunner Lake; the substitution of the Abt incline for a tunnel at Arthur's Pass; and an extension of time for completion. The first two were conceded; the third was never formally granted, but it was always made clear that if due diligence were used and some guarantee given of ability to complete there would be no