

Mr. MARTIN KENNEDY re-examined.

2391A. *The Chairman*] Can you, Mr. Kennedy, give the Commissioners any particulars as to the cost of getting coal for two periods, from January to March, and from March to June, as arrived at by the special audit which was held in Dunedin?—Yes. I received a report from the head office, which had been made by the auditors who were employed in July last to investigate the accounts, and I put in an abstract of that report, which sets forth all the results arrived at. [Abstract put in.] I may say that this statement coincides exactly with the results I myself arrived at with regard to the cost and sale of coal, and published in the *Grey River Argus* of the 7th July, 1890. [Exhibit marked No. 1 referred to.]

2392. That was the statement you forwarded to the Premier with your letter?—Yes. I enclosed a copy of the statement published in that paper in my letter to the Premier on the 16th July. My second letter, of the latter end of August, to the Premier referred only to the unfairness of the increasing scale of royalty, and asking that, as the question of royalty was to be reviewed, this might be taken into consideration.

2393. *Mr. Brown.*] I understand this Commission has been appointed in consequence of representations asking for a reduction of the 6d. per ton. Can you state any grounds upon which that might be fairly done? With whom did the suggestion first originate?—Well, I believe I made the first application on the subject to the Premier.

2394. You made the first application, then, to the Premier for the reduction of the 6d. royalty?—It was a provisional and temporary reduction I asked for. I did not ask for a permanent reduction. At that time we were making a big loss, and, as I set out in my letter, I asked, pending the negotiations which would ensue between the miners and ourselves, if the Government would suspend the royalty, or a portion of it, during those negotiations.

2394A. What you applied for was a suspension?—Yes; that was my application.

2395. Was that discussed at all with the Miners' Association?—I never put it to the Miners' Association. I simply made that application to the Government.

2396. You learnt afterwards that they discussed the same thing?—Yes; and I had a reply from the Premier and the Railway Commissioners that they declined to entertain this application.

2397. As far as your direct application was concerned?—Yes.

2398. But you became aware afterwards that the miners were discussing something similar?—Yes.

2399. Although there had been no communication between you on the subject?—No.

2400. *The Chairman.*] I will read the exact words you used in your letter to the Premier. You said, "I would suggest that a temporary suspension of the 6d. ton royalty, together with the Railway Commissioners allowing a reduction on the railage, as the proper source to meet in part the deficit, as during suspension there would be neither royalty nor railway receipts"?—That is it.

2401. That was the only reason you urged in support of the thing at the time?—Yes.

2402. *Mr. Brown.*] Your application was for the purpose of preventing a strike?—Yes; for the purpose of warding off a strike whilst we were negotiating. I wanted to keep them working while we were negotiating.

2403. Afterwards the miners made a similar suggestion, did they not?—Yes.

2404. Do you know how it came to be discussed with them?—I was at Wellington by this time, and I had a communication merely asking if the company would join with them in making application to the Government for a reduction of the royalty, and that they would allow 2d., and they wanted the 6d. to be taken off the railage or royalty.

2405. Did you gather from their letter that they meant a permanent reduction, or a temporary reduction, as in your application?—They meant a permanent reduction at 6d. either on the royalty or railage—they did not mind which. They wanted a permanent reduction of 6d. off 2s. 6d.

2406. Did that meet with your approval?—My reply at that time was that while I would join with them I did not expect the application would be acceded to, as I had already received a reply in the negative.

2407. Are there any reasons why the royalty should be reduced?—I desire to make this point clear by referring and adding to my previous evidence. [See additions to previous evidence, page 21.]

2408. *The Chairman.*] Can you urge any reasons that appear to you sound to support the concession of the royalty?—The principal argument that the miners urged against the adoption of our proposition was that the Denniston rates were better than our rates—that is, the Denniston rates for coal-cutting. They said the Denniston rates were as good as the rates they were then getting, and upon which we were insisting upon a reduction; and they urged that if Denniston could pay those rates why could we not pay them equally well.

2409. What was the royalty at Denniston?—Sixpence—the same as ours: that is, the royalty at Denniston is 6d. a ton for the whole period of their lease.

2410. *Mr. Moody*] No alteration?—Yes, that is it; that is the difference. That appeared to me the strongest position they could take and did take—that the rates there were as good as what we were then paying, and upon which we wanted a reduction. Of course I would naturally have to make a reply to that.

2411. Did they say anything to you to the effect that there was a difference in the seam at all?—They held that the work was as easy there as here. To that my answer is this: that within my own knowledge the whole output of Westport coal for the whole year commanded 2s. 2d. a ton more than our coal for the whole period; and I said that while they got 2s. 2d. a ton more than us, the dividend only equalled 1s. 6d. per ton, consequently, if our coal cost as much as Westport, that we would be losing 8d. a ton without any interest on capital at all. That was my answer, and that was the position; and I invited them to show me how the thing was to be covered, as, if I attempted to increase the prices it would mean shutting up the mine. Of course I had proof of