

wharves, canals, harbours, docks, piping, water-races, water-power installations or other necessary works, shall be included in the amounts required to be expended by the lessees, it seems fairly clear that the whole £650,000 could easily be got rid of without putting down any plant for the conversion of pig iron into steel, or in providing rolling-mills for the purpose of producing rails, bars, plates, &c. I asked Mr. Myers if he could furnish details showing how the £650,000 (which he said was the estimate of experts) was arrived at, in order that the Committee might be able to see the class of work the company proposes to provide, but Mr. Myers said the information was not available. This leaves the Committee very much in the dark, therefore, as to what the company's proposals really are. On this being pointed out to Mr. Myers he referred to subclause (d) of clause 3 of the Bill, which provides that the lessee shall provide the Government with all iron and steel articles, such as rails, girders, pig iron, and iron and steel bars, and any other produce of their furnaces or mills required by the Government in the construction of railways, public buildings, or other public works, and in the Government workshops. This is satisfactory as far as it goes, but I submit it would be much more satisfactory if the Committee had before it full details showing exactly how the experts have arrived at the sum of £650,000, so that the Committee might be assured that an adequate converter plant and rolling-mills had been provided for therein. Mr. Myers contends that the New Zealand trade alone will not be remunerative, but the New Zealand trade will necessarily be the most remunerative trade the company will have, as they will have a complete monopoly of the New Zealand market, subject only to keeping the prices just below the price of the imported article. In other words, they will have the handicap of fourteen thousand miles of sea freight in their favour, plus marine insurance and other charges, to say nothing of the advantage of being able to give prompt delivery as against the months of delay involved in indenting from Europe. There is no doubt that pig iron can be produced in New Zealand at a price that will defy competition from abroad, but the extensive and valuable plant required to manufacture the different descriptions of iron required in engineering-works, and the question as to whether the local trade would be sufficient to keep such a plant fully employed, and also the large amount of expert and other labour involved in the preparation of such iron and steel work, will render it somewhat doubtful as to whether manufactured iron and steel can be produced at a less rate than it can be imported for. For engineering purposes the question of quality is also one that will require careful attention. Serious fault has been found with the quality of much of the steel produced at Messrs. Hoskins's works at Lithgow, and it would be necessary in New Zealand to see that a high standard of quality was established and maintained, as otherwise the iron and steel manufactured would be unsuitable for railway and bridge work, and would get a bad name, which would render them practically unsaleable. The question as to whether or not the company would be able to establish an export trade, except as regards pig iron, is one that admits of serious question. As regards pig iron, I think the company could ship as cheaply as most of the makers in the Old World, and that in consequence of this New Zealand would perhaps be able to supply that commodity to South America, and possibly also to other portions of the Southern Hemisphere, though the competition of the Broken Hill Proprietary and the New South Wales Government's works would be very keen. I am doubtful, however, whether the New Zealand company would be able to export manufactured ironwork at a price that would displace the British, Swedish, Belgian, and German articles, as the freight rates from New Zealand to South America and other places situated at any considerable distance from our shores would probably be as high, or nearly so, as from Europe, whereas labour conditions here would be less favourable to the company than in Great Britain, and much less favourable than in Sweden and Belgium. As regards the New Zealand trade, however, the company should be able to secure it all at rates which would be thoroughly remunerative, and consequently the necessity for any direct pecuniary assistance from the Government is not at all evident. Should, however, the Committee think otherwise, and decide to recommend the adoption of any proposals on the lines of the draft Bill submitted by the syndicate, it will be necessary to carefully examine the terms of such draft, as there are several respects in which the draft at present before the Committee requires amendment. I submit herewith a draft of a number of amendments which seem to me to be desirable. If the companies concerned in the New Zealand deposits cannot see their way to carry on the enterprise without direct monetary assistance from the State, I think they should surrender their leases and allow the Government to develop the properties as a State enterprise. The starting of this work as a State enterprise has not only been advocated locally, but is favoured by Mr. Charles Bingham, the eminent London electro-chemical engineer. In a letter written by that gentleman to the Government Electrical Engineer, and dated London, 7th September, 1911, he says,—

"Because calcium-carbide and nitrates have been so prominently before the public there has been a rush to manufacture them, and this rush has made them the least remunerative of all the electro-chemical industries. The wise man will therefore devote his attention to other things which are not so overdone. If I were in your position I should turn my attention more to the manufacture of steel. You have excellent raw material on the spot, which has already been treated on this side successfully—for instance, the magnetic ironsands, which were in my presence converted into excellent steel of high quality. Then, the European product is severely handicapped by the fact that the freight bears so very high a proportion to the value of the product. Last, but not least, the existing market is enormous, and not only from patriotic but from sound business motives the Government can afford to give you protection—for instance, for steel rails, for it has been conclusively shown that steel rails made from electric-furnace steel are much more durable than ordinary rails. The consumption of carbide in New Zealand is far too small to justify the erection of a factory of decent size, but it is quite different as regards steel-manufacture. The Tasmanian Government lately consulted me about a similar scheme to