stances such as to render the colony morally liable. Under the second class they claim that with their money a part of a large public work has been constructed, which part has passed to the possession of the Crown, and that the Crown ought therefore, in fairness, to pay the value of the work. The two classes are essentially different. If the petitioners could establish the contentions they advance and the alleged facts upon which they rely in support of the first class, every one would feel that their injuries must be recompensed. Whether it be put as a legal demand or as a moral and equitable right, the several allegations of the petitioners necessarily involve an attack upon the honour and good faith of the colony, and must be dealt with and refuted specifically, and, I trust, finally. The second class of claim is of an entirely different kind. Assuming that in its nature it forms a fair subject for equitable consideration by the Committee, two questions will arise which will have to be dealt with: First, what is the true value of the constructed portion of the railway for this purpose—whether (*a*) the market value, or (*b*) the assumed value to the colony as part of a main line of railway; and, secondly, must there not be deducted from such value, however estimated, (*a*) the moneys received by the petitioners from land-grants, and (*b*) the damages suffered by the colony by the conduct and default of the contractors.

When I come to deal with the latter branch I am sure the Committee will be surprised at the amount of settlement which it can be proved by the number of applications which have been refused would have taken place, and of the valuable land and timber which has been tied up for fifteen years through the default of this company. We have a claim also for damages against the company in that they did not confer upon Nelson, and upon the Coast, and upon Christchurch, the benefits which they had contracted to supply. But I must first deal with the first class of claim. I shall endeavour to be as brief as possible, but it is a very serious matter—serious for this reason: that it has always been difficult to meet this class of claim on fair and level ground. The ground is constantly shifted. The Government may meet a particular charge or claim they make, and demolish it, and yet years afterwards it may come up again. I will give an instance which will show how necessary it is to try to define the claims first, and then to reply to and meet them one by one. In 1896, when Mr. Parker, for the debenture-holders, first presented his claim to Parliament, he felt, and his counsel Mr. Chapman also felt, extreme difficulty in asserting that the colony had any responsibility for the debentures which were issued in 1889. They, however, asserted that the sanguine prospectus was issued with the approval of the Government of New Zealand, through their Agent-General; that the then Agent-General had seen and approved of the prospectus and debentures; and that he had expressly or impliedly agreed to the omission from the debentures of the declaration required by the statute that no liability was incurred by the colony. They said that the Agent-General at first proposed to be a trustee, and that the reason why the debentures were not in the form required by the statute was that the Agent-General approved of them in their issued form. Later on Mr. Blow, who conducted the case for the Government in 1896, produced documentary evidence proving incontestably that the Agent-General had not approved either the debentures, the prospectus, or the debenture trust deed; and Mr. Chapman formally and fully withdrew his contention before the Committee of 1896. And yet last month we hear by cable that the same contention has been repeated by the debenture-holders in the public Press, and the present Agent-General is again engaged in rebutting that charge. That is only an illustration, but it is a forcible illustration of the difficulty we have in disposing of such charges. I hope now to be able to collect all the charges and meet them once and for all.

(*a.*) *Illustration of a Charge made, refuted, and withdrawn Four Years ago, and now repeated.*

The following is the recent cablegram from the Agent-General:—"London, 21st May, 1900.—Premier, Wellington.—Letter published in *Times* states that Bell, as Agent-General, personally approved debenture prospectus, and trust deed Midland Railway Company." The following extracts from the Appendix I.–7, 1896, show how the same statement was made and refuted in the year 1896:—

Mr. Chapman: For some reason, I cannot say why, Sir Francis Bell did not act as trustee. The deed was actually drawn putting his name in as trustee; his name was, I am told, in the draft prospectus, but he did not act so far as I know. But he contemplated acting; he consented to act, and the Government of the day gave their consent to his acting; he perused the trust deed and also the prospectus. That subject was mentioned by Mr. Salt in his evidence before the arbitrator, and, it would seem, showing that any trustee would have to approve the prospectus. [*Vide* Arbitration Evidence, page 178, D.–4B, 1896, Questions 574 to 579.] It was also referred to in Mr. Hutchison's opening address (page 22); it does not appear to be a matter disputed. [NOTE.—After hearing the correspondence read which Mr. Blow produced, Mr. Chapman admitted that the Agent-General had not approved the prospectus and trust deed.] This is the most important part of the prospectus: "The present issue of debentures is made (1) to extend and equip the line to Reefton, about forty miles, in all about sixty-four miles of railway." [See Exhibit B.] I call particular attention to the statement that the railway is already constructed out of the first issue of capital, including rolling-stock; that the railway is to be equipped and constructed, according to contract, out of the proceeds of this issue, and they are specifically stated to be the security of the debenture-holders for this issue.

Mr. T. Mackenzie: That was approved by the Agent-General.

The Chairman.] That two million acres was not to be selected necessarily in alternate blocks, but might be taken anywhere?—Anywhere within the area.

Mr. Button.] Was that adopted, and did it become a State paper; was it transmitted and published among the State papers of the colony?—I understand not.

Have you any spare copies of it?—We have another copy, I think.

The Chairman: That emanates from the company?—It emanates from the company. In the raising of the money by the debenture-holders we do not say the Government is a party; but we point out that the prospectus which the company issued and the trust deed, as drafted, contained the name of the Agent-General; that it was contemplated the Agent-General should himself become trustee; that the trust deed was approved by the Agent-General at the time; that the Government consented to his becoming a trustee if that arrangement had been carried out; that the trust deed and the prospectus were both approved by the Agent-General; that the prospectus specifically stated what the security for the debentures was to be.

The Chairman: The Bill was ear-marked before the Agent-General consented?

Mr. McGowan: Where is the evidence of consent by the Agent-General?

The Chairman: You think we will be able to go into that later on?