"With regard to granting a bonus of £1 per ton on the first 20,000 tons of pig iron produced in the colony, I forward for your information copy of the Mines Statement, Parliamentary Paper C.-2 of 1900, and I have to state that the Government is prepared to give effect to the proposals at page 8* for the development of the iron-deposits of the colony.

"I have, &c.,
"W. P. REEVES,
"High Commissioner for New Zealand."

* *Page 8. Parliamentary Paper referred to—C.-2 of 1900.*

"*Iron-ore.*—There are, as yet, no further developments with regard either to our iron-deposits in the Middle Island, or to the immense quantities of ironsand on the Taranaki coast; but the present high price of iron, combined with the growing demand for that metal, should lead to the attention of capitalists being directed to this colony as a suitable field for the establishment of smelting-works on a large scale.

"With a view to encouraging the introduction of sufficient capital for the erection of such works, the Government are prepared to consider favourably a proposal based on the following lines: That a company shall be formed with a capital of not less than £200,000; that of this £200,000, £100,000 shall be expended in acquiring lands, erecting buildings, and the necessary plant and appliances. This having been done, that the Government shall grant a bonus of £1 per ton on the first 20,000 of marketable iron or steel produced; that the iron and steel required for the colony shall be taken from the company at a margin above the market rates ruling beyond the colony, allowing freights."

That is as far back as 1905. That proposal, and all other matters, I think, in connection with the establishment of the iron industry, have been considered by the Ethelburga Syndicate?—Yes, especially the question of the freights.

29. And the result is that they have made the proposals which are embodied in the present Bill?—Yes. I should like, Mr. Chairman, to place before the Committee the proposals I laid before the Premier, Mr. Massey. They are contained in this letter which I wrote to the Premier on behalf of the Ethelburga Syndicate. [Letter handed in, and read by the clerk as follows.]

"P.O. Box 372, Wellington, 10th July, 1912.

"The Hon. W. F. Massey, Prime Minister.

"SIR,—I beg to bring before your notice the proposals of the Ethelburga Syndicate, of 65 Bishopsgate, London (a financial group of high standing), in regard to the early successful establishment of the iron and steel industry and the utilization of the iron-deposits. The investors referred to had previously entered into contracts in London at the close of last year for amalgamation of iron interests and erection of works at a cost of £500,000, subject to legislation being passed embodying certain requisite powers and privileges. They now propose to carry out these contracts and provide £650,000 for the erection of iron and steel plant.

"I was furnished by the syndicate with a memorandum of their proposals, and also with a letter to the Prime Minister requesting the assistance of the New Zealand Government in carrying out the proposed scheme, brief particulars of which I will supply. I believe you now have the means at command to not only give effect to the highest ideals of nationalization, but also to establish the greatest industrial enterprise projected in the Dominion, and further, that you can confidently rely on the unanimous support of the people if carried along on the lines of the Ethelburga proposals. It may be satisfactory to note that in their firm determination to make the industry a success, and notwithstanding the trouble caused by delays here, the Ethelburga have voluntarily undertaken to provide a further £150,000 for working capital additional to the original undertaking of last year, which was to provide £500,000 only. The large working capital to be provided represents, roughly speaking, nearly £2 per share on the total shares (350,000) of the company: thus, as one-third of these shares are allocated to the New Zealand owners, one-third of the future profits go to New Zealand owners, who are not called upon to provide any of the £650,000—indeed, they receive many thousands in cash in addition to their fully-paid shares. This provision for New Zealand interests I mention in justice to the Home investors, whose liberal proposals are in other respects worthy of any Government's consideration. They are entirely free of any charge of overburdening the share capital of the company (350,000 shares at £1 each), while they provide double this amount for working capital—viz., £650,000.

"Surprise was expressed in London at their taking the risk of so great a financial undertaking in so distant a portion of the Empire with its comparatively small population and small market—quite inadequate, in fact, to absorb the whole output of the proposed iron and steel works. But fortunately this difficulty is overcome, as the investors are prepared to find not only the capital but the markets. Exportation is made possible to foreign markets by the low cost of production, which under this scheme will be the important feature of the New Zealand ironworks. The heavy initial outlay on modern plant to assure production at the lowest cost also justifies, and in fact should recoup, the State subsidy, both directly and indirectly.

"By this scheme £650,000 is expended on the erection of the up-to-date plant required, and without any unnecessary delay or without drawing the money from the Dominion exchequer or risking the taxpayers' money in such speculative enterprise. The people will benefit by the expenditure of outside capital and by the large and continuous circulation of money in carrying on operations, in increase of trade, and the general prosperity and prestige of the Dominion.

"As regards the adjustment of the subsidy question it is proposed that—

"(*a*.) In lieu of all the bonuses proposed to be given the iron industry, that a direct annual subsidy of £32,500 be given, and that the investors erect modern iron and steel works of great and economical producing-power at a cost of £650,000, and thus enable the New Zealand works to take fuller advantage of local and foreign markets, and compete with the inevitable attempts which will be made to crush the enterprise by existing powerful iron and steel combinations.

"(*b*.) The State to gets its iron and steel at cost price, plus 5 per cent.