

R E P O R T.

To His Excellency the Right Honourable Uchter John Mark, Earl of Ranfurly,
Knight Commander of the Most Distinguished Order of Saint Michael and
Saint George, Governor and Commander-in-Chief in and over His Majesty's
Colony of New Zealand and its Dependencies, and Vice-Admiral of the same.

MAY IT PLEASE YOUR EXCELLENCY,—

We, the Commissioners appointed by your Excellency's Letters Patent of the 31st day of January, 1901, and the 1st day of June, 1901, to make inquiry into the several matters set forth therein, have now the honour to report to your Excellency as follows :—

The Commission held its first meeting, in Wellington, on the 1st day of February, 1901, and heard counsel for the Crown and counsel for the debenture-holders of the New Zealand Midland Railway Company (Limited), the shareholders of the said company being represented by Mr. N. H. M. Dalston, their general manager. It was then decided to visit and inspect the several lines of railway in the Provincial Districts of Nelson, Westland, and Canterbury. Mr. Back resigned on the 11th day of February, 1901, and Mr. Morrison on the 16th day of February; and Mr. Graham, M.H.R., and Mr. James McKerrow, late Chief Commissioner of Railways, were appointed to fill these vacancies. A most exhaustive and careful examination of these lines was made by the Commission, and evidence was taken in Nelson, Westport, Greymouth, Christchurch, and Wellington as to the condition of the lines, the expenditure in connection therewith, both by the company and the Government; and also as to the traffic, present and prospective, having regard to the natural resources of the districts served by the said lines of railway.

The inquiry has been a most exhaustive one, involving as it does the transactions of the company, the debenture-holders, and the Government in connection with the railway for a period of fifteen years.

Throughout our journeys in connection with these inquiries we were accompanied by the counsel for the Crown, the Receiver and his counsel, as well as by the general manager of the New Zealand Midland Railway Company, and the Under-Secretary for Public Works.

When taking evidence the meetings of the Commission were open to the Press, and every opportunity was afforded to the parties interested to procure evidence, and lay the same before us.

The Commissioners experienced considerable difficulty in obtaining the information required, more especially that relating to the three separate sections of railway, owing to the fact that the office organization and the records of the company have been dispersed and the staff disbanded, thus making it almost impossible to procure the information in the form required. This applies more especially to the cost of management and finance. The Commissioners themselves have had to apportion such charges between the several sections, and from the fact that the undertaking was never completed these financial charges are enormous in comparison with the work done. The very large sum paid in the form of debenture interest, shareholders' interest, cost of raising money on debentures, administration, engineering, and law-costs are, therefore, out of all proportion to the sums expended upon railway construction and equipment.

The Commissioners now propose to take the questions submitted by your Excellency in the order in which they appear in the Commissions, and to answer them seriatim :—

1. "The sums actually expended by the said company in constructing the sections of the said railway from Stillwater to Reefton and from Brunnerton to Jackson's, and separately the sums actually expended by the said company in constructing the section of the railway from Belgrove to Norris's Gully, and the section from Springfield to Patterson's Creek; the sums expended for supervision and in commissions and salaries and in other incidental matters being ascertained separately from the sums expended for actual construction, railway material, and labour."