1909.
NEW ZEALAND.

GOLDFIELDS AND MINES COMMITTEE:

REPORT ON THE PETITION OF ARTHUR D'OYLY BAYFEILD, FOR HIMSELF AND OTHER SHAREHOLDERS OF THE LATE WESTPORT-CARDIFF COAL COMPANY (LIMITED); TOGETHER WITH MINUTES OF EVIDENCE.

(MR. POLAND, CHAIRMAN.)

Report brought up 14th December, 1909, and ordered to be printed.

REPORT.

THE Goldfields and Mines Committee, having given careful and exhaustive consideration to the various matters embraced in the petition of Arthur D'Oyly Bayfeild, have the honour to report to your honourable House that they recommend that the said petition be referred to the Government for immediate and favourable consideration.

H. POLAND,
Chairman.

14th December, 1909.

MINUTES OF EVIDENCE.

THURSDAY, 11TH NOVEMBER, 1909.

ARTHUR D'OYLY BAYFEILD examined. (No. 1.)

1. *The Chairman.*] You appear here on behalf of the shareholders of the Westport-Cardiff Coal Company?—Yes.

2. What is your authority for acting on their behalf?—Meetings were held at Westport and Christchurch in 1903, at which I was authorised to act in this matter. At the meeting in Christchurch no exception was taken to my acting, except by Mr. Hargreaves, the liquidator. He now offers no opposition, and he and I are in perfect accord. He is familiar with my petition now.

3. You know who the shareholders are?—I have the list, sir. Here is a list of the shareholders—the official list, as taken from the statement filed in the Supreme Court.

4. *Mr. Greenslade.*] When was that list taken out?—It is the last list of shareholders. It was taken out for the Supreme Court.

5. *The Chairman.*] You appear on their behalf and with their consent?—Most decidedly.

6. When was that consent given?—I have the memo. somewhere here.

7. Do you remember the year—was it in 1903?—It would be in 1903. I can give you the minutes as taken at the meeting. The Christchurch meeting was held on the 12th October, 1903.

8. How many were present?—Mr. Hargreaves, Mr. Foster, Mr. Connel, Mr. Schumaker, Mr. Forwood, Mr. Brown, Mr. Hayward, and myself. Mr. Harris had also been present and left.

9. Was a resolution passed arranging for you to act on behalf of the shareholders?—Yes, it was proposed by Mr. Connel: "That, in the event of any recovery being made from the Government on the petition being presented, this meeting recommends the liquidator of the company to pay a commission of 15 per cent. to Mr. Bayfeild, as suggested at Westport." I might say that I am personally bearing the whole of the expense. I have been three times here, and if I had not felt that at some time I should get some settlement of this matter I should not have undertaken it at my own individual expense. The Westport meeting was held on the 4th September, 1903. There were present the Rev. Mr. McCallum, Messrs. Powell, Bailey, Suisted, Horne, and myself. I read a communication from Mr. Hargreaves to the effect that I should prepare a petition to the Government for consideration. The Rev. Mr. McCallum proposed, and Mr. Bailey seconded, "That Mr. Bayfeild be empowered to draw up a petition to Parliament for compensation to the shareholders of the Westport-Cardiff Coal Company for loss of property taken over by the Government and now being worked as a State mine, and that payment of costs of dealing with the matter be by way of commission at the rate of 15 per cent. on any money recovered." I hope I have put the matter clearly to the mind of the Committee, because it is exceedingly painful to me to have my position before the Committee questioned.

10. Do you wish to make a statement with regard to this petition you have presented, in addition to what you have said in regard to your right to appear?—A point was raised by the Hon. Mr. R. McKenzie in regard to the wording of the petition. The Hon. the Minister of Mines has taken exception to the statement made by me, as follows: "That your petitioner finds it again necessary to petition your honourable Parliament in the matter of equitable consideration for the shareholders of the above-named company, being given to understand that the Government desire that the consideration to be paid shall be fixed by a Committee of your honourable House." Regarding the petition before the Committee in 1908, the then Under-Secretary for Mines, Mr. Hamer, informed me that an oversight had been made through not getting the Committee to suggest an amount, and I, of course, had to accept the position. In February of this year I interviewed the Right Hon. the Prime Minister, who gave me to understand that he was ready to recommend a consideration, but the difficulty lay in agreeing to the amount. The right honourable gentleman said he would refer the matter to Mr. McKenzie. I then had to say, "I must be perfectly frank with you, Sir Joseph: Mr. McKenzie is a shareholder, and perhaps it is well that he should not be concerned in the matter," or words to that effect. I would like the Committee clearly to understand that the shares held by Mr. McKenzie were so small that I knew it would not be an important matter, but I thought it was a wise course to refer to the fact. I also told the Prime Minister that Mr. McKenzie had never helped me in the matter. That, sir, is my answer to the point raised by the Hon. Mr. McKenzie. The honourable gentlemen is under a misapprehension as to the Westport-Cardiff Company having been in financial difficulties. That was not the case. Our difficulty was not one of indebtedness. The statement that we were in financial difficulties would give the impression that we were embarrassed; but we kept ourselves clear in that respect. The difficulty arose through our not being able to get the Government to make a reduction in the railway haulage-rates, which we regarded as excessive; and the honourable gentleman will recollect also that at that time there was an agitation on foot for a State coal-mine. That is evidence that I have not given before, but after what has cropped up I thought I had better give it. The company not succeeding in getting a reduction in the haulage-rates, the Government were able to satisfy the demand for a State coal-mine by taking possession of our property.

11. But, if you were not in difficulties, how did the Government come to take possession?—We considered that our assets, even by the Government's own showing, were of great value. We had no liabilities outside of what was owing to the Government—none whatever.

12. But you could not pay the Government?—No. You will recollect that the Government have taken the amount of £2,107, which I am now asking the Committee to inquire into as to our being charged with it.

13. Did the company oppose the Government taking over the property?—The liquidator, as the evidence shows, opposed the Government taking possession of the property. The matter went on for some time in Christchurch as between Mr. Stringer, acting for the Government, and the liquidator, Mr. Hargreaves; and Mr. Hargreaves reluctantly gave in, relying upon what was regarded by all of us as certain, that we should get some consideration sooner or later. Mr. Hargreaves, however, gave up contesting the matter.

14. *Mr. J. Duncan.*] Was the company in liquidation at that time?—Yes. On the working of the property we made a profit, and all our profits were reinvested in the mine. We took no dividends, because the money went back in development. We showed a profit one year of some £5,000.

15. Still, it was in liquidation at the time?—Yes.

16. It was worked by the liquidator?—No, not by the liquidator. The Government took possession in 1900. The date of liquidation, I think, was 1901. The date of the petition for liquidation is 22nd April, 1901.

17. Was that owing to pressure on the part of the Government?—We had practically abandoned all hope then. The Government's pressure was part of it. We did not go into liquidation for some time, but tried to make arrangements, and did not succeed.

18. What was the valuation of the property?—It was shown by Government officers in 1901 at £7,516 2s. 11d. for the plant, material, and property seized.

19. And you owed the Government at that time £4,470?—Yes, but we do not admit £2,107. It was valued at over £8,000, including the telephone and the value of the prospecting-works. We spent all our capital and reinvested all our profits.

20. Were you in the position, then, that you had to let this property, valued at £8,000, go for £4,000 because you could not help yourselves?—Yes, because we were fighting the haulage-rate, which we regarded as very excessive at the time, and the directors decided that, failing in that, we should give up.

21. The successful working of your mine depended on your getting cheaper haulage?—Yes.

22. The railway was Government property?—Yes. They did not make any reduction. The profits on that line I have taken out myself for seven years, and, ending March, 1908, from the railway returns of 1902, they are shown as £11 11s. per cent.

23. *Mr. Scott.*] When did your company realise that they had not been treated fairly by the Government?—All along.

24. When did you first protest?—In 1903, by petition; before that, at the hands of the liquidator. I can get the liquidator up to give evidence if necessary. The Minister raised the point that the liquidator opposed the petition. As a matter of fact he opposed what has been done. A material point in the matter is that I am going to ask the Committee to inquire fully into the item of £2,107 referred to in the petition. Since I was before you I have information that the sum of £4,500 was supposed to be paid for the Mokihinui Company's mine.

25. To whom?—That is the point. I applied to the liquidator, Mokihinui Coal Company, for information. My statement is this: that, having sold their land to the Government for £4,500, the Government had the opportunity to pay us the £2,107. The property was old by Messrs. Kennedy Macdonald and Co.

26. *Hon. Mr. R. McKenzie.*] This is a new point?—Yes, a new development regarding £2,107-odd.

27. *Mr. Greenslade.*] May not the amount have gone to the Harbour Board?—Their answer is that they cannot tell, owing to the way they get their accounts from the Railway Department.

28. *The Chairman.*] What you claim is this: that it was due to the Harbour Board, that the Government seized your plant and charged you with the haulage deficiency?—We fulfilled all our conditions, and the other company never paid a shilling.

29. *Hon. Mr. R. McKenzie.*] I say that you did not fulfil any of the conditions?—We did, with regard to the output, having regard to the railway haulage; hence the deficiency under the Act, and we were penalised for it.

30. *Mr. Greenslade.*] You say you have made every reasonable inquiry, and cannot find where the £2,000-odd has gone?—Yes. It may be discovered that the Government have retained that money, in which case we should certainly be reimbursed.

31. You have ascertained where some of it has gone?—Yes.

32. Who received the small portion?—I have a memo. of the sale from the auctioneer [produced]: "Sold to the New Zealand Government, on 21st December, 1898, for £4,500." That has reference to the Mokihinui Company.

33. *The Chairman.*] It seems a remarkable thing that the liquidator got nothing?—The liquidator got his expenses.

34. *Mr. Scott.*] I should like you to explain how you come to claim on this telephone-wire?—We paid for it, sir.

35. Did the Telegraph Department not erect that?—Yes, and we paid the Department.

36. For the wire and other materials, and workmanship?—Yes.

37. The Government collared that, too, along with the rest?—Yes.

38. And you have not got a penny?—Not a penny.

39. *Mr. J. Duncan.*] It was a legal sale?—Yes, we do not dispute that.

40. Sufficient notice was given?—Yes. It was contested for a considerable time by Mr. Stringer for the Government and Mr. Hargreaves for the company.

41. The amount realised was slightly above the claim?—It was in excess.

42. The amount it realised was £4,500?—No; the £4,500 applies to the Mokihinui Mine.

43. What did your property bring?—It was simply seized—it was taken over by the Government. According to C.-9, 1901, £7,516 2s. 11d. is the total value set down for the plants of the Westport-Cardiff Mine, valued in the report of Messrs. Gordon, McKay, Hayes, and Jameson. I submit that, the Government having bought the Mokihinui Mine for £4,500, the opportunity of paying themselves presented itself. They may have paid themselves—I cannot say, because I am in the dark—but if they did pay themselves they should now give an explanation.

44. Where does the connection come in?—It is charged against us as the Westport–Ngakawau Railway Extension deficiency. We can prove that, in the matter of the conditions, we fulfilled ours, and there was no deficiency so far as we were concerned. Unfortunately, however, the Mokihinui Company did not do so well, and they contributed nothing.

45. And the whole of the deficiency was charged against you?—The balance of that deficiency was charged against us. There was a greater deficiency, as a matter of fact; but they reduced it, and brought it down to £2,107.

46. *Mr. J. Duncan.*] The £2,107 would be your share?—This deficiency is in the items charged against us.

47. What are you claiming?—I say, in terms of my petition, that in all fairness we should receive some consideration for the value of our property. When I appeared before the Committee in 1903 I submitted a statement claiming a larger amount, but I now, in seeking some equitable adjustment, word my petition in this way: "That your petitioner, who was the original promoter of the company, and first lessee of part of the land mined, has never relinquished his feeling and belief that, in view of the circumstances under which the Government took possession of the mine and property, the shareholders were justly entitled at least to consideration for excess in value of plant taken, as shown by the valuers of the Government—viz., £7,516 3s. 11d., plus £1,000 as the value of prospecting-works, and also the value of the telephone-line, £278 3s. 9d.—in all, £8,794 7s. 8d.—as against the claim of the Government against the company for £4,470." Now, being compelled to come before the Committee again, I ask the Committee to look into the matter of the £2,107, part of that amount of £4,470.

48. *Hon. Mr. R. McKenzie.*] You mean, plus that amount?—I would make it plus that amount, but you see my difficulty.

49. *Mr. J. Duncan.*] In the minutes of evidence taken in 1908 you were asked, "You consider your claim is a moral and equitable one?" and you replied "Yes. We wish to be treated exactly on the same lines as other companies have been treated—the Point Elizabeth and Mokihinui companies. As a matter of fact, the Government need not have paid the Point Elizabeth Company a cent, but the company received £21,000 and the promoter £1,500. As the promoter of the Westport-Cardiff Company, I have not asked for a penny so far." The next question is, "You claim, then, that the Government is treating your company differently from other companies, seeing that it made concessions to those companies?" Your answer is "Yes." You were then asked, "That is what you base your claim on?" and your reply is "Yes"?—That is so.

50. You look upon it as a merely equitable one, not a legal one?—Yes. You will notice that I appealed to the Minister of Mines and also to the Minister of Justice.

51. In question 37 you were asked, "I suppose you do not dispute the fact that the Government, in what they have done, have acted legally?"—I do not dispute that.

52. You wish to be treated exactly the same as the other companies?—Yes, and because the mine is now paying.

53. *Mr. J. C. Thomson.*] I understand there are two companies referred to, the Westport-Cardiff Company and the Mokihinui Coal Company. You decided on your own motion to open up these coal-mines, and I suppose you approached the Government and came to some arrangement with regard to the railway?—I approached the Government and asked it to purchase the Mokihinui Company's railway, and the Government did.

54. I want to know who took the initiative in this matter. There were two coal companies, and you must at one time or other have approached the Government and asked it to do something?—We asked the Government to construct a railway, or extend the railway now at Ngakawau.

55. The Government did not make the proposition to you?—No.

56. The companies asked the Government to construct the railway?—No; we were part of the whole of the public.

57. The public of New Zealand did not move in the matter. We are studying the interests of the taxpayers of New Zealand, and not those of a particular district?—Yes.

58. Those two companies approached the Government and asked it to do certain things. The Government was brought into this matter by representations made to it?—Yes.

59. Very well; by the default of another company you, representing the Westport-Cardiff Coal Company, have been landed in a very bad position, but the Government is in no way responsible for the default of the other company?—That is so.

60. The Government must have had some agreement as to who should pay if there was any loss?—No; there was no agreement.

61. You say the other company had preferential treatment from the Government inasmuch as the Government paid them a certain sum?—The preferential treatment I referred to was that in connection with the Mokihinui Company.

62. You say the company had preferential treatment, and, although you have no legal claim, you come to this Committee asking it to recommend your case because there is a moral right?—The preferential treatment I referred to was in connection with the Point Elizabeth Company.

63. You say you wish to be treated in the same manner as the Mokihinui Company?—Yes, that would be correct. They paid nothing, and we have been charged with the deficiency of £2,107.

64. As commercial men, you must have anticipated a deficiency, and if there was a deficiency I take it that as business men you would have an agreement making each company liable?—I am sorry to say there is no agreement.

65. That is a matter of business ability. What were the reasons for the passing of the Westport-Ngakawau Railway Act?—The development of the coalfields of the country.

66. That Act was passed, I take it, at the request of the company?—Only in a common way with the general public. I take it you are referring to the extension?

67. All my questions are leading to this: We are here as custodians of the moneys of the taxpayers of New Zealand, and, if we feel convinced in our own minds that you are entitled to what you claim, we shall recommend the claim to the Government and back our decision in Parliament; but if we feel that you have no legal or equitable right in this matter because you failed to do certain things that you ought to have done, I think our duty is quite clear, and that is to safeguard the interests of the taxpayers of New Zealand?—I quite appreciate that; but the point is this: this £2,107 the Government could have reimbursed us with when they purchased the Mokihinui property.

68. You are anxious that that £2,107 should be reimbursed, and are blaming the Government for not taking action at the time, although you had no business agreement with regard to the deficiency?—The Government never asked the two companies to enter into any such arrangement. I do not suppose it occurred to any one.

69. *Mr. Greenslade.*] I suppose all you had to do was to guarantee 5 per cent.?—Yes, all we had to do was to guarantee the 5 per cent.

70. *Hon. Mr. R. McKenzie.*] There was a guarantee of 5 per cent. on the cost of construction of the Westport–Ngakawau Railway?—Yes.

71. Who was it guaranteed by?—I was only the company's agent at Westport. I will communicate with Mr. Hargreaves in order to get an answer to that.

72. What was it guaranteed for?—We had to guarantee the line should pay 5 per cent.

73. The Mokihinui Company and Cardiff Company were joint and several guarantors, were they not?—I shall have to get information from the manager of the company in Christchurch before I can answer that.

74. The deficiency due on the guarantee is the portion to which the Government claim to be entitled?—That is part of the claim against us.

75. The Mokihinui Coal Company went into liquidation some time before the Cardiff Company abandoned operations?—Yes.

76. And after suspending operations, your company became liable—that is the legal position?—Yes, that is the legal position.

77. You told the Committee that it was arranged in Christchurch and Westport that you were to petition Parliament on behalf of the shareholders?—Yes.

78. How many shareholders were present at the meeting in Christchurch?—I read out the list. The meeting was called by full notice.

79. There would be about a dozen present?—Yes.

80. The company was in liquidation at that time?—Yes.

81. Was it the winding-up meeting of the company?—Yes. I gave you the date, 12th October, 1903.

82. That was the meeting at which the company wound up?—Yes.

83. When the question was raised that the shareholders or liquidator should petition Parliament for some consideration, the liquidator for the company opposed that proposal?—Mr. Hargreaves did not vote against it. He was personally interested in the matter as liquidator, and he had an extra interest in the matter.

84. He represented the shareholders, and as a representative of all the shareholders he opposed it?—No, that was not the case.

85. He was the liquidator of the company, present at the meeting for the purpose of winding up the company?—Yes.

86. And, as liquidator representing all the shareholders, he opposed the idea of the petition?—No; as a matter of fact, he requested us to do so at Westport. There are communications from Mr. Hargreaves wanting us to proceed with the petition.

87. I want nothing subsequent to this meeting; I want to know what occurred at this particular meeting?—I shall have to send for Mr. Hargreaves. You are questioning my status, and it will be more satisfactory for me to have the liquidator present. Mr. Hargreaves took exception at the time, but does not now.

88. Mr. Hargreaves petitioned Parliament himself as liquidator of the company, did he not?—He petitioned the Government, and signed as secretary and treasurer, in June, 1896, in regard to the question of haulage

89. Did he petition after that, when the company was about to be wound up, as liquidator or chairman of the company?—I think the petition you refer to is that of Mrs. Hughes.

90. What was the result of that petition?—You mean the Committee's recommendation?

91. Yes?—That the company had lost its capital, and the petition was forwarded for the favourable consideration of the Government.

92. Now, how many shareholders were present at the Westport meeting?—Six. Notice was given to all the shareholders to attend, and six attended. Of course, they were all scattered over the district.

93. There were six in Westport and twelve in Christchurch—that is, eighteen?—Yes.

94. How many shareholders were there altogether?—Between eighty and ninety.

95. And, as representing seventeen others and yourself, you petition this House as representing the shareholders?—They have also been informed by circular.

96. Have you got any replies?—They have not sent any replies.

97. For instance, you have not got my authority as a shareholder?—I sent you a notice. You have never raised the question till now. All got notices.

98. Coming to your petition, in it you say, "being given to understand that the Government desire that the consideration to be paid shall be fixed by a Committee of your honourable House." On whose authority are you making that statement?—I repeat what I have stated, as the result of an interview with the Prime Minister and Mr. Colvin.

99. You have no direct evidence to give the Committee; it is mere assertion?—It is no empty assertion.

100. You have nothing to show to warrant it?—If I have certain statements made to me and I interview the Prime Minister of the country, from whom I gather what I have already stated, I take it that is warranty.

101. You never wrote to the Prime Minister on this point, did you?—Yes.

102. Have you got the replies?—I telegraphed him as to when I could see him.

103. Let us have his reply?—I telegraphed to ask for an interview, and he replied in reference to my request. The reply is somewhere here among my papers.

104. You said that the company applied for a reduction in the haulage-rate for coal?—We did.

105. Were the charges to you more in proportion than to other companies?—No.

106. Do you know what the rates were before your company started the mine?—No.

107. Did you inquire?—We had to pay 3s. 2d., which is an exorbitant rate.

108. It is a mileage rate?—A mileage rate after a certain distance.

109. With a terminal charge?—Yes.

110. That mileage rate applies to that class of coal all through the Dominion?—Yes.

111. You were not placed in any worse position than any one else working bituminous coal?—We are all in a bad position.

112. As a matter of fact, you were working under a similar rate to that of any other coal company for a similar class of coal throughout New Zealand.

113. Did your company ever make a claim for this £6,427 that you are claiming now before the company went into liquidation?—There is considerable correspondence between Mr. Hargreaves, chairman of directors, and the Government.

114. You do not know whether the company made any claim before the liquidation?—I cannot say.

115. You say the Railway accounts are not sufficiently clear to show where this £2,107 went to?—On application to the Secretary of the Westport Harbour Board, he told me that the returns rendered by the Railway Department made it impossible to say whether the amount was paid.

116. You know that the Secretary of the Westport Harbour Board is an expert accountant?—I should say he was a qualified accountant.

117. Are you aware that the Railway Department, the Receiver of Land Revenue, and the Receiver of Gold Revenue have to render accounts for all moneys received? You are not in a position to say?—Only so far as my inquiry goes; the Secretary could not say.

118. Do you know there was a clause in the Act in connection with the Cardiff Coal Company giving the Government the right to claim possession in certain cases?—I have never questioned the legality in connection with this matter.

119. You stated that preferential treatment was given to the Point Elizabeth Coal Company as against the Cardiff Company?—I did not say as against the Cardiff Company.

120. Your statement was that the shareholders got better terms with the Government than the Cardiff Company?—In the sense that the Government gave them consideration when legally they need not have done so. In our case they gave nothing.

121. Was that company in liquidation?—It would not alter my aspect of the case.

122. You are not aware of your knowledge whether the company was in liquidation or not?—I do not like to trust to memory too much. There is the fact that public documents show that they did receive that consideration.

123. Do you know of your own knowledge whether the Point Elizabeth Company owed anything to the Crown or not?—I do not know.

124. Do you know whether the Point Elizabeth Company was on private property while the Cardiff property was on Crown land?—I cannot answer that. It is hardly fair to separate the railway from the private property. If we go into the matter we might find that consideration was given for the railway only.

125. Your company owed something for the haulage of coal as well as for the deficiency on the railway?—Yes, but our deficiency on the railway we do not admit.

126. How much do you owe for royalties?—£2,363.

127. If this £2,107 you are looking after were given to the payment of royalties it would be a fair position for the Crown to take up?—But you have taken our plant.

128. We had the right to do so according to the conditions of the lease. Assuming that the Point Elizabeth Company's property was on freehold land and yours on Crown land, the Government could not enter into possession of their mine through default. The railways in both cases were made in connection with the Act?—The Government not only gave them £21,000, but also gave £1,500.

129. Who did they give £1,500 to?—The promoter.

130. He was the proprietor of the freehold land?—Yes.

131. Did they give him that £1,500 in connection with the mine?—I do not know. I do not rest my case upon that; I only state the fact.

132. When you make such a statement you ought to find out what the £1,500 was paid for before you make it?—That is some years ago.

133. Your transaction occurred some years ago. Having made that statement, you ought to be able to give evidence on it?—What was the statement?

134. You said that the promoter of the Point Elizabeth Coal Company was paid £1,500, and I ask you if you were aware that he was the freeholder of all that land where the mine is? You are aware that he is the private owner of that property?—Yes.

135. You know as well that all your plant and mine was on Crown land?—Yes.

136. So that there is no comparison whatever between the two companies?—There is in the sense that the Government need not have paid them anything. They did not take possession.

137. They could not take possession, because the Point Elizabeth Mine was on private property. There is a question in connection with the Westport–Ngakawau Railway Act: you stated that your company was in existence when that Act was passed?—We were, as private people.

138. But you conveyed the impression that the company was?—I did not mean that.

139. *Mr. Colvin.*] What year did your company take up the lease?—I cannot tell without referring to the papers.

140. Was it not owing to the extra amount you had to pay the Mokihinui Company, and the Government after them, that put you into liquidation?—My answer is this: that it was the total haulage that we protested against.

141. Was that not the particular haulage that was so expensive?—The Government bought the Mokihinui line for some £11,000, and I forget what the date of the purchase was.

142. *Hon. Mr. R. McKenzie.*] It was in 1895 or 1896?—I am sorry to say that I cannot fix the date.

143. *Mr. Colvin.*] I understood it was £11,000-odd, and that this £2,107 is charged to you on the deficiency?—Yes, that is shown in the statement.

144. Had it not been for the fire in the mine taking place, would not your company have been able to go on successfully?—Yes. I wish the Government had let us alone. A short time after, there was a great rise in the price of coal, and we should have made thousands of pounds.

145. You believe the company have a fair moral claim on the Government?—I am very strongly imbued with that idea, and I sincerely hope the matter will be adjusted.

THURSDAY, 2ND DECEMBER, 1909.

ARTHUR D'OYLY BAYFEILD further examined. (No. 2.)

The Chairman: I understand you desire to supplement the evidence you have already given to the Committee?

Witness: Yes. Mr. Chairman and gentlemen, I wish in the first place to reply to those points raised by the Hon. the Minister of Mines and by Mr. Thomson. I beg also to read a communication from Mr. Hargreaves, who was chairman of directors and liquidator of the company. In his letter he says, "I do not remember being called upon to give evidence on Mr. Hughes's petition. (2.) No guarantee was given jointly or severally by the Mokihinui Company and the Cardiff Company for Ngawakau Railway deficiency. It was a condition of the lease, and was in operation under the Act of 1890 before we began work. You will obtain valuable information from the printed report of my evidence before the Coal Commission on the 5th September, 1899, pages 4 to 8, especially page 8, *re* conditions of Government lease of Mokihinui Mine and plant. I would also lay stress upon the fact that, as Seddonville was the originating point of traffic, we should have been credited with ¼th per ton for the first ten miles, whereas we believe we have only been credited with ¾d. per ton per mile for haulage from the mine to or from Ngakawau. Then, again, the net interest earned by the whole line in 1897 was £10 2s. 6d. per centum; in 1898, £12 3s. 6d.; and in 1899, £13 3s. 6d. Should I be required to give any further evidence I must have timely notice, as I am still far from my ordinary state of health." I have further to supplement my evidence by reference to the Appendices to the Journals of the House, C.–8, Vol i, 1899, bearing upon the question of the purchase by the Government of the Mokihinui Company's mine. The liquidator reported to the Government, recommending them to buy the mine, in a communication dated April, 1899. "Application to the Government to buy Mokihinui Company's mine: Result of public meeting. Letter, 2/9/98, signed by C. Stewart, secretary, and F. Corby, chairman. Instructions of liquidator to Macdonald, Wilson, and Co. for sale of property. Report from the liquidator, apparently to the Government, recommending them to buy mine, dated Wellington, April, 1899. On 13/5/99 liquidator to Surveyor-General, stating that when winding-up finished he expected to have balance to hand over to the Government." Then there is the liquidator's report dated 31st December, 1898, and on page 8, which is the most essential part, it states, "The company owed the Government £3,633 for rents, royalties, and interest under the Westport–Ngakawau Extension Act." The liquidator then recommended (*a*) sale at a reserve price of £4,000 to £4,500; (*b*) the Government, to protect themselves, should buy the property at the reserve price. This they did by buying at auction. I will now, sir, having briefly replied to the points which cropped up when I was last before the Committee, briefly summarise the position in terms of my petition. I most respectfully ask the Committee to deal with my petition as far as they possibly can in the direction in which I have asked—namely, that, if you are satisfied we have an equitable claim, as I think we have, the Committee will make a recommendation as to what we should get. If the Committee cannot see its way to state any distinct sum, I hope an expression of opinion will be given as to whether or not we have an equitable claim against the Government in this matter. I think, sir, those are all the additional remarks I desire to make, and I will now leave the matter in your hands.

1. *Mr. J. Duncan.*] I should like to be clear with regard to the position of the £2,107 charged against the Westport-Cardiff Coal Company. Do you say that the company had no liability regarding that amount?—We feel that we ought not to be charged with the £2,107. The Government took over the property of the Mokihinui Coal Company for £4,500 as stated by the auctioneer. The liquidator states in his report that the company owed the Government £3,633, and also distinctly states that it was for rents, royalties, and interest, and deficiency under the Westport–Ngakawau Railway Extension Act. I mentioned to the Committee previously my difficulty in giving satisfactory evidence as to the Mokihinui Company being in no way charged with any share of the deficiency, and if they were not so charged it was unfair that the Westport-Cardiff Company should be saddled with it.

2. You consider that you should rightly not have been charged with it?—Yes, we contend that we should not rightly have been charged with it.

3. You think that is a sum which should have been borne by the Mokihinui Company?—Undoubtedly. They should have borne their share. It is difficult to state the exact amount—it may be more or less than £2,107. Seeing that the liquidator has set out the amount, if the Committee could get before them precisely what was due for rent and what was due for royalty, and deduct that from the amount paid by the Government, they would then see the position as regards the deficiency on the railway.

4. Then you say your company owed the Government £2,363 for royalty?—Yes.

5. You also mentioned a sum of £3,633?—That was the other company.

6. Then, you consider that you should have got the difference between £2,363 and £4,470, and the value of the material and plant seized by the Government?—Yes, it comes to more than that. I submit, as a minimum we are entitled to the differences set out by the Government valuers.

7. That is, £7,516?—Yes, less £2,363.

8. That is the basis of your claim?—Yes. I should like to add that, while reference is made to our indebtedness for royalty, other companies have had concessions from the Government, and rightly so. The difficulties in opening that country were so great that it was only fair that they should receive concessions. The Westport Company also have had considerable concessions in the early stages of its procedure.

9. But you are not asking for that?—No, but I only desire to mention the fact. I do not ask in any way that we should be allowed that £2,363, but I do ask that we should be paid the difference as set out by the Government valuers.

10. The £7,516 was the value of the plant, material, and property taken by the Government?—Yes, plus £1,000 as the value of the prospecting-works.

11. That would be less £2,363?—Yes.

12. *Hon. R. McKenzie.*] You say that the Mokihinui Company owed the Crown £4,470?—I stated on the authority of the liquidator that they owed the Government £3,633 for rents, royalties, and interest under the Westport–Ngakawau Railway Extension Act.

13. Did your company at that time owe the Mokihinui Coal Company anything for haulage?—No.

14. What were your total liabilities to the Government?—We only admit the £2,363 for royalty. Of course we are charged with £4,470, the Government seizing on that plus £2,107.

15. *Mr. J. Duncan.*] In one of the reports I notice it says that the whole of the works, plant, and material is valued at £24,329, and yet the Government Inspectors valued it at £7,516 3s. 11d. Is that the same property?—Yes. That would be the evidence I gave in 1903.

16. What is the cause of the discrepancy—was it valued at the same time?—Yes. The figures in my statement were arived at as follows:—

	£
Deduct from ...	24,329
Written off by company for permanent work ...	10,029
	14,300
Add wire ...	278
	14,578
Less royalty ...	2,363
Net value ...	£12,215
As against Government value ...	£7,516

17. When was that?—That was in my statement when giving evidence in 1903.

18. And what date was the valuation arrived at by the Mining Inspectors of the Government?—In August, 1901.

19. Is that the Cardiff valuation?—No, the Government.

20. And the larger valuation was made two years later?—No, but I made my statement in 1903.

21. What would be the date when the valuation was made?—About the time we ceased operations.

22. Was that £24,329 the balance-sheet valuation?—Yes.

23. *Hon. R. McKenzie.*] At that time what was the paid-up capital of the company?—The actual capital called up and expended was £16,000-odd.

24. Who made that valuation of £24,329—you yourself?—No.

25. Who?—A much more competent man—Mr. Broome.

26. He was manager of the company?—Yes.

27. The company was then in financial difficulties?—No, only in our relations with the Government. Of course we were very heavy losers.

28. *Mr. J. Duncan.*] At the time the Government took over the property it was valued at £12,215. What had your company expended on the mine altogether?—In dealing with the coal and capital paid up, £40,000. We never took any dividends. One year we made £5,000, but we took no dividend—we reinvested all our money. The actual expenditure was £40,000.

29. And the property on which £40,000 had been expended was only valued at £7,516?—Yes, by the Government.

30. And the Government took it over for that?—They seized it.

31. *Hon. R. McKenzie.*] Is it not a fact that at the time the Government took it over at £4,470 it was practically useless to anybody else for mining purposes?—No, certainly not. I wish we had been left alone.

32. Was the mine on fire at this time?—I suppose it was on fire at this time.

33. And closed up?—Only partly.

34. But you could not get into it?—Not in that particular working.

35. How much would it have cost to open out the Cave area that the Government afterwards opened out?—I could not say. You have done that, and you would know what the Government expended.

36. How much would it have cost to open out the Cave area?—I could not answer that question right off. The engineer did submit an estimate. There was some talk of asking the Government to contribute half the amount, and negotiations went on with Mr. Cadman and Mr. Seddon. I think it must have been in the region of £12,000. That is within my memory, because the Government were asked to contribute £6,000.

37. At this time all the capital of your company was gone?—Yes.

38. And there was no one else who knew the history of the mine who would be likely to put new capital into it?—Undoubtedly we did not feel justified in doing it. We should have got capital if the Government had been reasonable in their haulage charges.

39. They were as reasonable with you as they could be?—That is a matter of opinion. If you worked the State Coal-mine now subject to a normal charge for haulage you would show a better return.

40. Do you know what it cost as compared with what came out of it?—I cannot tell.

41. I suppose you saw the State Coal-mine balance-sheet?—Yes.

42. As far as being a mine for ordinary working, it was practically useless when you abandoned it, was it not?—No, that was not the case. At any rate, there is the fact that the mine is profitable now and is likely to be.

43. But evidence can be called to prove that it is not?—According to the statement it showed a profit up to April last of £3,500-odd.

44. In the Seddonville Mine?—Yes, according to the report presented to Parliament.

45. No, that is not the case?—That was according to the newspaper report. That is what I am basing my assertion on.

46. *Mr. J. Duncan.*] Your company was in liquidation at the time the Government took over the property—it was in the hands of the liquidator?—No, we went into liquidation afterwards because we tried to arrange with the Government and did not succeed.

47. Had it been offered for sale to any one else outside?—No.

48. *Hon. R. McKenzie.*] Was not this the position: Your company had allowed the mine to stand idle for a considerable time before the Government took it over?—While we were negotiating with the Government.

49. But you were not working the mine?—Well, an explanation is made as to that.

50. But what I want is the fact. The mine was lying idle for a considerable time before the Government touched it?—When you say a considerable time, that might convey a totally wrong impression. I cannot tell you offhand, but to say "a considerable time" means a very long time, and we really endeavoured to do all we could. As far as I was concerned, I was working hard, and it meant £300 a year out of my pocket.

51. I want to know whether or not your mine was standing idle for a considerable time before the Government took it over?—I will submit the question to Mr. Hargreaves, and he will give me the exact time.

52. You do not know how long it was standing idle?—No. I should be glad to answer the question as far as I could, but it would be unfair to have to answer a question like that when my answer may not be correct.

53. Are you aware that there was a clause in the lease giving the Government power to resume if the mine was not worked?—Yes, we have not questioned that.

54. *Mr. J. Duncan.*] With regard to that £2,107, I have not quite seized the whole position. I notice that your petition claims "That the sum of £2,107 should not have been charged against the said Westport-Cardiff Coal Company, but should have been extinguished at the time of the passing of 'The Westport–Ngakawau Railway Extension Act Amendment Act, 1897,' as such deficiency was created through no fault of the said Westport-Cardiff Coal Company, but by the default of another company in the fulfilment of the conditions under which such other company was liable." You say that amount should not have been charged against the Westport-Cardiff Coal Company?—Yes, that we believe ought not to have been charged. I sent a communication to the Chairman asking for information showing how that £4,500 which was said to be paid for the Mokihinui Mine had been disposed of. If that information could be got it would make things very clear to all of us.

55. *Mr. Colvin.*] The reason the mine was stopped on the first occasion was on account of negotiations going on between the company and the Government *re* the charges on the railway haulage, was it not?—Yes.

56. And it was only temporary at the time the mine was stopped?—Yes, we never expected it was to be the final. The Government would never have taken the step they took but for the fact that there was an agitation on at the time for a State mine, and this opportunity presented itself to the Government to start a State mine—it gave them an opening to get a cheap property.

57. And there was some difficulty between the chairman of your company on the Government officers *re* the charges on the haulage of the coal?—Yes. We always complained that the charge was unfair.

58. And during the time the negotiations were going on, the Government seized the plant?—Yes, after a time, and put the matter in the hands of Mr. Stringer, Crown Prosecutor, of Christchurch.

THURSDAY, 9TH DECEMBER, 1909.

HORATIO JOHN HOOPER BLOW, Under-Secretary for Mines, examined. (No. 3.)

1. *The Chairman.*] We understand that you can give us information, Mr. Blow, with regard to this petition of Mr. Bayfeild's. You know the petition—you have heard it read?—Yes, sir.

2. And you have some documents in connection with it?—Of course all the matters referred to in this petition occurred prior to my appointment to the Mines Department, but I have access to the papers, and I have found that at the time the Government resumed possession the Westport-Cardiff Coal Company was indebted to the Government in the amount of £4,470, made up of royalty £2,363, and deficiency on account of the working of the railway £2,107. As the company was unable to pay, and went into liquidation, the Government resumed possession of the land, which was a Crown leasehold. The company had certain plant, which was valued by the liquidator at £7,286 4s.; but of this sum he admitted that £2,803 was for fixtures that naturally passed to the Crown with the land, thus leaving saleable property worth only £4,483 4s., and this the Government took over in satisfaction of the debt due to it of £4,470, a formal assignment being duly executed by the liquidator. I may say here that in consideration of the payment made, or the release from indebtedness, which amounted to the same thing, the liquidator not only assigned to the Crown thé whole of this property, but covenanted that no claim such as is now being made should ever be made. This clause appears in the deed: "And that the said assignee" [the Crown] "shall at all times hereafter quietly hold, use, possess, and enjoy the said premises hereby assigned or intended so to be, without any lawful interruption, disturbance, claim, or demand whatsoever from or by the said assignor or any person rightfully claiming from, under, or in trust for the said assignor." I submit, therefore, that the present claim is a breach of the covenant entered into with the Crown, in pursuance of which the Crown practically paid £4,470—at any rate, it released its claim for that sum on the company. In 1903 Mr. Bayfeild petitioned Parliament for equitable consideration for the shareholders, and the petition was referred to the Government for consideration. The Government duly considered the matter, and came to the conclusion that the shareholders had no claim against the colony, and the petitioner was so notified on the 18th February, 1904. I should, perhaps, put in a copy of the letter to Mr. Bayfeild making that intimation. It is as follows: "Mines Department, Wellington, 18th February, 1904.—Sir,—In reply to your letter of the 15th instant, I have the honour to inform you that, after consideration of the statements in the petition which you presented to the House of Representatives last session on behalf of yourself and other shareholders of the Westport-Cardiff Coal-mining Company (Liq.), the Government is of opinion that the shareholders in the late company have no claim against the colony. Under these circumstances it will not be necessary for you to come to Wellington to discuss the question with me.—I have, &c., JAS. MCGOWAN, Minister of Mines.—To A. D. Bayfeild, Esq., Westport." [Copy of letter put in.] In 1908 Mr. Bayfeild again petitioned, and, although, so far as I can see, no new facts were adduced and no officer of the Mines Department was even invited to give evidence, the Committee came to a different conclusion from that which they had reached previously.

3. Of course we had the Minister of Mines present?—Yes, sir, I presume so, but apparently no officer of the Mines Department was even invited to give evidence or to refute the statements made by the petitioner; but the Committee, notwithstanding that, referred the petition to the Government for favourable consideration. I understand from a perusal of Mr. Bayfeild's evidence that he is under the impression that his claim in 1903 was not favourably considered by the Government because the Seddonville Mine was not then paying, and he says that, the mine being a payable venture now, the circumstances have altered; but I submit that the mine is still unpayable. So, if that fact was any factor in determining the matter in 1903, it is equally a factor to-day.

4. *Hon. Mr. R. McKenzie.*] Has it any bearing on the question?—It does not seem to me to have any bearing whatever, but I perceive from Mr. Bayfeild's evidence that he gives that as the reason why he did not get monetary compensation in 1903; so if the fact was worth anything then it is worth just as much now. I think that is all I have to say, but I shall be pleased to answer any questions.

5. *Mr. J. Duncan.*] This sum of £2,107—how was it made up?—The Act that authorised the extension of the railway from Ngakawau to the Mokihinui River provided that the companies in whose interest the extension was constructed should pay to the Government any deficiency there might be as between the actual receipts from the working of the line and 5 per cent. on the capital invested.

6. Was this a joint and several liability—a liability that the two companies were responsible for?—It is set out in the Act that any company that carried on operations in that area was bound by the Act.

7. Was this the Cardiff Company's share of the deficiency?—Yes. There was another company in the field which owed a larger sum, and the Government paid itself the bulk of what was owing in respect of their debt when their property was acquired.

8. The £2,107 is not the full deficiency that both companies were liable for?—No.

9. It was just simply the sum that the Cardiff Company was liable for?—That is as I understand the matter. The Mokihinui Company's deficiency was a much larger sum—£3,000 or £4,000.

10. It was not a joint and several liability in this kind of way: that if £2,107 was for both companies and one was unable to pay its share, the other company was then liable for the full amount?—That was so.

11. The £2,107 is the full deficiency?—No, I do not think it is at all.

12. Now I understand you?—It was not a written guarantee by the companies. That implies a bond entered into by them. Such was not the case in this instance; but the Legislature enacted that any company carrying on a coal-mining business in that area and receiving the benefit of that railway must, in conjunction with other companies similarly situated, be prepared to pay the difference between the earnings of the line and 5 per cent. interest on the cost of construction, in proportions that had to be fixed by the Commissioner of Crown Lands for the district.

13. So that the other company had its own share?—Yes.

14. And if it failed to pay, then that failure did not involve the liability of the Cardiff Company to pay the full amount?—In one way it did. If either of these companies ceased operations, then of course the other company became solely responsible. If we had half a dozen companies to start with, and five went out of business, the remaining one would be responsible for the whole.

15. Then this £2,107 was the liability that the Cardiff Company was responsible for as its own share?—That is as I understand the matter.

16. *Mr. Anderson.*] You say you understand that that was the full amount?—I only got Mr. Bayfeild's evidence at 3 o'clock yesterday afternoon, and I was too busy to attend to it then. I was up at 6 o'clock this morning wading into the matter; and I believe that to be so, but I am not in a position to swear to it. I find that a very much larger sum—between £3,000 and £4,000—was debited to the Mokihinui Company for the same thing, and there are only the two companies concerned. I therefore assume that the £2,107 is the amount attributable to the Cardiff Company only. Furthermore, the assignee admits the debt in the assignment. There is no question about the debt being due by the company, I think. It states here, "And whereas as the law stands there is now due under and by virtue of the said lease, by the said assignor to the said assignee, for rents, royalties, and deficiencies, up to the date of the determination of the said lease, the sum of £4,472 17s."

17. *Mr. Colvin.*] The Government gave £4,500 for the Mokihinui Company's property at auction?—Yes.

18. What became of that £4,500?—£350 of the amount was paid to the liquidator of the company to clear certain expenses, and the balance was set off against the amount owing to the Government by the Mokihinui Company for rent and royalties.

19. How much did the Mokihinui Company owe at that time?—That sum and rather more.

20. You say that the Cardiff Company owed £4,470, and that the plant was valued at £7,286. What became of the £2,803 represented by the fixtures?—That belonged to the Crown.

21. Under the deed they took the fixtures and they gave no value back again?—I submit that any freeholder would act in the same way in the case of default by his lessee. If any private person enters into a lease and effects improvements, and then fails to keep the covenants of the lease, of course he loses his improvements. That is a business transaction that takes place every day in the week.

22. *Hon. Mr. R. McKenzie.*] Have you got a copy of the Westport-Cardiff Company's lease amongst your papers?—I did not bring it with me this morning.

23. Are you aware whether there is a clause in it to the effect that in the event of the lessee failing to carry out the covenants of the lease, or failing to work the mine as set out in the covenants, the right is reserved to the Crown of entering and taking possession?—Undoubtedly. It was in pursuance of that clause that the Government did enter and take possession.

24. Before the lease was assigned, the lessee knew exactly what the conditions of the lease were?—Certainly, because such a clause is in every coal lease granted by the Government.

25. I suppose the Westport-Cardiff Company were not at all singular in the fact of the Government entering into possession when they failed to carry out the terms of the lease?—No, we have had other instances.

26. They were treated in exactly the same manner as every other company that fails to carry out the covenants of the Crown leases?—Precisely the same. There was some reference in Mr. Bayfeild's evidence to the Greymouth and Point Elizabeth Railway and Coal Company. That company also had a lease, and we re-entered and resumed possession similarly.

27. Some of that company's areas were private property, were they not?—Yes.

28. So that the Point Elizabeth Company and the Cardiff Company's cases were not on parallel lines?—No; but so far as they were on parallel lines, as regards Crown land, they were treated alike.

29. *The Chairman.*] You said that when the petition came before this Committee last year the Committee did not ask the officers of the Department to come and give evidence. Of course you are aware that the petition was sent to the Mines Department and a report was obtained from

the Department on it?—Yes, sir; but during the thirty-six years I have been in the Government service I have been many times before Committees—though this is the first time I have had the honour of appearing before this Committee—and it is the general rule, so far as my experience goes, in petitions affecting the Public Works Department, that the Committee declines to hear the statement of the petitioner unless an officer representing the Department is present.

30. Was this petition sent to the Mines Department for report this year?—No.

31. (To the Clerk.) Is that so, Mr. Izett?

Mr. Izett: It was not sent this year.

32. *Mr. Bayfeild.*] As to the allocation of this £4,500, I have a direct statement from the Railway Department that they have never received anything on account of this. I do not say that the Government may not have in some form passed cross-entries through their books. Have you inquired of the Railway Department as to whether they have received anything on account of this deficiency from the Mokihinui Coal Company?—No. I have mentioned already that I did not get your evidence till 3 o'clock yesterday afternoon, and I have only perused it since 6 o'clock this morning. But it does not seem to me that that can make any difference at all to your claim. We bought the Mokihinui Mine for £4,500. We paid £350 in cash, and the other £4,150 was taken by the Government in satisfaction of a debt owing by the company. On completion of that transaction a transfer voucher should have been passed to the credit of Railway revenue for the proportion of that sum that was due for deficiencies, and another transfer voucher should have been passed in favour of territorial revenue for the proportion due for rents and royalties. I have not ascertained if that has been done; but, even if it has not, how does that affect your claim?

33. *Hon. Mr. R. McKenzie.*] It would go to the consolidated revenue in any case?—Yes.

34. When those payments were made they would not go to the Railway Department at all; they would go into the consolidated revenue, excepting that portion which was territorial revenue?—Yes. Of course the Railway revenue is a part of the Consolidated Fund.

35. *The Chairman.*] Would they not be credited to the Railway revenue in the Consolidated Fund?—Yes, they would be credited.

36. *Hon. Mr. R. McKenzie.*] Supposing this money was paid into the Treasury, you would not ask the Railway Department to give you a receipt? As Under-Secretary for Mines you would simply pay the money direct into the Treasury? The receiver would pay direct to the Treasury, without putting it through the books of the Railway Department?—The receiver hardly comes into it. The Mines Department had to pay the money. We therefore ought to have made out two vouchers, one crediting Railway revenue with the proportion in respect of the deficiency, and the other crediting territorial revenue with the proportion in respect of the rents and royalties.

37. *The Chairman.*] It would show as a credit in the Railway accounts of the year?—The proportion in respect of the deficiency should. There would be an entry in the Railway accounts. I do not mean to say it would show separately in the printed accounts.

38. *Mr. Bayfeild.*] Have you ascertained precisely what was due by the Mokihinui Coal Company for deficiency on the railway?—No, I have not had time to do that. You can call the General Manager of Railways, and he can give you information on that point. If the credit was not passed, the Westport Harbour Board might have some ground for complaint, but I cannot see that the Westport-Cardiff Coal Company can have.

39. Are you aware that when that assignment was given by the liquidator there was a written communication given either to Mr. Stringer or to the Government that the document had been signed under pressure, and that the company would sooner or later receive some consideration?—I am not aware of anything of the kind, nor can I see where any pressure could come in, because it seems to me that the assignment was a very good bargain for the liquidator. If he had not assigned, the Government would have proceeded to recover its debt by writ of sale, and the whole of the property under the hammer would have been sold to the Crown for very much less than £4,470. As it was we paid £4,470 for it.

40. *The Chairman.*] How can you say that?—If any person or persons other than the Crown had been the purchaser, they would have had to dismantle the property and take it away and use it somewhere else. It would not have been anything like the same value to anybody else. The Government paid the full value placed on that plant by the liquidator. They released the liquidator from his debt of £4,470.

Mr. Bayfeild: Mr. Blow states that if that step had not been taken—I mean the assignment—the property would have gone to auction and would have fetched much less. It would have done nothing of the sort. Myself and others would have given more than that for the property. So that to state that there was a risk of its going for less is unfair, so far as I am concerned.

Witness: Why did the liquidator assign to the Crown for £4,470 if he could sell to any one else for more money?

Mr. Bayfeild: Because he relied on getting fair treatment from the Government, and getting some consideration.

41. *Mr. Colvin.*] You cannot possibly know anything about the value of this property—only what you have got in that document that you have there. You have no other means of knowing personally that it would have brought less?—No, but I know that it was valued by the liquidator himself, and we paid the full price that the liquidator placed upon it. How could we have hoped to get more than that?

42. Your own officers—Mr. Hayes, who was then Mining Engineer, Mr. H. A. Gordon, Mr. Jamieson, and another man, who were working for the Government—valued the property at £7,286?—But that included the 2,800 pounds' worth of fixtures. Deduct that, and where is the difference.

43. The difference is this: You forget there was £308 they did not take into account for a telephone, and £1,000 admitted to have been done in prospecting?—But you cannot assess that as value of plant.

44. The Government are making use of that telephone at the present day?—We had to put it in repair, though.

45. The Government took advantage of that 1,000 pounds' worth of prospecting and the £300 for the telephone, and the 2,803 pounds' worth of fixtures that they are actually using now. There are the bins there that could not be taken down, but any honourable person in charge of a Department would say, "We will allow this unfortunate company so-much"?—I suppose that as a mere witness I am not entitled to the protection of the Chair when I am told that any honourable man would take a different view.

46. I am not referring to you, because you had nothing to do with it. I say that the Government took advantage of the company?—The only thing I can say in reply is that I claim to be an honourable man personally, and if it had been my own private transaction I should have acted exactly as the Government did.

47. *Mr. Greenslade.*] You say you would have acted in exactly the same way. You are aware of the whole of the circumstances, are you?—You may have something else in your mind—I am referring to the re-entry by the Crown on this leasehold land.

48. Are you aware that the liquidator on behalf of the shareholders did his very utmost so far as he could to protect the interests of the shareholders?—That may be so, but unless he could fulfil his bond what was the use of that?

49. Are you aware that the Government distrained for unpaid deficiency and royalty, even to the extent of seizing the office furniture?—I think they took everything; but everything that was not a fixture they paid for.

50. And as a private individual you would have done the same thing?—Yes.

51. *Hon. Mr. R. McKenzie.*] Do you know whether the records show that this mine had been abandoned for some considerable time by the company before the Government entered into possession? The mine was standing idle, and, as a matter of fact, was on fire?—Yes. I think I can give you the dates. The Westport-Cardiff Company ceased work in September, 1899, and the fire broke out shortly afterwards. The Government did not enter into possession until the 23rd May, 1900.

52. Eight months afterwards; and the mine was practically on fire all the time?—Yes.

53. *Mr. Greenslade.*] Do you know how much the company spent in the endeavour to subdue the fire?—I do not know how much, but I understand from the records that it was very little.

54. *Hon. Mr. R. McKenzie.*] Mr. Bayfeild says that he and others were prepared to give the liquidator more for the mine and plant at that time than the Government gave—that is, £4,470. Is there anything on record to show that Mr. Bayfeild ever made that offer to the Crown?—No, there is not. Furthermore, in making that statement I have no doubt Mr. Bayfeild took into consideration the fixtures. When he said he would be willing to pay more than £4,470 he meant not only for the portable property, but for the fixtures also. The fixtures became the property of the Crown, and we allowed a sum of £4,470 for the removables.

55. At that time the company owed the Government some £4,470. Do you think that if Mr. Bayfeild had come to the Government and said, "I will give you £1,000 for mine, plant, and all, and will undertake to start the mine again and carry out the covenants of the lease," and had proved that he had substantial backing to carry out his undertaking—do you think the Government of the day would have accepted that offer?—It is the business of the Mines Department to encourage mining, and I am sure that the Minister of Mines, if he had received a *bona fide* offer that would have meant the carrying-on of mining on the same scale as provided for in the lease, would have been only too pleased to close with it.

56. Anyhow, there is no record, as far as you know at present, that Mr. Bayfeild ever made any offer of the kind?—I believe he applied for a lease of the land.

57. But did he make any offer at all to put down a deposit of, say, £1,000, as any company would do before the lease would be granted?—I think that no such offer as that was made.

58. *Mr. Bayfeild.*] I did not get the chance. Are you aware that at the time there was pressure being brought to bear upon the Government to take the property over and start it as a State mine?—No. I had no connection with the Mines Department then, and do not know what took place.

59. *Hon. Mr. R. McKenzie.*] Is it not the case with parliamentary Committees, when they inquire into the same petition in different sessions, that they do not want the petition sent a second time to the Department concerned for a report, because when they ask for such a report the usual reply is "We have nothing to add to our report of such-and-such a date"?—That is so, if the petition is in the same terms as before. I made no complaint on that head; but it struck me as being a little singular that the Committee should last year practically reverse its decision without our being given an opportunity of being heard.

ARTHUR D'OYLY BAYFEILD further examined. (No. 4.)

Witness: A question was put to me the other day by Mr. McKenzie which I could not answer. I wrote to Mr. Hargreaves, and have now received his reply.

The Chairman: You might read his letter.

Witness: "Christchurch, 8th December, 1909.—A. D. Bayfeild, Esq., Wellington.—DEAR SIR,—In reply to yours of the 4th instant, you are probably aware of the circumstance which led up to the closing of the mine. In September, 1899, in company with Mr. Heywood, I interviewed the Premier and Minister for Railways, Mr. Cadman. At this interview, to our surprise, the Premier offered to provide pound-for-pound subsidy up to £6,000 for opening up the Cave area. Upon my pointing out the absurdity of our receiving public money while liabilities to Government remained unmoved, he replied that there would be no difficulty about relieving the company of unpaid railway deficiency and royalty. These proposals were both definitely made by both Messrs. Seddon and Cadman. It was subsequently agreed that Mr. Hayes, Government Engineer, should report; and his report was favourable. It was suggested £800 should be spent in prospecting, Government providing half, and half salary Engineer. Before proceeding to take any steps to raise the larger amount of capital necessary—viz., £6,000—it was considered prudent that the company should have some written confirmation of the Premier's verbal offer *re* providing subsidy on £6,000. This the Government absolutely declined to give, and further stated that, unless the offer to pay half cost prospecting up to £800 was promptly accepted, they would take steps to terminate the then existing state of affairs. In face of this, there was nothing left to the board but to advise shareholders that company should be put into liquidation. Towards the end January, 1900, the fire occurred, and this entailed considerable expense. The Government took possession in May. The period that elapsed between mine closing down and Government taking possession was about eight months. It is absurd for Mr. McKenzie to say we abandoned the mine. We protected our interests to the last, the Government distraining for unpaid deficiency and royalty, even to the extent of seizing office furniture. I would further point out that during the whole of the time between the closing of the mine and the seizure we were in constant negotiation with Government, and the whole correspondence shows on our part the strongest endeavours to reopen the mine and go on with the work. The sum of £400 was spent in attempting to subdue the fire, and we went to considerable expense in obtaining the best legal opinion—Mr. Dillon Bell's—as to our chance of resisting Government's demands. When finally the property was handed over to Government in satisfaction of the claims they preferred against us, it was done because we were told that unless we agreed to this everything would be seized and the company would be sued as well. I should point out that we had to wait for over two months for Mr. Hayes's report during the time the mine was closed. Also that Mr. McGowan succeeded Mr. Cadman as Minister of Mines during negotiations. Mr. Hargreaves is at present laid up, but these are the facts as outlined by him. I trust this information will be sufficient.—Yours faithfully, W. H. Hargreaves, per M.A." I wish to put that in, in answer to the question put to me by Mr. McKenzie the other day. [Letter put in.]

1. *Hon. Mr. R. McKenzie.*] During this time you were negotiating with the Government to see if the Government would assist you financially?—The company were, yes.

2. The Government refused to assist you, did they not?—I presume they did. Well, some inducement was held out at one time, but they eventually refused.

3. You seem to make a grievance, on behalf of the company, out of the fact that the Government did not give you a sum to put the fire out?—I have not done so.

4. Then why do you put it down there in writing?—This is Mr. Hargreaves's statement.

5. That is really Mr. Hargreaves's grievance, that the Government could not see their way clear to give the company a sum of money?—I am not sure but that the Government were prepared to give money.

6. But they did not give you any?—No, because we declined to take it. It was not fair to take the Government's money. The haulage question was such a difficulty that, as Mr. Hargreaves points out, it would not have been a fair thing to take £6,000 till that was rectified.

7. The haulage question was fixed by statute, was it not?—Yes, I think so, but it was unreasonable.

8. It was fixed by statute and not by the Government?—Yes.

9. Before the Government could alter it they would have to amend the Act?—They have not done it to the present day.

10. How do you know that the House would allow the Government to do it?—(No answer.)

Monday, 13th December, 1909.

Thomas Ronayne, General Manager of New Zealand Railways, examined. (No. 5.)

1. *The Chairman.*] The Committee are anxious to obtain from you, if possible, some information with regard to the deficiency on working-expenses of a railway in connection with the Westport-Cardiff Coal Company, which company has for some years been in liquidation. We are anxious to know if you can give us any information as to the disposal of certain moneys which were due by that company to the Government, and moneys which were due by the Mokihinui Coal Company as well?—I have a return, which I will hand in. It is an account in respect to the Ngakawau Railway Extension, from the 21st August, 1893, to the 31st March, 1897. It shows the total deficiency for that period to have been £5,073 3s. 7d. In 1897 a Bill was introduced which relieved the companies of any liability in the future, but not in the past, as I understand, with regard to this deficiency of interest. I may mention, also, that in accordance with the Act—the Westport-Ngakawau Railway Extension Act—the duty of advising the Nelson Land Board of the result of each year's working rested with the Railway Department, and each year the Railway Department advised the Land Board. The Department had nothing whatever to do with the deficiency—no responsibility. In 1901, I find, the Chief Railway Accountant reported to me that the amount of deficiency from the opening of the line to the 31st March, 1897, was £5,073 3s. 7d., apportioned according to acreage by the Lands and Survey Department. That Department made the apportionment, and was responsible for the collection of the deficiency. According to the apportionment there was payable by the Westport-Cardiff Coal Company £2,567 5s. 1d., and by the Mokihinui Coal Company £2,505 18s. 6d. This is all the information with regard to the accounts that I can give you. I am willing to answer any questions. [Return handed in.]

2. *Mr. Scott.*] Is there an explanation in that statement as to where the money from the sale of the Mokihinui property went?—That went to the liquidator. The Mokihinui Coal Company was in liquidation.

3. *Mr. J. Duncan.*] What was the date when the companies were absolved from liability in respect of this liability?—The Act says, "No claim in respect of any deficiency arising on or after the 31st day of March, 1897, in the working of the Westport–Ngakawau Railway extension to the Mokihinui River shall be made or enforced against the holders of coal-mining leases within the railway area, as provided by 'The Westport–Ngakawau Railway Extension Act, 1890.'"

4. The deficiency up to March, 1897, was wiped out, I understand?—No, it was not wiped out by the Act. The Act was not retrospective.

5. Of the deficiency of £5,000-odd, £2,500-odd was apportioned to the Cardiff Company?—£2,567 5s. 1d. to the Cardiff Company, and the balance to the Mokihinui Company.

6. I notice that the amount that was charged for deficiency against the Cardiff Company at the time the Government seized the property of that company was £2,107. They were actually charged less, then, than the amount they were really liable for?—I can only supply the lump sum, on account of both parties, from the opening of the line. The apportioning of the deficiency was left to the Lands Department, who had to collect the money. All that the Railway Department had to do was to notify the Lands Department as to the amount of the deficiency on each year's working.

7. The Government bought the Mokihinui Company's property for £4,500, of which £350 went to the liquidator. I was wishing for information as to how the £4,150 was made up?—I think the Public Works Department or the Mines Department would be the proper Department to apply to for that. The Railway Department had nothing to do with the purchase.

8. *The Chairman.*] The Railway Department did not receive this money—I mean the deficiency on the working of the railway: it went to the Land Board?—The Railway Department got no money.

9. *Mr. Taylor.*] There are no cross-entries relative to the matter in the Railway accounts?—No. The Railway Department had to put up with the deficiency and the loss of interest.

10. *The Chairman.*] Why did you have to put up with the deficiency if the money was paid over by these two companies—to the extent, at any rate, of £4,000?—No portion of the money was handed back to the Railway Department. The Lands Department should be able to say what became of the money. The Westport Harbour Board would suffer to some extent.

11. *Mr. Colvin.*] You do not know whether the companies paid anything or not? You know there was £5,000 owing, but you do not really know whether they were credited by the Lands Department or not, or whether anything was paid into the Consolidated Fund?—The Railway Accountant advised me that no cash had ever been paid. I have his report recorded.

12. The money was collected when they sold the mine?—On that occasion it would be deducted from the proceeds of the sale as a debt to the Government. As the deficiency arose each year the Lands Department did not levy on the coal companies. They did not make the companies pay, as they possibly should have done, when the liability was incurred. They did not collect the money.

13. When the Government sold the Mokihinui Company's property for £4,500 they returned £350 to the liquidator and kept £4,150. This money did not come to you, and there is no account as to where it went to?—I do not know anything about that. The Railway Department had nothing to do with that part of the accounting.

14. *The Chairman.*] That is the information given to you—that no money was paid?—According to my records that is correct.

15. *The Chairman* (to Mr. Bayfeild).] You have a letter from Mr. Stringer, Crown Prosecutor. I understand that you desire to put that in?—I do, sir.

16. Will you read it then, please?—"Crown Solicitor's Office, Christchurch, 4th January, 1900.—W. H. Hargreaves, Esq., Liquidator, Westport-Cardiff Coal Company, Christchurch.—DEAR SIR,—The Crown and the Company: Referring to my interview to-day with you and Mr. Fisher as to the Government refusing to give any such undertaking as mentioned in Messrs. Garrick and Co.'s letter of the 21st ultimo, and as to your objection to execute the deed of assignment without such undertaking, I beg to call your attention to the fact that the agreement between the company and the Government is embodied in my letter to you of the 10th December, in which I stated that the Government would not waive the claim for deficiency due by the company prior to the 31st March, 1897, but were willing to take over all the chattels on the property in satisfaction of the amount due for rent and royalty, and your reply thereto of the 11th December, in which you agree to 'the Government taking over the chattels in discharge of the company's debt.' The deed of assignment prepared by me does no more than give proper effect to the agreement thus made. In your letter before referred to you state that you accept the offer 'without prejudice to the company's right to appeal to the Government for favourable consideration in terms of the recommendation of the Railways Committee last session, and to the company's right to petition Parliament for further relief.' It was not intended by me that the deed should do more than give formal effect to the agreement before mentioned—namely, that the Government should take over the chattels in satisfaction of the company's debt; and in my opinion the deed does not do so, nor does it in any way prejudice whatever rights you may have to approach the Government or Parliament in the way mentioned by you. I trust, therefore, that there will be no further delay in carrying out the arrangement made between us.—Yours truly, T. W. STRINGER, Crown Solicitor." [Letter handed in.] This is confirmed in a letter from Mr. Hargreaves under date of Saturday.

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