

by the contractors and their sureties, Messrs. Oliver Nicholls and John McLean, both of Auckland. The contract sum was £599,794, and the time stipulated for the work was five years, which expired on the 9th August, 1912.

(2.) The contractors lodged a deposit of £5,000, which is still held by the Government, and with the sureties entered into a bond of £25,000 for the due fulfilment of their contract. It was stipulated in their contract that the contractors would be liable to a deduction, or set-off, at the rate of £280 per week for each week after the 9th August, 1912, until the completion of the contract.

(3.) The contractors purchased the requisite plant, and have since carried on the work continuously in terms of their contract. The length of the tunnel as designed is 5 miles 24 chains, and the contract includes some formation and bridge work at each end, making the whole length of the railway included in the contract 8 miles.

(4.) In 1909 the contractors promoted a company (John McLean and Sons, Limited), to assist them in carrying out this and other works which they had in hand, and assigned the contract to the company, with the consent of the Government, by deed dated the 10th December, 1909. Since 1909 the works under the contract have been carried out by this company.

(5.) In November, 1909, the contractors applied to the Government for an advance of £20,000 to enable them to carry on the works, stating in support of the application that their own available capital was locked up in the work. After consideration it was decided to advance £20,000 in the shape of an additional progress-payment. The original contract stipulated that progress-payments were to be at the rate of 90 per cent. of the value of the work done, and 50 per cent. of the value of plant and machinery brought on to the works.

(6.) On the 3rd February, 1912, the contractors applied to the Government for further financial assistance, urging that the contract had, owing to unforeseen difficulties, proved unprofitable, and that they were unable out of their own resources to procure some additional necessary plant. At that time the contractors had done work and provided plant and material to the value of £249,882, and had received payments amounting to £216,173, leaving a margin in favour of the Government of £33,709, besides the contractors' deposit of £5,000 and the bond of £25,000.

(7.) On 13th May Cabinet decided to advance £10,000—£5,000 for payment of liabilities, and £5,000 for the purpose of additional plant: the latter £5,000 to be advanced at the rate of 100 per cent. of the value of the new plant brought on to the works. It was also agreed that the reduction in the rate of progress-payments, which should have come into operation on payment of the final instalment of the first advance, should be postponed until either the full amount of the new advance was paid or until the 1st March, 1913, whichever event occurred first. The total sum specially advanced to the contractors in excess of the 50 per cent. as provided in their contract is £25,000.

(8.) Approximately, one-third of the work of the contractors as provided by the contract has been completed, at a loss to the contractors of the sum of £53,418 13s. 4d., made up as follows:—

	£	s.	d.
Cost of work	213,362	17	9
Value 100 per cent. of work as per contract	206,896	0	0
	6,466	17	9
Less various recoveries	1,772	5	5
	4,694	12	4
Add 10 per cent. of finished work to credit of Government to June, 1912	20,689	0	0
Add certificate for amount payable for work done during June, 1912	4,113	0	0
	24,802	0	0
Deposit in hands of Government	5,000	0	0
	34,496	12	4
Book value of plant and material	78,333	1	7
Advances by Government to contractors—			
50 per cent. on plant	£34,411		
Cash balance	25,000		
	59,411	0	0
	18,922	1	7
Loss to contractors at end of June, 1912, assuming that Government terminated contract and seized plant, &c....	£53,418	13	11