

interests of the lessee, leaving it to Jones and Lewis to establish their respective claims to compensation. This would be the simplest way out of the difficulty, but if the Government finally decides that it will not purchase, then the Natives are prepared to deal with Lewis, and an early settlement will be arrived at. I will write you again in the course of a few days and let you know how matters are progressing. Yours truly, F. G. Dalziell." Then, on the 29th July I wrote to the Prime Minister a further letter: "29th July, 1910.—The Right Hon. Sir Joseph Ward, Wellington.—Dear Sir Joseph,—*Re Mokau*: For your information I would like to summarize the position. Mr. Treadwell admits that Jones has no chance unless he can induce the Government to assist him by acquiring the land and giving him a lease of the minerals and a small area as a farm. There seems to be only two alternatives by the Government—(1) To buy the Natives' interests and take the interests of the lessees compulsorily; (2) to refuse to purchase the Natives' interests, and to leave the parties to their respective rights. If No 1 is adopted, the Government will step into the shoes of the Natives and have all the rights the Natives are now entitled to. Mr. Treadwell suggested that the Government could simply pay the compensation awarded for the leasehold interests into the hands of the Public Trustee, and allow the parties entitled to it to fight the matter out among themselves. This is not, however, what will happen. As soon as the Proclamation is issued the Government, having purchased the Natives' interests, will have to determine whether it will claim any part of the compensation to be awarded for the leases—that is, whether it will contest the validity of the leases. If it does this, it of course questions the title of all the mortgagees, and at once also raises the question that, if the leases are invalid, the Natives may be liable to an action upon the part of the lessees. For instance, if the principal lease is cancelled on the ground that a covenant contained in it to form a company has not been performed, those Natives who entered into a deed releasing the lessees from performance of this covenant may be liable to be sued on the deed; at any rate to the extent of the moneys they have received under it. There is also the further question raised by Mr. Skerrett that, if the leases are set aside for suggested statutory defects, the lessees will probably have a claim against the Assurance Fund. If this alternative is adopted, the only way by which these probabilities of litigation could be avoided would be by the Government entering into an undertaking with the Natives that the leases should be acknowledged as being valid to the extent of the lands expressed to be comprised in them. If this course is followed, the Government will, of course, have the coal-measures to deal with if it desires to do anything for Jones. Apart from the question of satisfying Jones, there can be no doubt that the second alternative is the simplest for the Government, on the understanding, of course, that the lessees purchase the Natives' interests and release the Assurance Fund from all claims. The lessees would very much prefer to have the second alternative adopted, but I think the important question for all parties concerned is to have the matter determined on the basis of one or other of these alternatives as early as possible, because the delay seems to be leading to constantly increasing difficulties for everyone concerned. Yours truly, F. G. Dalziell." Later on I was informed that the Government would not take compulsorily, for two reasons. The first reason was that the Natives would only sell for £22,500. This was too much by about £7,500, if the leases were valid. The Government were thus forced either to undertake this expensive and prolonged litigation to test the validity of the leases, or else to pay the Natives £7,500 too much. If they paid the Natives and did not contest the leases they would have to pay this sum of £7,500 twice over, because they would have to take the leases on the basis of their being good, and they would have already paid the Natives on the basis of the titles being doubtful. The second reason was that the Government did not see their way to take compulsorily a coal-mine: there is a coal-mine involved in this. The difficulty they saw they would be faced with was that it was impossible for anybody to make a reasonable estimate of the amount of compensation which would be awarded to the lessees for their interest in the coal. The Government, of course, had no power to take the surface without the coal; they must take the whole thing or not at all. In the absence of any prospect of arriving at a reasonable estimate—at any estimate at all, in fact—of what they would be required to pay, the Government, we were informed, decided that they would not take compulsorily. We were told that it was not a business proposition. Then immediately after this Mr. Skerrett—it was some time in September—the letter is part of your proceedings—wrote to the Native Minister protesting against the way in which this question was being allowed to remain unsettled, and urged that the Government should consent to the issue of an Order in Council in order that the Natives' interest in the land might be purchased by the lessee. Mr. Skerrett and I continued to urge upon the different members of the Government that this course should be adopted, and, finally, on the 6th December, 1910, I was informed by Mr. Skerrett that the Government had agreed to the issue of the Order in Council. Mr. Skerrett and I then went into the question of taking the necessary steps to acquire the interests of the Natives, in accordance with the provisions of the Maori Land Act, 1909.

(At this stage the Committee adjourned till the following day.)

THURSDAY, 14TH SEPTEMBER, 1911.

FREDERICK GEORGE DALZIELL further examined. (No. 17.)

1. *The Chairman.*] Will you proceed with your statement, please, Mr. Dalziell?—Yes, sir. Before taking steps to acquire the Natives' interests, Mr. Skerrett and I went very carefully indeed into the question of the procedure necessary to enable us to get the title. It was, of course, a very important transaction, and we both recognized that it was essential that we should comply in every detail with the requirements of the statute and regulations, because if we did not the title we were purchasing might at any time be subject to attack. When I say "at any time"