No. 77.

Evidence of Mr. Josiah C. Firth before Mr. Commissioner A. J. Burns, at Auckland, 14th May, 1880.

My name is *Josiah C. Firth.* I am one of the directors of the Bay of Islands Coal-mining Company (Limited). It appears to me, as a large shareholder in coal undertakings, and as a person well acquainted with the difficulties attending upon coal enterprises in this colony, that the present system of royalties levied by the Government at certain fixed rates per ton on the output of coal mines leased at various times by Government, is open to grave objection on various grounds—viz.: First, the difficulties attending upon the establishment of coal-mining in a colony such as this, where skilled colliery-labour is very costly and only available to a limited extent; second, because mechanical appliances in a country where the mining enterprise is in its infancy are always costly and often inefficient; third, because of the novel conditions under which coal-beds have been deposited, rendering the experience gained in older coal districts only partially available. For these reasons, amongst others, coal enterprises in the Colony of New Zealand have not hitherto been profitable to their promoters, but, on the contrary, have often involved loss to their shareholders. In point of fact, every coal enterprise in this colony has had to struggle under difficulties incidental to the aforementioned conditions; and it is a fact that hardly one of these undertakings is yet in a position to pay regular dividends, even on the most moderate scale. Under the conditions now detailed, the colony has notwithstanding derived, and is now deriving, very substantial advantages by means of the coal raised within the colony; whilst the advantages to the shareholders have been practically *nil.* Looking at the struggling position of nearly every one of the coal mines, it appears to me that a very sensible measure of relief and encouragement may be offered to the shareholders in coal enterprises, by a very simple but effective alteration in the mode of levying the rents and royalties. Under the present system, as already stated, the royalty is levied at a fixed sum per ton. This fixed royalty has been found to be a very heavy burden on, and a great discouragement to, the various coal mines of the colony; for it will be readily understood that, when a mine has been struggling under difficulties which have prevented the payment of a shilling of dividend for years, the exaction of a fixed sum per ton as royalty is very likely to be the "last straw that breaks the camel's back." As a matter of course, unless coal mines are profitable to their shareholders, they will not be continued. Naturally, it cannot be the object of the Government to strangle such an important industry as coal-mining by rigidly adhering to a system of levying royalties—well enough in older countries, where mining deposits are well ascertained, skilled labour abundant, and mechanical appliances of well-ascertained efficiency abundantly available. By such a rigid adherence we may expect many coal-mining enterprises to be destroyed. It appears to me, after a very full and careful consideration of the whole matter, that a change in the mode of levying these royalties may be advantageously made in the interest of all parties. The change I recommend is this: that, instead of a fixed sum as royalty, a percentage—say 10 per cent.—of the annual profits divided amongst shareholders be paid half-yearly or yearly to the Government in lieu thereof. Under this proposal, when the shareholders derive no profits Government would receive no advantage beyond the taxation paid by the companies and their employés. Nor would the companies run so great a risk of being driven into liquidation; the position being that, if the shareholders got nothing, the Government got nothing beyond the taxation already alluded to. On the other hand, when the companies were prosperous and the shareholders in receipt of substantial dividends, Government would receive a very handsome rental for the mines; and in times of great prosperity, when dividends became larger, Government would receive such an accession of moneys as would probably show a better average on a term of years than under the system of fixed royalties at present in force.

J. C. Firth,
(for the Directors, Bay of Islands Coal Company,
Bay of Islands.)

No. 78.

Evidence of a Deputation from the Directors of the Walton Park Coal Company before the Commissioners on Local Industries, at Dunedin, 17th May, 1880.

Mr. E. B. Cargill intimated that he, as chairman, and the two gentlemen who accompanied him, as directors, of the Walton Park Coal Company, waited on the Commissioners in reference to a matter that had excited some interest and attention. It was in reference to using, as far as possible, local coal on the different railways. Some time ago tenders were called for for the supply of local coal to the railways in the neighbourhood of Dunedin, and, amongst others, the Walton Park Company tendered to supply their coals. This is a lignite of a very superior character, produced in the immediate neighbourhood of Dunedin. The Company's tender was accepted at a very low price. But they found that the railway authorities took none of their coals, except a small quantity for use in the workshops. They had an interview with the heads of department, who told them that they did not think of using the coal for railway purposes. The Company then asked that their coals should be given a fair trial, and that they should be represented at the trial. They obtained comparative trials of Walton Park, Shag Point, Malvern Hills, and Bay of Islands coals. The first of these trials was over the most difficult portion of the line, between Dunedin and Palmerston; and the Company were represented on that occasion by Mr. Petre, mechanical engineer, who was entitled to be considered an authority on the subject, and Mr. Wilson, formerly of the Otago Foundry, an old practical engineer. It transpired that the result of the trial was in every way satisfactory: while there was comparatively a much larger quantity consumed than of Newcastle or Shag Point, its capacity for keeping up steam was well established in the American engine in which it was tried. The extra quantity was not so great as to cause inconvenience, while its cost was 25 per cent. less than any coal used on the railway. The directors next had an interview with Mr. Conyers on the subject, when they were surprised to learn that, though their report stated that their coals were well adapted for the purpose, the railway