

difficulty in obtaining a fair extension of the contract time. I did not anticipate that could have been disputed, so I am not now prepared with the necessary references to documents to prove that such was the case; as far as my hearing went, the passage which Mr. Dalston read from *Hansard* from one of the Premier's speeches, shows that the Government never refused the company an extension of time if that was all they wanted; but when they were asked if that would be sufficient, the answer was it would be no good to them without a Government guarantee to help them out of their money difficulties.

In 1892 the company had exhausted the £250,000 share capital and the proceeds of the debenture issue of £745,000, and it found it could not raise more. The difficulty was a money difficulty pure and simple. They had not, and could not raise, money to go on. They approached Parliament by petition in 1892 asking for a Government guarantee for a further issue of debentures. They then contended that the action of the Government in respect of certain matters, which the Committee will find detailed in my speech on behalf of the company in the Appendices of 1892, had so damaged their prospects as to prevent them getting money on reasonable terms in the London market. Those contentions were disposed of by the arbitration. Mr. Blake decided upon them against the company, and, of course, Mr. Blake's decision is final in equity. Nothing was done by Parliament in 1892, and the company slowly proceeded with small portions of the work during 1892 and 1893, as far as its small balance of funds would permit. A further petition was presented to Parliament in 1893, asking for a Government guarantee of debentures in exchange for a surrender by the company of its land-grants, so as to set free the reserved area for settlement; but again without result, though the Committee recommended the modification upon condition that the company satisfied the Government that it was in a position to raise the money necessary to complete the contract. In 1894 a special Committee was set up by the House to consider the matter, and that Committee made the report which will be found set out in A.—8, 1894. (I may say here that I think the reports of the Committees of 1892, 1893, 1894, and 1896 should be printed in the appendix to the report of this Committee). A Bill was introduced into the House by the Government in the session of 1894 to give effect to this report, but was thrown out on the second reading.

(f.) *The Arbitration Proceedings and Possession of the Line taken by the Governor.*

The company then gave notice requiring that its differences with the Government should be submitted to arbitration under clause 47 of the contract of 1888, and appointed the late Chief Justice of Ceylon their arbitrator. In March, 1895, the Government appointed the late Chief Justice of Queensland its arbitrator. The two arbitrators appointed as their umpire Mr. E. Blake, Q.C., a member of the English House of Commons. The arbitrators differed as to the terms of the reference, and the whole matter was left to Mr. Blake, who made his two awards in December, 1895. Before I read the part of the awards material to this history, I must go back to the events which had happened in 1894 and 1895 relating to the railway itself, and I can do this best by reading the statement sworn to by Mr. Blow in his affidavit filed in the late proceedings in the Supreme Court:—

Extract from Mr. Blow's Affidavit, sworn 10th December, 1898, and filed in the Supreme Court.

5. Early in the year 1894 the company practically ceased all work of construction.
6. The position of the railway was then—
 - (a.) The company had actually constructed only 75 miles out of the 235 which it contracted to construct.
 - (b.) The sections of the line which the company had constructed—viz., from Brunnerton to Jackson's and Brunnerton to Reefton—were the least expensive portions, and the portions left untouched were by far the most expensive portions, of the work, the line constructed being over comparatively level land, whereas the portions between Springfield and the southern end of the constructed line and between Belgrove and the northern end of the constructed line were extremely mountainous, and railway-construction there consequently extremely costly.
 - (c.) According to the valuation made for the purposes of the contract the estimated total cost of the whole line was £2,830,000, and the valued total cost of the portion actually constructed by the company was £470,300. According to the statements of the company's officers the actual cost of that portion had amounted to over £700,000.
 - (d.) The company had declared its intention of refusing to construct the portion of the line from Belgrove to Reefton unless considerable further concessions were made to it, on the ground that such portion of the line could not be profitable when constructed, and the cost thereof would be excessive. For example, in 1895 (see Parliamentary Paper I.—8, page 13) the general manager and engineer-in-chief of the company, after making certain proposals for modification with regard to the line from Belgrove to Reefton, said, "If the Government cannot accept these modifications the alternative is to leave the works at Belgrove in their present unfinished state"; and at page 14: "The departure consists in the company excluding the Belgrove line, and completing the East and West Coast line only, and leaving the Reefton-Belgrove Section for future negotiations."
 - (e.) The company had either received land-grants or authorities for the issue of land-grants had been executed pursuant to the contract in respect of the constructed sections of the railway, and had sold and disposed of all or nearly all the land comprised in such grants and authorities.
 - (f.) The company alleged that by reason of matters which they claimed to have referred to arbitration they were entitled to various concessions, to compensation, and to an extension of the time for completion.
8. In the month of May, 1895, His Excellency the Governor, in exercise of the powers conferred by "The Railways Construction and Land Act, 1881," and especially of section 123 thereof, took possession of and assumed the management of the constructed portion of the company's line, and since then has conducted the traffic thereon, and has continued the construction of various sections thereof towards the process of completion of the line, and the Governor has from time to time rendered accounts to the company showing the amounts expended and received by him, and until recently the company has paid the sums claimed in the said accounts. The company has recently made default in payment of the sums claimed by the Governor, but no such default has yet been continued for the period of one year.
10. The Governor is now in possession of the constructed portion of the railway, pursuant to and in exercise of the powers conferred upon him as aforesaid. The railway-line from Springfield to Belgrove is a railway which has been recognised by several statutes of the colony as necessary for the public interests of the colony; for instance, the portion of it between Springfield and Reefton is included in the First Schedule to "The Railways Construction and Land Act, 1881."