

143. Can you tell us how the £650,000 would be expended?—No, I cannot say that; but the bulk of it, if not all of it, would be expended on works and in generally establishing the business.

144. *Hon. Mr. McKenzie.*] Does not the Bill say so?—Yes.

145. *Mr. Sidey.*] Supposing after the expenditure of that £650,000 it were found that the works were not going to be as successful as anticipated: would it not then be possible to so contract the operations of the company as to carry on a local works which would supply New Zealand, and do sufficient, at any rate, to qualify for the Government subsidy?—The English people think not: they think that is out of the question. They say that if they put up works of the magnitude they propose, an output of 65,000 tons would never pay.

146. But rather than lose the whole capital, might it not suit them to retain sufficient of their works to enable them to get that subsidy?—I should hardly think so, because I should think that the loss on their works might amount to anything up to £32,500 in such circumstances.

147. For local requirements do you not think it would be possible to carry on works for a subsidy of £32,500?—I am not able to answer the question because I have not the knowledge. I should think that even then it would not be a bad thing from the country's point of view, because after all the works would be there, and they would be acquired at the end of the forty years, and by that time—if there is anything at all in the statement that Mr. Thomson read—there must be a very large goodwill attaching.

148. In the event of purchase before forty years the goodwill would have to be paid for: is that not so?—Yes.

149. What would you estimate, roughly, would require to be paid in forty years' time if the whole undertaking had to be brought out?—That is impossible to say: it depends upon so many considerations. But if the business proved as profitable as might be hoped, and if the iron-ores of the world are going to be worked out within fifty years, I can quite conceive that the undertaking at Parapara might be worth millions.

150. I think you said that the subsidy paid by the Government would really be going towards the purchase?—True.

151. Supposing the Government purchased in twenty years, would it not be a fair thing to ask that the whole, or a portion, of the subsidies paid should also go towards payment of the purchase at that time?—That is a matter that would be taken into consideration by the Compensation Court, I should think, in any case. I do not think the Compensation Court would necessarily reduce the purchase-money by the subsidies that already had been paid, but it might be an element to be taken into consideration. I do not think it would be fair to make any definite provision on the point, because for the first ten or twelve years it is quite probable there would not be a great deal of profit made, or for a number of years, anyhow.

152. You do not think it would be fair to put such a condition in the agreement or in the Bill?—No.

153. Notwithstanding all you have heard about the possibility of an iron famine, and the special facilities for getting iron-ore in the particular locality, you think it is unreasonable to expect any company to come in on the prospect of making the thing pay, without receiving any subsidy from the Government?—I do not think it is. But you must understand that I may be biased in the matter.

154. I mean, to exploit these deposits as a payable venture?—All I can say in reply to that is this: in Canada, notwithstanding the fact that the iron resources are being gradually worked out in other parts of the world, they have given enormous bounties.

155. Only for a term?—No; over three millions in about fourteen years. And there is no provision there for the State taking over the works at the end of the period without paying compensation. The Ethelburga people think it would be impossible to get capital put into the New Zealand concern unless there is some provision of this kind. They may be wrong, but that is their view.

156. You do not think that anything less than the subsidy that is asked for for a period of forty years would be a fair thing to expect?—Their proposals are made after careful consideration.

157. *Mr. Blow.*] You said that the estimate of £650,000 was arrived at on the advice of experts?—So I understand.

158. Can you give us the details?—No, I have not the details.

159. It is very important that the Committee should know what the country is going to get for the £650,000?—I do not suppose there would have been any objection to forwarding the details, but I have not asked for them, and they have not been forwarded. Personally I do not see that it is of very much importance at this stage. The Government will make inquiries into all these matters if the principle is affirmed before they enter into any contract.

160. But the Committee want to know whether the company are going to put down a complete ironworks that will produce steel rails and other steel manufactures, or whether they are simply going to produce pig iron?—I can answer that question. They do not consider that pig iron would be sufficient in itself to make a payable proposition. Their proposal is to establish iron and steel works.

161. Pig iron would certainly be the most profitable thing they could produce?—You will see from the Bill that they are to supply not only iron, but "all steel and iron articles, such as rails, girders, pig iron, iron and steel bars, and any other produce of their furnaces or mills."

162. But supposing the furnaces and mills are not there to put out these products?—They must be, because the company would covenant to supply these articles.

163. Then the company are willing to covenant to supply all the different descriptions of bar and angle iron and joists and girders?—"All iron and steel articles, such as rails, girders, pig iron, iron and steel bars, and any other produce of their furnaces or mills."