

whether or not the whole proposition of the Ethelburga Syndicate is such as to receive the support of the Committee. Mr. East's evidence is on those lines.

1. *Hon. Mr. McKenzie.*] Are you aware, Mr. Blair, that the proposal before the Committee is a proposal of a bonus on an output of 65,000 tons per annum?—Yes, there must be the output to earn the bonus.

2. You say watering is really a matter for the debenture-holders?—Of course it affects the matter, because if there is undue watering the benefit which would be intended to be given to the iron industry would ultimately find its way into the pockets of the promoters of the company. The benefits which would be given to the company might be diverted in that way, because if the bonuses were made so large that the company could carry on business at a handsome profit the promoters would have such an attractive proposition to offer to the public that they could get the public to come in, and probably the public would stand more watering than would otherwise be the case. Undue watering has some bearing on the question.

3. Do you not think the Government can make provisions respecting payment of bonus to protect the Dominion?—Yes.

4. So really, as far as the country is concerned, your assumption about watering is a matter the Government can deal with?—That is why we ask that if it is a question of a payment of bonuses it be made general, so that if we are able to offer the Government a better proposition than the Parapara or Ethelburga Syndicates then it would be open to the Government to have more than one proposal: that is the position.

5. *Mr. Myers.*] Mr. Blair, do you know that under the Parapara agreement part of the consideration payable to the Parapara Company—I am speaking of the agreement of the 7th September, 1911—is £42,500 in cash?—I know some cash is payable to the Parapara Syndicate.

6. Also that there would have been the sum of £15,000 payable to your own clients?—Yes.

7. That is £57,500, is it not?—Yes.

8. Do you think it was fair to suggest to Mr. Witheford that these promoters in England were getting £100,000 of the debenture-money in cash?—Yes; they were raising £650,000, and only £400,000 is to be made available for purchase of plant, &c.

9. Under the agreement in front of you the amount of the debentures was to be £500,000, and not £650,000?—Yes; then there would be the balance available for brokering and other expenses.

10. Then you will admit at once that your question was asked inadvertently?—I was taking the figures that I heard yesterday—the £650,000—and I see in the agreement here there was only a difference of £100,000, which remained “after payment of all expenses, &c., £400,000.” The £500,000 has been stated to have been increased to £650,000 on the advice of experts, who found that more than £500,000 was required.

11. You will admit that the assumption you put to Mr. Witheford that £100,000 was being taken by the promoters was not justified?—It would be 225,000 fully-paid shares, and the flotation, &c, expenses, £100,000—£325,000.

12. That is assuming that the 225,000 shares are paid-up shares going to the promoters?—Yes.

13. Would you mind looking at the Onakaka agreement, and do you not see under the agreement it provides for £400,000 to be available in cash?—Yes.

14. Now, of this £100,000 difference, £57,500 would be payable to the two companies?—Onakaka and Parapara.

15. So that the words used there are at least unjustified. Surely you must admit that it does not necessarily follow that the £32,500 goes to the promoters?—The agreement is also susceptible to another meaning—may I also point out that this agreement is susceptible again to the construction that I previously put on it: it reads, “Issue a series of £500,000 first-mortgage debentures, and the company shall, after payment of expenses, including underwriting, brokerage, and the remuneration of the syndicate, have a sum of £400,000 at least available for the purposes of purchasing plant and machinery and any property acquired.” That, of course, would indicate that portion of the £400,000 is to be utilized in paying that £67,000 which Mr. Myers spoke about, and would therefore indicate that £100,000 of the debenture-money is to go to the syndicate for underwriting, &c.

16. You know that the present proposal is that £650,000 should be expended?—Yes.

17. Do you know that the proposal is that the Government should pay £32,500 per annum?—Yes.

18. Do you know that that represents merely 4 per cent. or thereabouts and a sinking fund of 1 per cent.?—Yes.

19. And do you know there is no provision made in this Bill for repayment to the shareholders of the nominal value of their shares?—Yes.

20. Will you kindly explain to the Committee under these circumstances what on earth it matters to the country whether the share capital is watered or whether it is not?—That is debenture capital; that £650,000 is to be raised by means of debentures. The general assets of the company, whatever they are, are over and above that. The position is that they will create a reserve fund from profits and other matters of that nature, which will possibly result in their shareholders getting back a considerable portion of their capital. You get 4 per cent. guaranteed debenture-money and 1 per cent. paid, and the rest, which represents fully-paid-up shares, may or may not bring in a return. It depends upon the profitable working of the company.

21. Seeing that all the State has to do is to make provision for the repayment of the debenture capital actually paid in cash, can you tell the Committee how it matters whether the share capital is watered or not?—It makes all the difference in this way: If the proposition is sufficiently attractive it may result in a bonus-paid industry being unduly exploited by English capitalists.