

1898.
NEW ZEALAND.

WASTE LANDS COMMITTEE.

REPORT ON THE QUESTION OF THE PURCHASE OF THE OTAHU ESTATE.

Brought up on the 23rd September, 1898, and ordered to be printed, together with Minutes of Proceedings and Evidence taken thereon.

ORDER OF REFERENCE.

Extract from the Journals of the House of Representatives.

FRIDAY, THE 22ND DAY OF JULY, 1898.

Ordered, "That the question of the purchase of the Otahu Estate under the Land for Settlements Act be referred to the Waste Lands Committee to investigate the circumstances under which the purchase was made, the suitability of the land for settlement, and the disposal of the estate since its purchase; the Committee to have power to call for persons and papers; and that it be a direction of the House to the Committee that all evidence is to be taken in full in shorthand and laid upon the table of the House with the Committee's report."—(Hon. Mr. J. McKENZIE.)

REPORT.

THE Waste Lands Committee, to whom above-mentioned subject was referred for investigation and report, have the honour to report that, having heard the statements of Mr. J. McKerrow, Chairman of the Land Purchase Board, also the Hon. J. G. Ward, Mr. Batger, and Mr. J. W. Kelly, M.H.R. (who withdrew all charges of impropriety against the department), they are satisfied there is no ground whatever for any charges in connection with the purchase of the Otahu Estate having been made against the Hon. Mr. Ward or the Land Purchase Department.

A copy of the evidence and proceedings of the inquiry is attached.

23rd September, 1898.

R. THOMPSON, Chairman.

MINUTES OF PROCEEDINGS.

WEDNESDAY, 3RD AUGUST, 1898.

THE Committee met.

Present: Mr. R. Thompson (Chairman), Mr. Flatman, Mr. Hogg, Mr. Lang, Hon. Mr. J. McKenzie, Hon. Mr. Rolleston, Mr. J. W. Thomson, Mr. Wason, Mr. Duncan.

Minutes of previous meeting read and confirmed.

The Committee took up the consideration of the question of the purchase of the Otahu Estate.

Mr. Kelly, M.H.R., attended, and stated that he had a number of witnesses (four) whom he wished to examine, and asked that the Chairman issue his summons to them to attend, and give an order for the payment of their expenses.

The Hon. Mr. Ward attended, and made a similar application.

Mr. J. McKerrow, Chairman of the Land Purchase Board under the Land for Settlements Act, also attended, and gave a list of the witnesses he intended examining with reference to the purchase of the estate in question.

The Committee resolved that they would first hear the evidence of Mr. McKerrow, and then come to a decision as to what witnesses should be examined.

Mr. Kelly then addressed the Committee.

The Hon. Mr. J. McKenzie addressed the Committee.

The Hon. Mr. Ward also addressed the Committee.

Mr. McKerrow then gave his evidence, which was taken down.

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The following exhibits were handed in by Mr. McKerrow: Letter from Messrs. McNab and Watson, Invercargill, offering the Otahu Estate for sale; report on the estate by Mr. C. C. Sproule, valuer, Invercargill; report from the Land Purchase Board to the Government, recommending the purchase of the estate, and the approval of the Government thereon; further correspondence concluding the purchase, and maps of the estate.

The Committee then adjourned.

TUESDAY, 9th AUGUST, 1898.

The Committee met.

Present: Mr. R. Thompson (Chairman), Mr. Flatman, Mr. Gilfedder, Hon. Mr. J. McKenzie, Hon. Mr. Rolleston, Mr. J. W. Thomson, and Mr. Wason.

Minutes of previous meeting read and confirmed.

The Committee further considered the question of the purchase of the Otahu Estate.

The Hon. Mr. Ward and Mr. Kelly, M.H.R.'s, attended the meeting. Mr. J. McKerrow, Chairman, Land Purchase Board, was also in attendance.

Mr. Kelly handed in the following statement, which was read for the Committee:—

“Purchase of the Otahu Estate.—After hearing Mr. McKerrow's statement (while still of the opinion that the land is comparatively valueless for settlement purposes) I am satisfied that the Land Purchase Board purchased the estate after careful consideration, and that no undue influence was brought to bear upon the department.
“J. W. KELLY.”

The Hon. Mr. Ward expressed his dissatisfaction with the foregoing statement, and repeated his request that his witnesses should be examined by the Committee.

On motion of the Hon. Mr. J. McKenzie, it was resolved, That the evidence and statements given by Mr. Kelly and Mr. McKerrow before the Committee on the 4th instant, and taken down, should be printed and circulated amongst the members of the Committee; and that, pending such resolution being carried out, further consideration of the question before the Committee stand adjourned.

The Committee then adjourned.

TUESDAY, 23RD AUGUST, 1898.

The Committee met.

Present: Mr. R. Thompson (Chairman), Mr. Gilfedder, Mr. Hogg, Hon. Mr. J. McKenzie, Hon. Mr. Rolleston, Mr. Wason.

Minutes of previous meeting read and confirmed.

The Committee further considered the question of the purchase of the Otahu Estate.

The Hon. Mr. Ward, M.H.R., and Mr. J. McKerrow, Chairman, Land Purchase Board, attended the meeting.

The Hon. Mr. J. McKenzie moved, That Mr. John Batger be examined, and his evidence taken down.

And the question being put, the Committee divided, and their names were taken down as follows:—

Ayes, 2.—Hon. Mr. J. McKenzie, Mr. R. Thompson.

Noes, 2.—Hon. Mr. Rolleston, Mr. Wason.

The voting being equal, the Chairman recorded his casting-vote in favour of the “*Ayes*.”

The motion was therefore carried in the affirmative.

Mr. J. Batger was then sworn and examined, and his evidence taken down.

The Committee then considered their report.

Mr. Wason moved, That the report be as follows:—

“The Committee, having heard the statements of Mr. McKerrow, Hon. Mr. Ward, and Mr. Batger, is satisfied that there is no ground whatever for any charges in connection with the purchase of the Otahu Estate having been made against the Hon. Mr. Ward or the Land Purchase Department.”

The Hon. Mr. Rolleston moved, as an amendment, That the following be the report of the Committee:—

“This Committee is of opinion that no charge has been substantiated against the Land Purchase Department, either as to the expediency of the purchase or the manner in which it was made, or the suitability of the land for settlement. With regard to the insinuations said to have been made against Mr. Ward, the Committee do not think it their business to enter into such matters.”

And on the question being put, That the report proposed by Mr. Wason be agreed to, the Committee divided, and the names were taken down as follow:—

Ayes, 3.—Mr. Wason, Mr. Hogg, Hon. Mr. J. McKenzie.

Noes, 1.—Hon. Mr. Rolleston.

So it was resolved in the affirmative.

The Hon. Mr. J. McKenzie moved, That the evidence taken before the Committee, and printed, be attached to the report when brought up in the House.

The motion was carried on the voices.

The Committee then adjourned.

MINUTES OF EVIDENCE.

WEDNESDAY, 3RD AUGUST.—Mr. R. THOMPSON in the Chair.

Question of Purchase of the Otahu Estate.

Mr. J. W. KELLY, M.H.R., having been called upon by the Chairman to state definitely the charges he was making in regard to the purchase of the Otahu Estate under the Land for Settlements Act, said,—

I considered the property was an absolutely useless one for the purpose of close settlement. That being so, I did not believe its purchase would ever have been considered unless there were influences brought to bear upon it. We had to take the fact that Mr. Batger was the gentleman who offered to purchase debts due by the member for Awarua to the Colonial Bank. A short time after this offer the estate was purchased by the Land Purchase Board. Now, I left it at that; and I clearly said, also, that while it was quite probable that no evidence could be found to establish the connecting-link between the two things we probably in the near future would see the revelations. There is the whole statement so far as Mr. Ward is concerned. There was no direct charge. I admit it was an insinuation I put forward.

Mr. McKerrow (to the Chairman): He referred to influences brought to bear. Does he mean on the Land for Settlements Board? Because the Land Purchase Board has entirely to do with these purchases: the Government only approves or disapproves of the recommendation of the Board. The Board is the only party that has to do with the purchase of estates; the Government has nothing whatever to do with it. The Board would not allow the Government to interfere.

Mr. Kelly: We all know perfectly well that in communicating with Ministers, if we want anything done and do not want the letter to become an ordinary part of the departmental correspondence, such correspondence is marked "Private and confidential." I do not say that any communication was sent to the Land Purchase Board at all. My statement was—and is now—that this property was an absolutely useless one to purchase for the purpose of subdivision for closer settlement. This was my principal charge against the Land Purchase Department, but I made no insinuation against Mr. McKerrow personally.

Mr. McKerrow: You may not have intended to make any charge against myself and the Land Purchase Board, but in effect you have, because it is that Board that buys the estate, and no interference with it would be tolerated.

Mr. Kelly: I did not intend to make any insinuation against you.

Mr. McKerrow: It is not an insinuation; it is a direct charge.

Hon. Mr. J. McKenzie proceeded to quote an extract from the *Southland Times*, dated 22nd June last, from a speech delivered in the Theatre Royal, Invercargill, in reference to the Otahu Estate. The quotation ran: "If Mr. McKerrow did of his own free-will recommend the purchase for subdivision at £1 5s. per acre, it was the best possible argument for saying that the time had arrived when he should be relieved of his duties, as this act can itself prove that he was not possessed of the intimate knowledge of land for settlement which was absolutely necessary for one in his position as Chairman of the Land Purchase Board."

Mr. Kelly: I never read the report of the speech, so I cannot tell what it is like. [On reading it over, however, Mr. Kelly declared it to be quite correct.]

Hon. J. G. WARD stated,—

There are one or two matters in Mr. Kelly's statement that during the course of investigation I consider, as a matter of fairness to myself, I may be allowed to call witnesses upon. One point is the direct reference to undue influence which he has insinuated was apparently worked by me. Mr. Kelly has referred to the connection of Mr. Batger for the offer made for the estate of J. G. Ward to the Colonial Bank liquidators. Now, as that is intended by him to be a connecting-link to show that I had something to gain by the sale of the Otahu Estate, I wish to state emphatically that I was not, directly nor indirectly, nor was any relative of mine, concerned in the sale of the Otahu Estate, nor of its proceeds. I sincerely hope the Committee will permit me to call witnesses on that point, because I consider it a right due to me. Regarding the offer referred to by Mr. Kelly which was made in the name of Mr. Batger for my estate, I wish to say he was not interested in connection with the finance to the extent of a sixpence for that offer.

The Chairman (interrupting): I do not think anything in this inquiry should interfere with private estate at all.

Mr. Kelly: I said plainly that while there might not be the slightest evidence to establish a connecting-link—

Hon. Mr. J. McKenzie: Mr. Kelly has brought up Mr. Batger's connection.

Mr. Ward: A private syndicate of my friends—some of them politically opposed to me—made the offer for my estate. They did not wish their names to appear, and Batger was asked on behalf of that private syndicate to allow the offer to be made in his name on their behalf. He was not one of the syndicate, and there was no relation of mine in it or connected with it. Batger was simply the name that appeared on behalf of the syndicate for the offer of the business. He was not interested in it to the extent of a sixpence, nor were any relations of mine interested or connected with that offer.

Mr. Kelly: I am prepared to accept that statement.

The Chairman: I think, Mr. Kelly, after what has been stated now, you should withdraw anything in connection with Mr. Ward's private affairs at all.

Mr. Kelly: I never insinuated that Mr. Henderson or Mr. Batger had any direct interest in making an offer.

Mr. Ward: I should like witnesses to be called so as to show that it was absolutely without foundation.

At this stage the Hon. Mr. J. McKenzie handed in the correspondence in connection with the business in question, Mr. Kelly being assured that the whole of it was included.

Mr. J. McKERROW, Chairman of the Board of Land Purchase Commissioners, sworn, stated,—

In November, 1896, Messrs. McNab and Watson, solicitors, Invercargill, addressed a letter to me as Chairman of the Land Purchase Board, offering to sell, on behalf of Messrs. Menzies and Batger, the estate of Otahu, containing 6,050 acres, the price to be £1 7s. 6d. per acre. In the February following I went down to Southland, and, in company with David Barron, the Commissioner of Crown Lands and a member of the Land Purchase Board, visited the estate, went over it carefully, and concluded that it was a very suitable estate for subdivision for settlement—more especially as it was simply an extension of the Merrivale Estate, which had been purchased by the department three years previously, and which was all settled; and, further, that the adjacent Crown lands of a similar nature were also settled. We considered that it was very desirable, seeing that settlement was inaugurated in that district, to extend it, so as to get the community of a sufficient size to establish dairy factories, to get the advantage of good schools, and the other advantages of civilisation; the district being somewhat outlying, as there was a distance of from twenty to twenty-five miles to the Otautau Railway-station, although connected by a good road for the greater part of the way. Having resolved as I have already stated, I then made an inquiry of the Superintendent Valuer, Mr. Carswell, as to a reliable person to value the estate, it being a requirement of the Land for Settlements Act that the Board should get valuation by an expert. He recommended several gentlemen, from whom I selected, after consideration, a Mr. Sproull, whom I did not know, and whom I have never seen. But he was well recommended, and I instructed the Commissioner of Crown Lands to employ him to value the estate. That was done. Mr. Sproull's report came to me in April. The Board then met, and on the reading of the report, and receiving the testimony of Mr. Barron, of Mr. Kinross (Mr. Kinross having previously visited the estate and inspected it), and my own testimony, the Board, consisting at this sitting of the gentlemen I have named—myself as Chairman, Mr. David Barron, Mr. Kinross, and Mr. Percy Smith, Surveyor-General—recommended the Government to purchase this estate at £1 5s. per acre. That is the sole statement, as far as I can remember, of all that need be stated to the Committee as regards the negotiation over and the purchase of the estate.

[Mr. McKerrow concluded his statement by reading and afterwards handing in the following exhibits: (1) Messrs. McNab and Watson's report on the Otahu Estate; (2) report of Mr. Sproull, the valuer; (3) report of the Board; (4) formal general report. He also stated that the land in question had recently been valued by the Land-tax Department at £8,659, whereas the Board had paid for it £7,555, or £1,105 below that figure.]

1. *Hon. Mr. J. McKenzie* (to witness).] You visited the estate personally before you recommended the purchase?—Yes.

2. You were satisfied with making that recommendation after you had visited it?—Yes.

3. Have I ever in any way asked you in any shape or form to purchase this estate?—I do not think you knew anything at all about it, because, as I have already read, Messrs. McNab and Watson addressed their letter to me. You are very frequently out of town, and so am I, and in our going to and fro it sometimes happens that we do not see each other often for a long time; and, moreover, the working of this matter I may say is left entirely to myself. I do not inform the Minister, as a matter of course, of all offers made. I did not go down specially to inspect the Otahu Estate. We had had several offers, and I said to the Minister, "There are offers of several estates down in Southland." Mr. McKenzie said to me, "I don't think you need be in any hurry about the purchase of those estates. Former purchases South have not gone off readily. We have Crown land yet, and need not care much about these offers for purchase." I went down, however, and saw, besides this, five other estates. They were all recommended to the Government, four were approved, and two held over to await results of others.

4. *Hon. Mr. Rolleston*.] There is one point in these reports which I would like to ask about, and that is as to the output, so to speak. Can you form an estimate of the estate's value—in the way of saying how many bales of wool or how many sheep it would carry?—It carried fully three thousand sheep during the two years before we purchased.

5. A sheep to 2 acres?—Yes, and carry some cattle besides.

6. What class of sheep?—Cross-bred.

7. And in good condition?—Yes, they were looking fairly well, I thought.

8. Is not this country under snow sometimes?—Never. The 4,000 acres is from 150 ft. to 200 ft. above the sea. It has really a beautiful climate, and this Waiau Valley is one of the finest in the colony.

9. Is the soil the detritus of lime?—Yes, it is the detritus of lime and partly shingle. There is limestone on the Merrivale Estate.

10. What was the price offered for Merrivale?—£2 10s. all round. Some of it was worth from £5 to £6, I suppose. There was a portion of it cultivated. You remember the Orawea River near Mr. Ellis's, between that river and the limestone cliffs there is a very good piece of land. But there is also a considerable portion of shingle-plain in Merrivale.

11. Suppose you were told it would carry two sheep to the acre, what would you value it at?—We formed our opinion what it was worth before, and we fixed it at £1 5s. simply because it was carrying one sheep to the 2 acres—good cross-bred sheep—which just brings it to £1 5s. The stock returns are rather under. They are, as a rule, very safe to go by, because nobody

cares to return an excess of stock owing to the tax. I may say to the Committee that the Otahu has been a little disappointing, although I would have no hesitation in purchasing it at the same price again. What marred it was this: I saw in the papers myself very disparaging remarks about the quality of this land, and that it was a regular piece of corruption on the part of the Government and Mr. Ward, and all that sort of thing. That, I believe, had a very deterrent effect on people going to visit it. Then, too, a small settler would have to come from Invercargill, say, take train to Otautau, and stay the night, and then have to arrange for a buggy or horse for twenty-five miles to see the place; and, also, if people see in the papers that it is a bad place they will not come. So that I attribute that influence in a degree to the tardy manner in which it was going off, although now it is going off better, and I have no doubt that in a few months more it will be all taken up. The difficulty in settlement is to get the first man on the ground. It is just with mankind as it is with sheep—one takes the jump and the others follow. On the Otahu a settler can have a large area of open grass land at a low rental. That being so, he has time to feel his way and gain a footing; whereas with higher priced land there is greater risk of failure in the earlier stage of settling on the land. To a man of energy and go, but of small means, I think there is more likelihood of success on low-priced lands lying back than on high-priced lands along the railway-lines.

12. Does the correspondence disclose any attempt on anybody's part to bring influence to move you in connection with this purchase?—Not the slightest; no pressure by verbal hint, or in any way whatever. There was nothing improper—I disdain the very idea of it.

13. I should like it to have been understood whether it was quite possible, though I think it very unlikely?—I was not waited on by anybody in connection with this—certainly not the Minister or Mr. Ward. If any one had attempted to use undue influence in connection with this he should have received a very plain reply.

14. *Mr. Kelly.*] You stated about the value of the Merrivale land. Will you tell the Committee what the Merrivale land was valued at by the valuer when subdivided for settlement?—Yes. Just alongside the boundary one section was put down at 6½d., another at 9½d., and another at 1s. 2½d.

15. Are you also aware that on that land adjoining Merrivale—that valued by our department at 12s. 6d.—there was from £1 to £1 2s. 6d. per acre spent upon the laying of it down in grass almost before the department had taken it over?—I do not know.

16. You say it was approximately valued at 12s. 6d.?—That is what the land came to apparently.

17. You also stated that about one-third of the land was taken up?—Yes, about that.

18. Will you tell us whether Mr. and Mrs. Smith, who took up two sections, retained them?—I do not know the names, but I know there was a party who gave it up; and I wrote to the Commissioner of Lands, who replied that they were frightened by the persistent attacks of the traducers—they saw so many adverse remarks about the property.

19. In a statement that appears in the correspondence from Messrs. Watson and McNab they stated that a mortgage of £11,000 was on the property at one time. Are you aware from your own knowledge if this is correct?—I am not aware at all.

20. You said the Minister never expressed any desire, directly or indirectly, about taking it up?—That is so.

21. In one of your letters in the correspondence you said that Mr. Batger stated to you his intention to take up the Homestead Block?—Yes, that is so.

22. How far did this statement of Mr. Batger's weigh with you with regard to it?—On purchasing an estate with a homestead on it there are, as you are aware, certain considerations to be taken into account for that particular portion. Property of that sort, although very valuable at first, soon goes down, because it will soon get overrun with weeds and into general disrepair unless soon occupied. So I said to Batger, "This is a nice homestead; don't you intend holding on to it?" He replied, "Yes." I said, "There are two ways of retaining it: you may have it excised from the estate, and not sell this portion at all, or the law will admit you applying to have 640 acres of it adjacent to the homestead, which you will have permission to lease." He said it would be very nice, but his brother might take it up at any time. Mr. Barron and I, however, pointed out that it would be rather a straining of the law for him to transfer it to his brother, but that in order to put it in train we would survey the homestead. Messrs. Batger and Barron and myself went carefully through the bush to see the nature of it, and I may remark in passing that it is one of the most valuable properties in the colony, because the timber has not been wasted or burnt. Mr. Barron and I said that if we got the property we would cut a portion of it off as a reserve for the settlers for sawmilling, getting firewood, and other purposes. Mr. Batger did not want a bight cut out, so we said, "We will run the line behind, and keep the place intact." The map will show that that has been done. I may say he really led us to believe he would take it up, and we were afterwards annoyed that he did not. At the Jubilee Exhibition at Dunedin I saw him, and remarked that we were rather disappointed, and he said, "I did not care about it, and my brother did not want to take it up."

23. You did not say it in writing?—No; it was purely verbal.

24. You still say that even if Mr. Batger had not offered or had not stated his intention of taking up the Homestead Block it would have made no difference whatever in your recommendation?—No, I do not think it would; it is a very good purchase.

25. You said something about that no settlers in the locality of where this land was would care about taking up the land?—What I said was that there were no people in that immediate district to take it up. It is a new district, emerging from the pastoral to the agricultural stage, and people must come from outside to take it up.

26. Are you not aware from observation yourself—from what you have seen—at Merrivale and Otahu that the former is far better?—Yes, there is better land in Merrivale than Otahu, but in Otahu, along the ridges, there is marsh ground, good land, but the land between the road and towards the river is more shingle. I may remark this: there are some 1,500 acres of Merrivale of just the same character of shingle land.

27. Yes, that is so. Who classified the land?—It would be the Land Board, under the advice of the Commissioner of Crown Lands.

28. I think, in reading Mr. Sproull's report he reported that there were not a great many rabbits?—I can refer to his report if you like. When we were there we saw evidence of them in the shape of their holes, but we saw very little of the rabbits themselves.

29. I think you also read from Mr. Sproull's report that the land in the district was valued at from £1 5s. to £1 10s. an acre?—That was the terrace land.

30. But are you aware that, as far as the Government land is concerned, there has been a tremendous agitation among the settlers for a reduction in rents?—I think I noticed in the newspapers something of the sort.

Hon. Mr. J. McKenzie: That is always the case.

31. *Mr. Flatman* (to witness).] But that is the arable land?—Yes, it is the 7,000 acres.

32. *Mr. Kelly*.] Mr. Sproull also said something in his report about the water-wheel there?—Yes.

33. Do you know of your own knowledge if it is correct that this water-wheel was removed?—Yes, that is quite correct.

34. Was it an understood thing between the Government and the settlers?—No; it was this way: The Commissioner of Crown Lands after Batger had given possession found it had been removed. I said he was to put it back. He then replied he thought it movable and that he could take it away, and that rather than replace it he would pay £16—the price of it. I rather resented this action of Mr. Batger's as a piece of sharp practice. I consulted law officers, and found I could compel him to put it back, and so I telegraphed to the Commissioner. I advised him that while I thought the wheel should be replaced, he was to confer with the Crown Solicitor, Mr. Macdonald, and follow his advice, which was to accept the £16.

35. Have you been in the house yourself?—Yes.

36. Mr. Sproull said it was in good repair inside. Did you go through it?—I did not. I thought the house was in very good condition, but the outbuildings were very poor.

37. *Mr. Hogg*.] Do you know how long it is since this land was originally purchased from the Crown?—It must be nearly thirty years. It was Cuthbertson's first, who was a member of the House at one time.

38. Can you tell us what was the price paid then?—I could not say—about £1 an acre, I think.

39. *Mr. Ward*.] While I was in the Ministry, or since I left the Ministry, did I at any time ever speak to you concerning the purchase of any estate, either Otahu or anywhere else in the colony?—No, you never did.

40. Did I ever communicate with you in any form, orally or in writing, concerning any estate?—In no form at all.

41. *Hon. Mr. Rolleston*.] I think I understood you to say there were three or four estates that you recommended in the Southland District?—Yes.

42. Were they absolute recommendations or alternative recommendations—that the Government could take one or other if they chose?—That is always the case. Government has the power to say, Yes or No. We put the same recommendation on every one—that we recommend the Government to purchase all these estates.

43. You did not state so?—We recommended the Government to purchase them all, because they were all small estates. The Government authorised immediate offers for four of them, but the price for two was not up to the sellers' expectation. For two the decision was, Stand over until we see how the others go off.

44. Of course, I am only dealing with the Board: the Board makes its recommendation and it has done with it. What I wanted to get out was this: In these reports there is no expression of opinion from the Board as to whether the district is one in which land could be bought; and in this case, supposing half a dozen applications come in, would you recommend them all, if you thought one was enough?—No, certainly not. We do not simply take into account the nature of the land only, but all the surrounding circumstances affecting the land for settlement, the demand for it, and everything else we can think of.

TUESDAY, 9TH AUGUST, 1898.

The Chairman: The Committee wishes Mr. Kelly to either make a statement or withdraw the charges he has made before the Committee decides to call further evidence. I have notified Mr. Kelly, and he is here; and I understand is prepared to make a statement.

Hon. Mr. Rolleston: This arose out of the question of calling for further witnesses. The Committee has decided to do this upon the circumstances under which the purchase was made. The general action we can express an opinion upon from what we have heard, and upon the disposal since its purchase.

Hon. Mr. J. McKenzie: We can give you all that.

The Chairman: The best thing is to hear Mr. Kelly's statement, and the Committee can decide afterwards.

Mr. Kelly : I leave it in your hands whether you consider it will meet the case or not. It is as follows: "After hearing Mr. McKerrow's statement (while still of the opinion that the land is comparatively valueless for settlement purposes), I am satisfied that the Land Purchase Board purchased the estate after careful consideration, and that no undue influence was brought to bear upon the department.—J. W. KELLY." I would have made the statement last day only I had an engagement and could not wait a minute longer. I am perfectly satisfied, after hearing Mr. McKerrow's statement, to exonerate him and the department from any undue influence whatever.

Mr. Ward : I assume, in view of the information he (Mr. Kelly) has heard from Mr. McKerrow, that the reflections publicly made in Invercargill are withdrawn also.

Mr. Kelly : I have made a statement, and I say nothing further than what is down there. I have withdrawn all I have said with regard to the department. Anything, of course, in the statement between Mr. Ward and myself the Committee has nothing to do with. That is entirely a private matter.

Mr. Ward : It is certainly not a private matter; it is a statement publicly made, and in consequence of that statement I proposed to set up this Committee in the first instance, and I think, in the absence of a complete withdrawal, in fairness I should be allowed to call evidence, and I ask the Committee to accede to my request. The imputations in the first instance were made against myself; and, in making them against me, the department was brought in. The department has been relieved from all imputations, because the evidence showed the utter want of truth in the charges; and, in relieving the department, I should expect manly courtesy would have shown Mr. Kelly the propriety of doing the right thing. I am entitled to ask Mr. Kelly to withdraw them, and if he may elect to refuse then surely I have the right to call evidence on the affirmative side which will completely refute his innuendoes. This I am prepared to do. I am quite prepared to call the following witnesses in justification of my position: Mr. John Turnbull; Mr. R. J. Cuthbertson, the former owner of the estate; Mr. Batger; Mr. Menzies, the other partner; Mr. Henderson, whose name has been introduced into the matter; each of the Land Purchase Commissioners, together with the Commissioner of Crown Lands at Invercargill, who, I understand, was one of those who purchased the estate; and Mr. Sproull, who valued the estate; also Mr. Kinross, the other member of the Waste Lands Board, who had something to do with the matter. I propose to ask the Committee to allow me to call them in order to clear up an unwarranted, unjust, and unfair imputation which was made publicly by Mr. Kelly, and which, so far as I am concerned, is absolutely undeserved. I wish this done to ascertain the circumstances under which the estate was purchased. Every one of those men must have a complete knowledge of whatever part they performed in connection with it. I have never taken any part in connection with it, either directly or indirectly, whatever. In fairness to myself the Committee should make a full investigation, and give me the right to call the whole of these witnesses, and, if necessary, others, in order to have the whole of this matter fully cleared up. I think it is a fair thing to do, and what any man would ask for in my position. Mr. McKerrow's evidence has cleared up any imputation that could exist against him, and indirectly his evidence exonerates me; but strong innuendoes have been made, and, as a matter of fact, I am quite within my bounds in asking that the evidence of the whole of the principal parties concerned should be taken.

Mr. Kelly : I have nothing further to add. I leave the matter entirely in your hands. I have made all the reparation I could to the department; and, having Mr. McKerrow's statement, I do not wish to put the country to the expense of calling all the witnesses.

Hon. Mr. Rolleston : The Committee should be clear as to what is to be inquired into.

The Chairman : What is the principal statement or innuendo Mr. Kelly has made?

Mr. Ward : I should ask the Committee to read the statement Mr. Kelly made here when the Committee first met. You will remember Mr. Kelly was asked to formulate his charges. He did so, and they were to my recollection as follows: That this land was valueless; undue influence was used in connection with the purchase of it; that a relative of mine was a partner of one of the people who owned the estate; and, but for the fact of Mr. Batger being one of the principals concerned in this estate, it would not have been purchased. Mr. Kelly went on to say that the same Mr. Batger was the gentleman who made the offer to the Court at Dunedin to purchase my private estate a few months previously. Mr. Kelly made that statement here in Committee, and I asked Mr. Kelly this morning, as the evidence of Mr. McKerrow completely disproved his contention, if in unreservedly withdrawing the imputations against the Land Purchase Department he was also withdrawing those he had publicly made against me, and he replied that, beyond the statement he put in, he was not prepared to go any further. All I ask now is either that these witnesses come forward and prove there were grounds for Mr. Kelly's innuendoes, and give me an opportunity of disproving what he said in the first instance. He has made gross and unwarrantable charges of corruption. Surely he should either prove them or withdraw them, or I should be allowed to call witnesses with the object of having the full facts placed before the Committee.

Mr. Wason : I do not remember Mr. Kelly saying that.

Mr. Ward : Most assuredly he did.

Hon. Mr. J. McKenzie : It was partly said at Invercargill.

Hon. Mr. Rolleston : What he said in this room is what we have to deal with.

Mr. Ward : Certainly, let his statement, made in this room the first day the Committee met, be the base then.

The Chairman : I will read what Mr. Kelly said (reading from the report of Mr. Kelly's statement before the Committee on the 3rd August): "I considered the property was an absolutely useless one for the purpose of close settlement. That being so, I did not believe its purchase would ever have been considered unless there were influence brought to bear upon it. We had to take the fact that Mr. Batger let his own portion of land to a brother-in-law neighbour——"

Mr. Kelly : I did not mention about Batger letting his land to anybody. It is quite wrong.

The Chairman (continuing the extract): "a relation of the member for Awarua—and that Mr. Batger was a gentleman who offered to purchase debts due by the member for Awarua to the Colonial Bank. A short time after this offer the estate was purchased by the Land Purchase Board. Now, I left it at that; and I clearly said, also, that while it was quite probable that no evidence could be found to establish the connecting link between the two things, that probably the near future would see the revelation. There is the whole statement so far as Mr. Ward is concerned. There was no direct charge. I admit it was an insinuation I put forward. The statement beside may have what meaning they like out of it." Mr. Kelly further said, "We all know perfectly well that in communicating, if we want anything done and we do not want the letter to become an ordinary part of the correspondence, this correspondence is marked 'Private and confidential.' I do not say that any communication was sent to the Land Board at all. But so far as Mr. Ward is concerned, my statement is—and is now—that this property was an absolutely useless one to purchase for the purpose of subdivision or closer settlement. That was my principal charge against the Land Purchase Department. It was made against Mr. McKerrow, but I made no single insinuation."

Hon. Mr. J. McKenzie: I would ask for Mr. Kelly's speech in Invercargill.

The Chairman (reading the extract from the *Southland Times*): "If Mr. McKerrow did of his own free will recommend the purchase for subdivision at £1 5s. an acre, it was the best possible argument for saying that the time had arrived when he should be relieved of his duties; as this act can itself prove that he was not possessed of the intimate knowledge of land for settlement which was absolutely necessary for one in his position as Chairman of the Land Purchase Board."

Hon. Mr. Rolleston: Was there any reference in that speech to Mr. Ward?

Mr. Kelly: Yes.

The Chairman: I believe it is the desire of the Committee to avoid the trouble and expense of bringing all these witnesses up to go into a case in which there is nothing.

Mr. Ward: I would again urge upon the Committee the fairness of my request asking to be allowed to call these witnesses. If this matter is not to be cleared in this particular way, then the only course is for me to petition the House in order to bring these witnesses before another Committee. I am not asking it as a favour but as a right that I should be allowed to call these witnesses, whom I have named, to clear up the statement made against me. This was the principal reason for the House, in the first instance, ordering this Committee to be set up. In view of the main person in this matter withdrawing all the insinuations against the others charged, and not seeing his way clear, as one man should to another, to withdraw the statement against myself, the only course for me is, independently of this Committee, to call the whole of these witnesses, and in a fair manner show that these assertions are unworthy, and so put the man who made them in his proper place. If Mr. Kelly does not withdraw his imputations, then I ask that these witnesses should be produced, and that was the primary object this Committee was set up for. It must be within the knowledge of this Committee that it has been circulated broadcast throughout the colony that this estate has been purchased owing to corrupt practices by the Government, and I have been publicly in the Press charged with this, and I trust, therefore, that this Committee will not allow the matter to rest where it now is, but that it will allow me to produce these witnesses, and, in accordance with the order of the House, have this matter thoroughly cleared up. Supposing the evidence of Mr. McKerrow had given the slightest colour to Mr. Kelly's charges, he would have been allowed to call the whole of his witnesses to prove them. Because the chief evidence fails him, surely the Committee will recognise the justice to me of also having the right to have the witnesses put on their oaths.

Hon. Mr. J. McKenzie: Have you anything to say to this, Mr. McKerrow?

Mr. McKerrow: No.

Hon. Mr. J. McKenzie (to Mr. McKerrow): Mr. Kelly says that the land is practically valueless for settlement purposes. Do you agree with that?—No; I do not. That is his opinion.

TUESDAY, 23RD AUGUST, 1898.

Mr. JOHN BATGER, sworn and examined.

Witness: The position was this: For some years William Menzies and myself were owners of the Otahu Estate. It was arranged when we bought it that Mr. Menzies would take charge of it; but in the end of 1897 he wanted to go to the North Island, and not being able to look after the Otahu property myself, Menzies and I decided to sell it, and then saw Messrs. McNab and Watson, who entirely negotiated the sale. They were always our solicitors. After discussing it with Mr. J. L. Watson, he told me he was then negotiating with the Land Purchase Commissioners *re* the purchase of other properties, and that perhaps there would be a chance of the Commissioners purchasing Otahu, and I left it in his hands. No overtures were made to Mr. Ward or anybody. Eventually we were informed of the purchase through Messrs. McNab and Watson, who carried through all negotiations, with the exception of my personal interview with Messrs. McKerrow and Barron when they were down South. Of course, I discussed it with my partner, Mr. Menzies. I can only say Mr. Ward had nothing whatever to do with the negotiations or the sale.

1. *Hon. Mr. Rolleston*.] But what about Mr. Ward in this connection: are you his brother-in-law?—I am not his brother-in-law; but his brother-in-law happens to be my partner in another business.

2. But did Mr. Kelly ever say that here?—I read it, and I spoke to Mr. Kelly about the matter. He said he was satisfied that Mr. Ward had used his influence on our behalf. I told him it was absolutely untrue. I wish to say there is no doubt in the world Mr. Kelly was influenced in his opinion by people politically opposed to Mr. Ward. Mr. Kelly has never been on the property,

and I do not think Mr. Kelly's principal informer has ever been on the property; but I understand he (Kelly) saw part of it from a distant hill.

3. *Hon. Mr. J. McKenzie.*] Had you any interest in the purchase of the Ward Estate from the Colonial Bank? The evidence of Mr. J. W. Kelly says: "We had to take the fact that Mr. Batger was the gentleman who offered to purchase debts due by the member for Awarua to the Colonial Bank. A short time after this offer the estate was purchased by the Land Purchase Board. Now, I left it at that; and I clearly said also that, while it was quite probable that no evidence could be found to establish the connecting link between the two things, we probably in the near future would see the revelations." As far as I can see, Mr. Kelly has not made a direct charge, but he has made an insinuation?—As far as the financing of the estate from the Colonial Bank, I had nothing whatever to do with it, nor do I know who the principals were who were financing it.

4. You yourself have not assisted in the purchase of the Ward Estate from the Colonial Bank?—No, not at all; nor was my partner at all concerned in it either.

5. *Hon. Mr. Rolleston.*] I am not quite clear what the imputation is. What had Mr. Ward to do with the property? (To Mr. Ward): You never had anything to do with it yourself?

Mr. Ward: No, I had nothing whatever to do with the Otahu Estate.

The Chairman (to Mr. Rolleston): I understand, from the indirect charges made by Mr. Kelly on several occasions, he insinuated that owing to Mr. Batger having in a friendly way come forward to assist Mr. Ward and made an offer for his general estate, then Mr. Ward, as a sort of recognition of it, used his influence to purchase that estate.

Mr. Batger: That was no doubt the impression that was meant to be made, but there was no foundation whatever for it.

The Chairman: There is no doubt Mr. Kelly's remarks were meant to convey the impression that, as a reward, as it were, for Mr. Batger's efforts to assist Mr. Ward in his difficulties, Mr. Ward used his influence to assist Mr. Batger with regard to the purchase of the estate.

6. *Mr. Ward.*] Publicly Mr. Kelly made these statements, but said the estate was purchased by the Government in consequence of my relationship to Mr. Batger's partner; and also that the head of the Land Purchase Board was not fit for his position—that was what his statement conveyed. He said that publicly, and he said it was an act of corruption on the part of the Government or the Board—that was the insinuation at all events. (To witness): Was the firm of Henderson and Batger interested in the proceeds of the sale of the Otahu Estate in any way whatever?—No.

7. Was there any understanding, implied or otherwise, in connection with your acting on behalf of a syndicate for the purchase of the Ward Estate, that any consideration was to be extended to you?—No; none whatever.

8. Was there any understanding, implied or otherwise, between you and myself, or between you and any person or institution of any sort, that advantages or consideration of any sort would be extended to you for your services?—No; none whatever.

9. You have stated that no influence was sought to be exercised by me?—None.

10. *The Chairman* (to witness).] I think you stated in your evidence that in the sale of this Estate of Otahu all the negotiations were carried on by Messrs. McNab and Watson?—That is so.

11. Then, we are to understand that the whole of the negotiations in connection with this estate were carried on by these parties?—Yes, with the exception of my interview with Mr. McKerrow when on his visit of inspection. There was a question of a water-wheel, which was attributed to a piece of sharp practice. I should like to say there was a misunderstanding about the water-wheel. It was sold by my partner, Mr. Menzies, privately, under a misapprehension, and the proceeds of the sale, which were more than the value of the wheel, handed to the department.

The examination of the witness then closed.

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