

EXHIBIT No. 175.

STATEMENT SHOWING COMMISSION, STAMP DUTY, EXPENSES AND DISCOUNT IN CONNECTION WITH THE ISSUE, IN 1889, OF THE £743,800 5-PER-CENT. FIRST-MORTGAGE DEBENTURES.

	£	s.	d.
Commission and expenses	54,695	1	7
Stamp duty on debentures	3,725	0	0
Discount at $7\frac{1}{2}$ per cent. (debentures issued at 92 $\frac{1}{2}$)	55,785	0	0
	<u>£114,205</u>	<u>1</u>	<u>7</u>

A correct abstract from the records of the New Zealand Midland Railway Company (Limited).
The New Zealand Midland Railway Company (Limited),
NORMAN H. M. DALSTON,
General Manager.

EXHIBIT No. 176.

GENTLEMEN,—

Wellington, 14th June, 1901.

I beg your leave to submit for your consideration the following suggestions :—

You will remember that the Crown handed in a memorandum stating that two sums of £37,876 15s. 1d. and £12,366 4s. 2d., making a total of £50,242 19s. 3d., should be excluded entirely from your investigation. Of these two sums the former represents moneys contributed by the debenture-holders pursuant to demands made by the Government therefor after the Crown took possession of the railway. The latter sum of £12,366 4s. 2d. represents the net profits earned by the railway while being run by the Government after seizure. It is obvious from the memorandum in your hands that the Crown desires to exclude from your investigation the net profits made by the Crown while running the line during the time I have mentioned, and that, if an error has been made in calculating these net profits, that error should be corrected. I assume that the Government desire to exclude from your inquiry the real net profits, whatever they were, and I therefore beg to call your attention to the fact that the Crown has inadvertently made a mistake in estimating these net profits at £12,366 4s. 2d.

If you will be good enough to turn to Exhibit No. 70, you will find the sum of £915 3s. 1d. which the Crown witnesses admit should be charged to capital account and not to ordinary maintenance or annual expenditure. This sum, the details of which are given in the exhibit referred to, was spent on improvement, and I draw your attention to the letter of Mr. Macandrew accompanying the exhibit, in which he says, "I have included in the list only those works that are considered to be improvements to the line, and have not taken into account the amount spent in ordinary maintenance."

Again, I draw your attention to Exhibit No. 2, and you will find that a sum of £1,287 8s. was spent in the year ending 31st March, 1899, on new rolling-stock and signals; that a sum of £2,713 15s. 4d. has been charged for new rolling-stock and signals on the Reefton-Jackson's line between 1889 and 1900; that £2,287 6s. has been charged during those years for protective works on the Reefton-Jackson's line; and that £127 11s. 4d. was spent in 1898 and 1899 on protective works on the Springfield-Otarama line. You will find that all these sums, making a total of £7,331 3s. 9d., have been deducted as ordinary annual expenditure or maintenance from the revenue earned by the railway while it was being run by the Government. It is quite plain, and it will, no doubt, be at once admitted by the Crown, that these deductions have been made improperly—presumably inadvertently. There should, therefore, be added to the sum of £12,366 4s. 2d. this sum of £7,331 3s. 9d., which, as I have shown, represents additions to the rolling-stock and permanent improvement of the line. The net earnings should, therefore, be £19,697 7s. 11d., instead of £12,366 4s. 2d. I do not include, as I submit I might, a sum of about £2,000 included in the item of £10,446 10s. 4d. appearing as maintenance in the year 1898-99 on the Reefton-Jackson's line. I might refer you to Mr. Christopher's evidence to show that a large amount of repairs were done to the line, but that in making these repairs the work was done in such a way as to add to and increase the permanent value of the line. However, this might be a contested item, and I desire to confine my present observations to items which are beyond contest. If, then, I am correct in assuming that the Government desire to ask you to exclude the money the debenture-holders paid and the net profits earned by the line, will you be good enough to exclude the items I have drawn your attention to, and state in your report your reason for so doing.

I have sent a copy of this letter to Mr. H. D. Bell.

I have, &c.,

F. G. FINDLAY,

Counsel for the Receiver.

The Chairman and Members of the New Zealand Midland Railway Royal Commission.

Crown Solicitor's Office, Wellington, New Zealand, 15th June, 1901.

GENTLEMEN,—

Dr. Findlay has handed me a copy of his letter to yourselves of the 14th instant.

I desire to point out that the matters referred to by Dr. Findlay are matters of account between the company and the Government, under section 123 of "The Railways Construction and Land Act, 1881." Those matters of account have not been referred to the Commission, nor is it possible that the Government could submit the principle or method of its accounts to the determination of any tribunal.