

SESSION II.
1912.
NEW ZEALAND.

IRON AND STEEL INDUSTRY COMMITTEE

(REPORT OF), ON THE PETITION (No. 358, SESSION II, 1912) OF F. W. HAYBITTLE AND FIVE OTHERS; TOGETHER WITH COPY OF PETITION, MINUTES OF EVIDENCE, AND APPENDIX.

(MR. MALCOLM, CHAIRMAN.)

Report brought up on the 4th November, 1912, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

TUESDAY, THE 22ND DAY OF OCTOBER, 1912.

Ordered, "That Standing Order No. 219 be suspended, and that the petition of F. W. Haybittle and five others, regarding the establishment of the iron and steel industry in the Dominion, be referred to a Select Committee, consisting of Mr. Craigie, Mr. Davey, Hon. Mr. Fraser, Mr. Lee, Mr. Malcolm, Hon. Mr. McKenzie, Mr. Nosworthy, Mr. Sidey, Mr. G. M. Thomson, Mr. Veitch, Mr. Wilkinson, and the mover; three to be a quorum; with power to call for persons and papers; the Committee to report to the House within seven days."—(Hon. Mr. MASSEY.)

MONDAY, THE 28TH DAY OF OCTOBER, 1912.

Ordered, "That seven days' extension of time be granted to the Iron and Steel Industries Committee within which to bring up its report."—(MR. MALCOLM.)

PETITION.

To the Honourable the Speaker and Members of the House of Representatives.

THE humble petition of Frederick William Haybittle and others respectfully submits that it is desirable in the interests of this Dominion to encourage the production of iron and steel from New Zealand iron-ore and ironsand, and that an Iron and Steel Industry Bill as drafted and submitted to Cabinet be passed, or that the Government be authorized to enter into the necessary contracts with investors for the immediate development of the said industry.

Your petitioner therefore prays that your honourable House will inquire into the allegations contained in the petition and pass such legislation as may be necessary.

And your petitioner, as in duty bound, will ever pray.

F. W. HAYBITTLE
(And five others).

REPORT.

REPORT of the IRON AND STEEL INDUSTRY COMMITTEE on Petition No. 358, Session II, F. W. HAYBITTLE and five others, praying the House to pass such Legislation as will encourage the Production of Iron and Steel from New Zealand Iron-ore and Ironsand.

THE Committee to whom was referred the above-named petition has the honour to report as follows :—

- 1. The Committee is of opinion that it is desirable, in the interests of this Dominion, to encourage the production of iron and steel from the ores of the country.
 - 2. That the proposals of the Ethelburga Syndicate, as laid down in the draft Bill now before the Committee, appear to be unsatisfactory, and the Committee does not recommend the acceptance of these proposals in their present form.
 - 3. That the Government be recommended to make full inquiry into the question at as early a date as possible, with the view of ascertaining the terms on which investors are prepared to provide the necessary capital to develop the industry on an adequate scale.
 - 4. Further, as an alternative, that the Government should fully inquire into the advisableness of developing the industry as a State enterprise.
 - 5. That the Government should insist on the terms of the Parapara and Onakaka leases being complied with.
- 4th November, 1912. A. MALCOLM, Chairman.

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MINUTES OF EVIDENCE.

FRIDAY, 25TH OCTOBER, 1912.

The Chairman: I understand, Mr. Witheford, you have authority to appear on behalf of the petitioner?

Mr. Witheford: Yes, I represent the petitioner.

The clerk at this stage read the petition, which was put in as an exhibit.

JOSEPH SMYTHE examined. (No. 1.)

1. *The Chairman.*] Mr. Smythe, we will not formally swear you, but all evidence given here is acknowledged as sworn evidence?—Yes.

2. What is your name and occupation?—Joseph Smythe, agent.

3. Where do you reside?—Christchurch. Here is a plan of the property known as the Parapara leases. The Washbourn area is 56 acres and the Cadman 920 acres. In front of the lease is this big tidal basin of nearly 600 acres. At high tide there is 10 ft. or 12 ft. of water at the mouth of the inlet. The depth of the inlet itself—it is now filled up with tailings—but 40 ft. could be got by dredging. Possibly you could get deep water right up here. [Witness described the position of the lease.] The Parapara and the mud-flat are adjacent. A piece of the lease is in the Washbourn Block. The face of the iron is barely a mile and a quarter from the sea. The Onakaka River is a boundary between the two leases. Here is the tram-line down to the sea to a small wharf about 300 ft. long. On the western side of the lease is a large limestone-deposit, suitable for smelting purposes. Coal-mines are about six miles away. Coal can be got from the Collingwood district mines or from Westport or Greymouth.

4. *Mr. Sidey.*] What is this green colour on the plan?—This is a range of hills here—the same there. The workings are 30 ft. above sea-level, and the face rises abruptly to 390 ft. above water-level, and at the extreme end of our lease the ore is 1,250 ft. above sea-level. The iron is all round, and extending away to the south over the Onakaka Hills. You see it away on the hills towards Parapara Peak, nearly 4,000 ft. up. We have stripped the overburden from the ore on a very large area, and put in several tunnels—one is 30 ft. above the water-level, and there is 200 ft. below the level to the top. The amount of iron-ore we have discovered is enormous. We have done about 3,000 ft. of tunnelling at the present time. We have stripped the Washbourn area from the top. *Re* places where the outcrops of ore were showing, there is a big hill here and there several chains away. We had to strip all, and have proven the iron is one continuous mass. In Dr. Bell's report he shows how the iron is outcropping in various places. We have done a considerable amount of work there, and according to Mr. G. H. Allan, our manager, he reckons a conservative estimate would be about 250,000,000 tons exposed at the present time. The Onakaka lease is extending south; that must be an immense deposit, and we have no reason to suppose it is less than the Parapara. It may be a little more difficult of access, but the two are one formation of iron and of about the same quality.

5. *Mr. Lee.*] Where are you speaking of now?—Onakaka. The iron-deposit extends nearly six miles that way. There is very little flat land here in the Parapara basin. [Witness described the position to the Committee.] This is a range of low hills 200 ft. or 300 ft. high leading to a pakihi terrace of several thousand acres, Government land, suitable for a township, extending to there. This [pointing to map] is a Maori lease—this flat country. This high country is all limestone. When you get on to the top I should think there are 10,000 or 15,000 acres of land there between this high hill and down to the Aorere River. There is not a solitary house on any of it until you get down to the main road. This shows what an immense Government township it would be possible to have there—it is quite close.

6. *The Chairman.*] Have you anything else, Mr. Smythe?—Here is a report from our manager. [Report handed in.] We had some electric smelting done [sample put in to the Committee]. Here is also a report by Mr. Harley E. Hooper on the property of the Parapara Iron Company (Limited).

7. Subject to this information, Mr. Smythe, that is your evidence?—Yes.

8. *Mr. G. M. Thomson.*] I did not catch the name of the coal-deposit?—Mount Burnett.

9. How much coal is available at Collingwood and Mount Burnett?—We have Dr. Parke's report on it; it is not a very large deposit; its seams are not very big. There is one important element about the coal in Collingwood just now, and that is that they are about to sink a bore on the foreshore in Puponga for coal. There is every indication that the coal is extending under the sea there. The coal is outcropping all round the hills right round to Nelson. There is abundance of coal.

10. We will have to get the estimate of that from Dr. Parke's report?—Yes.

11. In regard to the limestone: is that practically unlimited?—Yes.

12. Have you any analysis?—Yes, the Government analysis; it is in Bulletin No. 3 of the Parapara Subdivision.

JOSEPH WILLIAM POYNTON examined. (No. 2.)

1. *The Chairman.*] What is your name?—Joseph William Poynton.

2. What are you?—Secretary to the Treasury.

3. Will you please tell us what you know with regard to this matter before the Committee?
—I disclaim any intention of posing as an expert in the technicalities of the iron industry. I was introduced to the matter through being, as Public Trustee, the representative of the late Sir A. J. Cadman, who held leases of the Taranaki foreshore deposits and rights at Parapara. Quantities of ore available: The deposit at Parapara is the greatest in the world adjacent to the sea-shore. There are three other known deposits of greater extent, but none near the sea—one in Lapland within the Arctic Circle, one in Central India, and several detached groups in the Lake Superior region. The extent of the Parapara deposit is much greater than is generally known. Dr. Bell in his interesting report on the Parapara Subdivision gives the contents of one block as about 22,000,000 tons. Since he wrote, further investigation has shown that other great outcrops are there, and tunnelling has proved that what appear on the surface to be detached masses are connected underground. From information I have received I believe the quantity of high-class ore in the block to be nearer 200,000,000 than 22,000,000 tons. South of this block the Onakaka deposit is an enormous one, containing perhaps more than the Washbourn Block. The large quantity of ore has an important bearing on the offer submitted by English capitalists for developing the deposits. Taranaki ironsand: I have not been able to get anything like a reliable calculation of the quantity of ironsand on the Taranaki coast. Estimates vary from 20,000,000 to 100,000,000 tons. There is probably a great quantity below low-water mark in some places, which would tend to replace that taken from the beaches if extensively worked. Importance of the industry: There is no need to do more than refer to this. Some political economists believe that the possession of extensive coal and iron deposits is the surest foundation of national greatness. With the disappearance of timber and the substitution of iron for it in many things its importance tends to increase. Shipbuilding may be instanced. A few years ago there were no iron ships; now few are built of wood. To a remote island people like New-Zealanders, dependent on the sea for communication with other lands, the possession of vast quantities of high-grade iron-ore at the seaside in Taranaki and Parapara is of great significance. Shipbuilding as a New Zealand industry may be laughed at now, but it is one that should before long assume importance. Development or reservation: Two courses are open to us—should we develop these deposits or reserve them for our descendants? The deposits of high-grade ore throughout the world are becoming exhausted, and in sixty years (some writers state, in a much shorter time) all the accessible ores will be gone. In money-value the Parapara deposits will then be worth a fabulous sum. Ore of similar quality is now brought from Spain and Sweden to Britain and is selling at £1 and £1 6s. per ton in large quantities. The price must advance as the demand increases and the supply becomes less. The wisest course would be to conserve these resources for our grandchildren, giving them a heritage of the greatest value. But such a proposal is a counsel of perfection and will not be followed. That being so, what should be done to make use of them? State development: Theoretically there is much to be said in favour of the industry being started by the State, and very strong arguments can be used to support this course; but there are also serious objections, the principal being—(1.) The amount of capital required to start up-to-date iron and steel mills is very great, and it would be a tremendous risk for the State to undertake the business, diverting the attention of many of its public men from other and more pressing subjects. (2.) To justify the establishment of the industry on a large scale foreign markets are absolutely necessary—the local consumption being at present small. (3.) To enter into competition with private enterprise in foreign markets the State would have to cut rates, give credits, and do many things quite unusual and impossible in State activities. (4.) The secrecy with which large private concerns act, and which in competition is so vitally important, is impossible in a State enterprise. Reports have to be submitted to Parliament, returns supplied at the request of members, information given to Select Committees, and in other ways publicity about everything in connection with the business is unavoidable. (5.) If, as is probable, the question of establishing the industry as a State enterprise became a party one its existence might depend on a turn of the political tide. It is therefore certain that if the industry is to be a State concern it must be on a very moderate scale, aiming at supplying the local needs only. The Ethelburga Syndicate's offer: The offer of this powerful corporation is to expend a very large sum in starting the manufacture of iron and steel from our ores on a big scale. The offer contains, *inter alia*, the following terms: (a) To supply the New Zealand Government with iron and steel at the price of manufacture, plus 5 per cent. thereon; (b) to permit the State to resume the works at the end of twenty years on compensation to be fixed by our Supreme Court; (c) to hand over everything to the State after forty years without compensation. The syndicate requires a subsidy of 5 per cent. on £650,000 during the term of the lease. This will mean when in full work a sum of £32,500 per annum, or say 10s. per ton on 65,000 tons of iron or steel produced. This appears to be a large sum for the State to pay, but it must be remembered—(1) That other countries have paid much more than this to have the industry developed; (2) that such countries had no agreement with the iron-manufacturers to supply the State with iron and steel at a low price; (3) that there was no arrangement for resumption by the State on compensation, or a free gift of all the property to it at the end of a reasonable period. This syndicate is an immensely powerful one. In all financial papers will be found reference to its gigantic operations in different parts of the globe. It can at once use up or get markets for the products of its mills, and in this way only can New Zealand hope to see its iron industry rapidly develop. The larger the amount of production the cheaper the product is an economic law, and if the output of these mills on the scale expected were realized the cheap iron and steel furnished to the State under the offer to supply it at cost

price, plus 5 per cent., would in a very short time save to our country more than the annual subsidy. We would thus have the industry established without any cost at all. Instead of the cost of starting the industry being £650,000, it would probably reach to twice that amount. If it were a total failure, say, after five years, we would have expended, say, £150,000, the company five times that amount, the plant would be ours, and the experience would be valuable for us in the future. If, on the other hand, the huge experiments were successful, our total liabilities for forty years would be £1,300,000 only. We would then get possession of all the furnaces, railways, plant, and goodwill of a going concern without paying one penny. During the last fifteen years Canada has paid more than £3,000,000 in bonuses without having any such generous terms offered. It may be said that there would be little of our ore left after forty years, but that is not the case. Even if a million tons per year were taken out there would be plenty left for our people for a thousand years or more. Australia is about to develop the iron industry vigorously. If we lose this opportunity, that development will draw population from this country and make it still more difficult for the industry to get a start here. By way of a summary I would briefly point out the advantages of closing with the offer: (1) A most important industry would be immediately established on a large scale; (2) the development of other dependent industries, such as coal-mining and shipbuilding, would be stimulated; (3) by-products, such as coal-tar and ammonia from the coke-ovens, would give rise to other industries; (4) basic slag, a most valuable fertilizer and top-dresser, would be produced in large quantities locally; (5) the Government would get girders and rails and other iron and steel goods at a low cost; (6) our educated young men would get employment as metallurgists, chemists, and at other skilled occupations without having to go abroad, and so being lost to the Dominion; (7) the population of the country would be increased considerably; (8) the whole of the property would divert to the State at the end of forty years, without any compensation whatever being paid. The offer combines the advantages of nationalization and private enterprise. If withdrawn, through delay in acceptance, the loss to the Dominion, though not realized, will be very great.

4. *Mr. G. M. Thomson.*] Speaking of the cost of production Mr. Poynton says, "We should thus have the industry established without any cost at all. Instead of the cost of starting the industry being £650,000 it would probably reach to twice that amount." Can you give us any information, Mr. Poynton?—The New South Wales Government estimates, I think, nearly £3,000,000 as the cost of starting an industry there on a big scale. If the Ethelburga Company want to produce for their own foreign markets they would have steam and girder mills: these cost large sums.

5. You said the manufacture would cost twice as much to anybody else as to the Ethelburga Company?—I did not mean that. I was merely showing the £650,000, the amount the syndicate proposes to get subsidies on. The impression seems to be that the cost will be £650,000, and therefore we are paying 5 per cent. on the amount invested. As far as I know modern up-to-date mills cost more than that.

6. You say basic slag will be produced in large quantities locally. Have you the analysis—have you the cost particularly in basic slag?—Possibly it is not so rich in phosphorus; it is not so rich as some of the English ores in phosphorus.

7. *Mr. Sidey.*] How did you become interested in this matter?—By being Public Trustee. Since then I have followed the matter closely, and read a good deal of literature and reports on it, and, thinking it was a very good proposition for the country, I volunteered to give my ideas on the matter.

8. You have no interests at all in the matter?—No, excepting to say it would be for the good of the country; I am absolutely disinterested.

The Chairman. I understand, Mr. Sidey, Mr. Poynton appears through having been asked by the clerk, who knows something with regard to the subject.

9. *Mr. Nosworthy.*] And through being the trustee in the late Sir Alfred Cadman's estate, in which some of this property is: that is how you got to know about it?—Yes.

10. *Mr. Sidey.*] We have no information put before us as to what the position of the land is?—Leases. It can be got from the Mines Department.

11. What leases did Cadman have?—942 acres—what is known as the Cadman lease; this [pointed out on plan] is Cadman's lease, and that is Washbourn's 56 acres. This lease is from the Commissioner of Crown Lands in Nelson; Cadman's is a mining lease of forty-two years from the Mines Department; these are the two leases.

12. Do they both form part of the Cadman estate?—It is under sale to the Christchurch people—the Parapara Syndicate. They took it over from Cadman's partnership.

13. Is there any interest?—No, it is a sale to the Parapara people.

14. How many years of the lease are there to run?—The Cadman lease was granted in 1906, I think, for forty-two years, with a right of renewal, and the other is only a short lease. And there is a provision in the Cadman lease that the State is not to resume possession for twenty-eight years. The State would have to wait twenty-three years yet, so that this right to take over the leases after twenty years would be better for the State.

15. What did you make the total liability of the country at the end of forty years?—It is paid so-much per year. We would pay an amount according to the amount expended, probably, for the first two years—not nearly that amount.

16. That is without interest?—Yes, without interest.

17. *Mr. Wilkinson.*] Have you made any calculation with regard to the cost of production?—A number of calculations have been supplied, but they vary very much. That is a matter for the Ethelburga Syndicate, and if they make a mistake that is their loss.

18. The idea is that the Government should buy at cost price, plus 5 per cent.: would this mean cheap iron?—They must produce it cheaply in order to compete. On the face of it the production would be very cheap; the estimates vary very considerably.

19. In this proposal it assumes the Government should take the product, but there is no price mentioned. It may cast a further obligation on the Government to purchase?—That could be made optional. That at present is an obligation on the company—an offer by the company. The State would not be likely to buy at a higher price than it could get the material abroad.

20. What is the intention of the clause?—It is an offer by the syndicate, not a desire to bind the Government. The offer can be accepted or refused—it can be taken optionally. If the thing were on a huge scale it would be a small concern to the syndicate. If they were producing 200,000 tons the amount the State would take would be infinitesimal.

21. *Hon. Mr. McKenzie.*] Are you acquainted with Parapara?—Yes, I have been there twice.

22. Have you any knowledge as to the probable quantity of ore existing there?—No.

23. Do you think it is a safe calculation to say 250,000,000 tons?—I put it at 200,000,000 tons.

24. This £650,000 that you refer to is the estimate for the erection of their works—the erection of what?—That is the amount they say they will put in, for which they require a subsidy of 5 per cent.

25. They must produce 65,000 tons of iron or steel before they get the subsidy. Can you give the Committee an idea how much it would cost to produce 65,000 tons of iron or steel?—It depends on the capital sunk in the concern.

26. I mean the cost of production—labour, and so on?—The labour there would be very slight; both at Taranaki and Parapara there need be very little skilled labour. In some other countries you would have to sink a distance in the earth to get iron-ore, and you would have to get skilled labour to mine the ore. Both at Taranaki and Parapara ordinary labourers would do the work, and if necessary the company could get it done by contract. The cost of labour there has been estimated at 2s. per ton; a general estimate would mean taking it at 1s. 6d. per ton.

27. You are referring to getting the ore; I am referring to the whole cost?—I want to impress the Committee with the cost of light labour to produce pig iron. The cost of production varies considerably: some estimate £1 7s. 6d. per ton, but it varies considerably.

28. You have not gone into the question of electric smelting as against blast furnaces?—I have read several pamphlets on it.

29. Have you any idea of the difference in cost?—Electric smelting itself is a costly process.

30. Electric smelting is only applied to the highest class of steel?—That is so.

31. Supposing this 65,000 tons of iron was imported, how much would that cost?—The present price of pig iron varies from £4 15s. to £5 10s. or more.

32. I mean, manufactured—girders, rails, &c.?—About £7 a ton to £10 and £11 in iron bars.

33. And steel?—It depends on the quality—some is a very high price.

34. About £9 a ton?—More than that. Pig iron is over £5 10s.

35. Have you gone into the question of the quantity of iron and steel imported last year?—I have it on record. The total production throughout the world is about 50,000,000 tons a year.

36. The total imports into this country?—I have not gone into that.

Mr. G. M. Thomson: The quantity imported to the 31st March, 1911, for the year, including everything—iron, steel, corrugated sheets, wire, and all—was 146,000 tons, valued at £1,510,000: that is taken from the Statistics.

37. *Hon. Mr. McKenzie.*] Dr. Bell stated that there were 22,000,000 tons in the Washbourn Block: that is the outcrop at the back?—Close to the shore.

38. Practically less than 100 acres?—Yes.

39. *The Chairman.*] What do you estimate the total value of the State's contribution to this proposed scheme at?—So much a year.

40. The total would be £1,300,000?—Yes.

41. Working it out from Laurie's Tables I make it £3,900,000?—You are reckoning interest on that.

42. That is the amount the State is proposing to invest if the yearly contribution were put into a credit account at 5 per cent. It would amount to £3,900,000?—In this case we do not reckon the amount paid as accumulations. It is paid away under contract for services rendered.

43. I understand the proposed company want an agreement from the State to take all its iron and steel at cost price plus 5 per cent.: would that be a low price?—That is a matter for cost of production. If the iron were produced at a much less rate than in England there would be the cost of freight, and then you would have to take off the value of production here. Say freight was £1, and the cost £3 or £4; if produced out here at £3, you would add 3s. and get the iron for that as against what freight you paid in addition to the price paid in England.

44. What do you understand is the actual cost price?—Cost price at the furnace.

45. Not of merchant's iron?—No.

46. Is it not your experience that when the company has an assured market the cost is apt to go up?—The cost price is that of production at the furnace.

47. Is not the cost price apt to be a very high one owing to the fact of an assured market and no competition?—You would have to compete.

48. You would not advocate that the State should give an assurance of its custom?—No. This is an offer by the syndicate. The State may be paying far more to the syndicate than to any other companies producing.

49. *Mr. Sherrett.*] I understand you formed a clear opinion that it is to the interest of the country that the State should assist the formation and development of the iron industry in New Zealand?—Yes.

50. By some form of State aid?—Yes.

51. The present scheme involves the granting of State aid to one company and one company only?—Yes.

52. To the exclusion of all possible competitors?—Yes.

53. There is no other offer on the same terms: I understand the present proposal necessarily involves the acquisition by the Ethelburga Syndicate of the Parapara and Onakaka properties?—No, it is not so.

54. What properties, then, does the proposed company contemplate by the Bill?—The Taranaki ironsand, Washbourn, and others.

55. It involves the Onakaka, Parapara, and also properties in Taranaki where there are deposits of iron?—Yes.

56. It involves therefore the formation of an extremely big company for the acquisition of large tracts of iron-ore?—Yes.

57. Do you know anything of the Ethelburga Syndicate?—No, only by reading the papers. They seem to be very powerful, and have interests in many parts of the world.

58. You are speaking of the Ethelburga Syndicate in its transactions in Europe and elsewhere, and not with regard to its financial transactions with respect to New Zealand?—No.

59. You do not know what capital the Ethelburga Syndicate proposes to find for New Zealand?—No.

60. You do not know what relationship the contributions by the State bear to the amount of working capital they propose to find?—The proposal is to put out 65,000 tons and get 5 per cent. on a capital of £650,000.

61. £650,000 is provided for under the Bill, and they are to receive from the State £32,500 a year for forty years upon the production of a certain amount of iron?—Yes.

62. Is it not a fact that the contribution by the State will thus provide interest and sinking fund upon the outlay of the company?—On the £650,000.

63. Which is the total capital of the company? Is the total capital of the company required to be found under the Bill?—Yes.

64. You have taken the estimate £650,000 as necessary to provide the capital of the company—to provide mills and so on?—I think it will be far more than that.

65. Will anything like that sum be required for the production of pig iron?—No.

66. Would not a capital of something like £100,000 do?—£160,000.

67. Well, take that amount: would it be sufficient for the provision of an up-to-date plant for the production of pig iron, &c.?—It depends on the furnaces.

68. We estimate £100,000 for the production of pig iron. You cannot say?—No, I am not an expert.

69. I understand that your notion of the expenditure of £650,000 is based upon up-to-date rolling-mills, &c.?—Mills that would have to produce iron and steel rails to compete in America, China, and elsewhere.

70. You do not limit it to the manufacture of pig iron?—No.

71. You notice that the bonus is payable upon pig iron and manufactured iron?—Yes, I believe it is. There is no distinction. In Canada there is a distinction.

72. Do you know that it is estimated that the cost of the production of pig iron on this property is £1 10s. per ton, without reference to by-products?—I have seen it as low as £1 7s. 6d.

73. £1 10s. is a fair estimate of producing pig iron in this district—Parapara?—I have seen estimates varying from £1 7s. 6d. to £1 15s. and more.

74. The Crown subsidy ceases on the expiry of forty years. It can only cease earlier by the purchase of the property of the company—after the expiry of twenty years?—Or the company failing to carry on the lease and to produce the 65,000 tons per annum.

75. Now, the purchase at the expiry of the twenty years includes the amount for capital expended on the properties and the goodwill and other interests of the business created by them as iron and steel producers in New Zealand?—Yes.

76. The Bill says, "shall be paid by the Government to the lessees for capital expended in such properties and all goodwill and other interests in the business created by them as iron and steel producers from New Zealand ores on such resumption." Now, I understand Mr. Cadman's lease is terminable at the expiry of twenty-one or twenty-two years, as the case may be?—There must be compensation.

77. Compensation payable under the terms of the lease?—Fair compensation after twenty-eight years.

78. Can you give the Committee any idea how many furnaces would be required to produce 65,000 tons of pig iron a year?—Not without looking up some books. I cannot speak from memory.

79. Would it surprise you to hear that one furnace alone is sufficient to produce the required quantity per year?—I am speaking of a moderate furnace.

80. At any rate, I think you will admit this, Mr. Poynton, that this present scheme has for its foundation some arrangement for the acquisition of the Onakaka and Parapara properties?—It is optional for them to come under this Bill.

81. The Bill only refers to a property?—To two or more properties, I think; it is optional for two or more of the properties to come in.

82. I suppose section 9 is what is referred to?—The company is defined by clause 2. Clause 4, paragraph (a), reads: "The holders of the leases mentioned in the First Schedule hereto may surrender any of the said leases at any time before the first day of June, one thousand nine hundred and thirteen, and in the place thereof there shall be granted by the Minister a lease containing the same areas as those covered by such leases."

83. You understand the scheme to involve the co-operation of the Onakaka and Parapara leases?—Yes.

84. Supposing the present scheme should fall through—the scheme outlined in the Bill—is it not desirable to consider some general scheme under which the output of pig iron can be assisted by the State?—Yes.

85. Personally, you would recommend the adoption of some generous scheme providing conditions for the output of pig iron and steel, and entitling those initiating same to a reasonable State subsidy?—Yes. Personally, I am in favour of reserving the deposits for our grandchildren, but this is impossible. The State should assist liberally, either the Ethelburga or any other syndicate.

86. *Mr. Blow.*] Could you manage without a subsidy?—I do not know what their prospects are. I know they have large interests in South America; I understand they have railway contracts there, and could make rails here and ship them across the Pacific.

87. I think you said the current cost of pig iron was about £5 per ton?—The price is high.

88. You think this syndicate could produce pig iron?—I could not say at what price without an estimate.

89. What is your estimate?—I have quite a number of reports on the matter; I know one is £1 7s. 6d., and some up to nearly £3.

90. Take £1 12s. 6d. If you can produce at £1 12s. 6d., and still pay £5 a ton, would not that be good business?—They would have a very small market; they would have to pay freights to other parts of the world, and that would have to be added on to the cost of production.

91. You think this company must have an export trade?—It must have an export trade if the industry is to be developed on a big scale; this is an absolute necessity.

92. You are aware that development-work has taken place in Australia?—Yes.

93. Are we in a better position than they are there?—In Australia there are several large railways being constructed, both north and south, and east and west, and altogether there is going to be a development there for her supplies. They have an assured market there locally for the next fifteen or twenty years.

94. What is the output of her furnace?—I do not know.

95. Five thousand tons a week?—I do not know.

96. Do you think the local market could absorb that?—I could not say; their works are going to be large.

97. *Hon. Mr. McKenzie.*] You said in reply to Mr. Skerrett you were in favour of the State producing pig iron. What would you do with the pig iron after it was produced: ship it Home to be manufactured and then bring it back?—I should like to see the whole of the iron products produced here.

98. What is the advantage of sending pig iron Home to be manufactured and brought back again?—The iron industry is languishing in New Zealand.

99. The total consumption is comparatively small?—Yes.

100. As a mercantile transaction, would it be worth while?—The total concern, if it is to be a large industry, must have a large export trade.

101. You said you know the Collingwood district?—Yes.

102. Do you know the Parapara and Onakaka outcrops there?—Yes.

103. Do you think the two propositions should be worked as one scheme?—Yes.

104. The large expenditure necessary for developing one would also be necessary for the other?—The Parapara is close to the shore—within a couple of miles. [Witness here described the situation of the properties to the Committee.]

105. To develop both or either of these properties it would be necessary to construct a harbour there?—A jetty.

106. What draught of water would you require? With regard to shipping you would require big tonnage there to cope with the development?—It would be on a small scale at first, and you would not want costly boats. If you had a large export trade you would have to develop it.

107. Supposing you went in for international trade, what draught would you require?—30 ft.

108. That would necessitate a very substantial outlay?—Yes.

109. Do you know the mouth of the Onakaka?—Yes.

110. Would that be a convenient place to bring a tram or a railway to?—Yes. There is deeper water down there.

111. In reply to Mr. Blow you understood the production in Australia to be 5,000 tons a week?—Mr. Blow said that.

112. Do you know anything of the cost of procuring the iron-ore for South Australia?—The cost is pretty considerable. The present scheme is to bring it from South Australia and from Iron Knob down to the sea-shore, and then ship it to Newcastle, and there smelt it.

113. From what you know of the facilities in Australia, can they compete?—No.

114. There are about 300 acres there?—Yes.

115. The iron-deposit in the Parapara reserve is 2,000 acres. You think New Zealand could more than hold its own in producing?—Yes.

116. *Mr. Craigie.*] With reference to the coal for smelting purposes, is there an unlimited supply there for smelting?—I do not think there is. We have got reports on the coal-measures; the quantity is not known. One report gives evidence of a seam of 9 ft.; there are two seams close together, only a few feet separating them.

117. You are not certain of the quantity?—No. In a moderate furnace the amount of coal to produce a ton of iron is about three-quarters of a ton, I think.

118. Is the coal the right quality for smelting purposes?—According to the reports we had it is.

119. *The Chairman.*] Is it not a fact, Mr. Poynton, that Mr. McKay, late Government Geologist, has stated that it is not a smelting-coal?—I could not say. We have had a report from private sources since that the coal was good enough for smelting, but that the quantity was not known; there would have to be bores made.

120. *Hon. Mr. McKenzie.*] Do you know anything of the geological reports on the country between Puponga and Westport?—I understand that there are coal-seams further out—at West Wanganui—and according to the dip of that locality there would probably be some seams extending right through.

121. Is it not a fact that there are coal outcrops at West Wanganui, at the Heaphy, and at Karamea, and right away down?—It is nearly all coal country there. One report went to show the coal outcrop at West Wanganui was the same as at Collingwood.

122. Do you know anything about the coal outcrops at Mount Owen, near Murchison?—No.

123. Do you know whether, when the Ferntown mines were at work, some of the best coking-coal was found there?—I have spoken to the men who worked in the iron-deposits in other countries, and who thought the coal at Collingwood good smelting-coal.

124. I suppose you know there are large quantities there if required for making coke?—Yes.

125. Do you know if that coal was used for hop-drying purposes?—No.

126. *Mr. G. M. Thomson.*] Have you any idea of the cost of bringing the coal from the coast to the locality Mr. McKenzie has mentioned?—You would require a bridge across a large river, then you would have about eight miles of railway to construct.

127. From West Wanganui and the other places?—Probably it would have to be all shipped.

128. There would be no advantage for Westport?—Only by shipping.

Right Hon. Sir J. G. WARD, Bart., examined. (No. 3.)

1. *The Chairman.*] Would you prefer to give your evidence in reply to question, Sir Joseph?—I would prefer to do it by questions.

The Chairman: What would you suggest, Mr. Witheford?

Mr. Witheford: I would suggest that Sir Joseph give evidence as to the standing of the syndicate, and the working in the matter, and their preparedness to deal with us in the interests of the Dominion, if the Dominion gives them a chance.

Witness: Mr. Chairman, at the request of the Public Trustee, the representative of Sir Alfred Cadman's estate, this matter was discussed by me with the representative of a proposed iron-ore company in this country before I last went to England. There were two syndicates—one was known as the Onakaka and the other as the Parapara. The representative of the Onakaka Syndicate saw me before I went to London, and a representative of both those concerns saw me in London. I suggested to both of the representatives when they saw me in London that there was no probability of the country giving assistance to two separate concerns, and if they wanted a proposal considered by the Government and Parliament that it was desirable for them to come together. Representatives of the Ethelburga Syndicate, Mr. Albert Pam and Mr. Voules, called on me with Mr. Witheford, and discussed the matter with me, and their proposal was put in writing. I understood it represented both Onakaka and Parapara; but the proposal is on record in the Department. The proposal was considered by Cabinet, and the outcome of that consideration was that a Bill was prepared and submitted by the Government to Parliament that session. The Ethelburga Syndicate asked for a forty-years lease and a rate of interest to be guaranteed on the capital invested, and undertook to spend, I think, from memory, about £650,000. It is set out in the proposal made by Mr. Pam, which is on record. As far as the standing of the Ethelburga Syndicate is concerned, I made an inquiry of a high financial gentleman in London, who was not in any way connected with them, and he told me that the Ethelburga Syndicate were an eminently respectable firm or company and financially they stood high, and that anything they undertook they could be depended upon as being able to carry out. After going into the proposal after my return to New Zealand the Government decided to submit a Bill to Parliament to carry out the general lines submitted by Mr. Pam, but with a fifteen-years limit and right of purchase by the Government at the end of that period, or, failing that, a renewal of a further term from time to time to the company. That Bill was not gone on with that session, as there was a good deal of opposition to it, and it was decided in consequence to let it stand over until after the general election. I hold the opinion that we should do all we can in reason to get iron-works established. Personally, I favour nationalization of the iron and steel industry, but I recognize the money required to be spent involves something approaching £650,000, and the country could not for years to come undertake it, and nationalization means putting its establishment off for a period of many years. The alternative, in my opinion, was to help a company to establish the industry. There is, of course, a great deal to do in the exploration and the experimentation, &c. I would give them a proper tenure and a sufficient subsidy to warrant their raising so large a sum of money, and protect the country by giving the right of purchase at a period of years. I believe now that is the wisest course to adopt. I have not considered the Bill just handed to me, as I have not seen it before. The representatives of the Ethelburga Syndicate told me they had full confidence in Mr. Witheford.

2. *Mr. Witheford.*] Sir Joseph, about two years before you were last in London you met Mr. Albert Pam, Mr. Elbert W. Russell, and Sir Francis Voules. Would you say whether they were good people or not, as I have met some of the biggest financial groups in England and got them interested in New Zealand. Would you mind saying what you know about Mr. Drummond and Mr. Albert Pam?—Are these representatives of the same concern?

3. No, they are very different crowds?—I cannot remember the names of the people referred to. I recollect seeing some financial people who were introduced to me by Mr. Witheford, and whom I understood were of high standing, but I made no inquiry about them at the time. I should think it would be a very easy matter to ascertain what their status is, if it is necessary to do so.

4. *Mr. Skerrett.*] It has been suggested to me, Sir Joseph, that the people who approached you in New Zealand were not the Onakaka but the Parapara people, and when you went to London you saw Mr. Witheford as representative of the Onakaka at that time?—The people who came to Wellington and interviewed me officially, I thought from memory, were the Onakaka people, but on being reminded by you it was, I feel sure, the Parapara people.

5. *Mr. Sidey.*] When the matter was mentioned to you in the Old Country you thought that these two companies should combine?—I was personally anxious to see the iron industry established in this country. I felt sure it would be a great and valuable industry, and was of the opinion that if two companies attempted to get under way separately it would make both of them in all probability failures or in any case delay the establishment of the industry for years, as in my opinion there is not room for two.

6. At the time that legislation was suggested were you aware whether these parties had come together?—Regarding that I can speak only at the moment from memory, but the position is on record whatever it was. I understood they had come together, but I am not sure whether they finally came together or not. The proposal as submitted to me is on record, and I would suggest that you refer to the records.

7. *Mr. Craigie.*] I think you mentioned, Sir Joseph, that if these people embarked their capital in the industry they would take a fifteen or twenty years limit?—I think in the Bill it was fifteen years, but I should say twenty years would be a fair thing, with the right of the Government to acquire the industry, and if at the end of that period the Government did not acquire it, the right of extension of the agreement for a further twenty years should exist. If it is to be done effectively it should be done properly, and the State should get its materials at cost price, plus 5 per cent. Originally the State proposed giving a subsidy with the cost of freight added as between England and New Zealand. The gentlemen who represented the Ethelburga Company, Mr. Albert Pam and Mr. Vowles, told me that it would be no use to a company which proposed carrying on in a big way, because if £650,000 was to be invested they would want definite financial arrangements, and if cost of freight were to be added it would be too uncertain. I know nothing personally of the Onakaka and Parapara deposits or their possibility, excepting in a general way from the papers in connection with the late Sir Alfred Cadman's estate, which have on several occasions been brought before me by the Public Trustee. I would like to see so great an industry established, but I have not at any time recommended any one either in New Zealand or England to go into it, because I have not any personal knowledge of its prospects. It ought to be all right if fully equipped and well managed. Such an industry should be established if possible. The proposal of freight being added to the cost of production was a thing the Home people told me they would not entertain.

8. *Hon. Mr. Fraser.*] One of the proposals was that 5 per cent. should be paid on the amount of the capital embarked in the industry?—Yes, up to, I think it was, £650,000.

9. I think that was for twenty years: would not that mean the company at the end of twenty years getting every shilling back?—Yes; and against that, if the New Zealand Government could get its iron and steel at the net cost price, plus 5 per cent., one should be about the equivalent of the other.

10. I do not refer to the question of what would pay New Zealand, but the proposition by which a company or syndicate embarked its money with the guarantee from New Zealand that the whole of it would be paid back in twenty years is one which not much difficulty would be found in raising money on?—In that case the money ought to be raised without much difficulty.

11. *Hon. Mr. McKenzie.*] Do you think the proposals in this Bill are fair and equitable, as far as the company is concerned?—I have not read it.

12. Plus 5 per cent. on the cost of production?—Well, I do not know from memory what the quantity of material is which the country imports. The idea underlying the whole proposal was, if we could establish the iron industry it would give other large industries a fillip, added to which the Government would be getting the material for the country at cost price, plus 5 per cent. I am of opinion it would be a good thing to do this, unless it can be shown that it can be done better.

13. *Mr. Nosworthy.*] If the iron-deposits at Golden Bay are as rich as reported, would it not be good enough for any company in the world to come in and work them, seeing they could send a certain amount to South America? Apart from the amount the New Zealand Government would take, steel rails could be manufactured and shipped to South America?—Of course, the one thing which was concerning the people who spoke to me about it in the Old Country was with regard to the question of labour here, and they quoted the very heavy contributions given by other countries in the way of subsidies. I should say it would be a good business proposition for the country if it could be done without a subsidy.

14. Do you not think it is good enough for outsiders to come in and work it without State aid?—I should very much doubt it; but I do not profess to have any practical knowledge of carrying out such a great undertaking.

15. *The Chairman.*] In framing your Bill last year you understood the Government would be under contract to take all its iron and steel from this company?—Yes.

16. Was it your impression that in getting it at the cost of production, plus 5 per cent., the New Zealand Government would get its iron and steel cheaper?—Yes, it would mean us getting our supplies at much lower cost than we have been importing them at. And, in addition

to giving large employment to labour in our own country, we would be utilizing our own raw products.

17. You had no control over the cost of production?—In any proposed agreement full provision was to be made for State examination of all the books of the company.

Hon. Mr. McKenzie: It would be controlled by the English market.

18. *The Chairman.*] Have you seen this Bill, Sir Joseph?—I have only seen it this minute.

19. Paragraph (h) in last year's Bill reads: "An undertaking by the Minister that if the lessees will supply rails, girders, iron or steel bars, or other articles of good quality made from iron-ores in New Zealand which may be required by the Government it will purchase such from the lessees at wholesale London prices, plus the charges for freight from London to the Dominion." Are you aware that the latter part of that covenant has been left out now?—No, I am not aware of it. I have only seen this Bill for the first time just now.

JAMES B. LAURENSEN examined. (No. 4.)

1. *The Chairman.*] What is your name?—James B. Laursen.

2. What is your occupation?—I am a partner in the firm of Le Cren and Laursen (Limited), Crown Ironworks, Christchurch.

3. Will you please make your statement with regard to your position in this matter before the Committee?—I am not interested in the Parapara or Ethelburga Syndicates in any form. I have been in the iron trade practically all my life, and I am president of the Christchurch Branch of the Ironmasters' Association, and I am on the executive of the Employers' Association, and I take a keen interest in the Industrial Corporation of New Zealand. For a long time we have been handicapped in various ways. For quite a while we have been endeavouring to get some protection. When this proposal of the Ethelburga Syndicate came up the matter was taken up very heartily by the Industrial Corporation and Employers' Association. The whole thing was gone into very carefully, and resolutions in favour of the proposal were carried, and in order to enable deductions to be made I went into the question of the result to the Dominion if the iron industry was established here. I, unfortunately, took a return presented to the House as being a correct return of the amount of iron and steel used in New Zealand. I think Mr. Luke asked for the return in 1910; and they gave the quantity as used in New Zealand at over half a million tons, a mistake of over 400,000 tons. Hundredweights were put down as tons. The correct total for the five years 1907–11 was at the rate of 117,587 tons per annum: that is what we used in hoop iron, cast iron, plates, pipes, or what we called in the trade "raw material." The Ethelburga people say they are able to produce pig iron, bar iron, steel, and sheets at the same price at Parapara with the proposed plant as they can produce it in England. New Zealand would therefore be in the same position as England is in to-day—the Government and the manufacturers would get iron just as they get it in England. I claim that if we could get pig iron in New Zealand at £2 10s. per ton the iron industry in New Zealand would be in a very flourishing condition. The position the Government would be in, if they paid a bonus of £32,500, is that the Government is very much the largest consumer of this raw material in the way of rails, and they are large users of pig iron, bars, and sheets and plates. I have had long experience in supplying their contracts, and I know. Supposing they used a quarter of our average output for the five years mentioned, it means they would use something like 25,000 to 30,000 tons of raw material per annum. If the Ethelburga people are able to manufacture pig iron at the price listed at Home they are saving at the very least £2 per ton, taking pig iron as a basis; so it is a very good offer the syndicate has made from an ordinary commercial point of view. The Government would pay a maximum subsidy of £32,500, and have a return of £50,000. That is not taking into consideration what the Government would get in royalties from the coal and ore, and it is not taking into consideration the great assistance it would give to us in the Dominion. If the ironworks were established and we were placed in the same position as the Home manufacturers are, instead of importing thirteen millions odd in five years—1903–7—we would probably manufacture half of that in New Zealand. Seeing that the average wage to-day in the iron and steel industry is about £126 per annum, you would find what an enormous number of men New Zealand would employ, simply because we would be able to get our raw material at the same price the manufacturer is getting it at at Home. The manufacturer would have a great amount of assurance and security in progressing in his business, from the fact that he would have his raw material at a low price and a non-fluctuating price. The Parapara people could not put up their price of raw material unless some tremendous upheaval with regard to labour took place. At the present time we are entirely at the mercy of the market in the Old World. We are at the mercy of the speculator and any ring or combination which might corner pig iron, as they have done and will do again. My firm imported some pig iron, and it cost us £4 7s. per ton c.i.f.e. main ports New Zealand. Before it landed here we got an intimation to the effect that future orders could only be accepted at £5 3s. per ton. That was a very serious handicap for manufacturers to put up with in New Zealand: it means that we are practically debarred from entering into anything like a large contract. The public-works contract for 1912–15 shows that iron is being sold to the Government at £11 per ton; at the present time it is quoted on the London market at £8 10s. per ton; the cost of landing it in a main port of New Zealand, say Lyttelton, with railage to Christchurch, is £10 10s. per ton. The contractor who holds that contract therefore finds it is costing him £10 10s. per ton, and he is selling to the Public Works Department for the next three years at £11 per ton. We never know from day to day in New Zealand what we have to pay for the raw material. I have some information with regard to the cost of production of iron and steel from different parts of the

world. The effect of it is that they can deliver us pig and bar iron at the same cost as we can get it by manufacturing here, and therefore I and the association feel it would be a great thing if we could establish the iron industry here. Then, basic slag will appeal to the farmers, and can be produced at a very low cost; New Zealand imported 16,000 tons last year, for which the farmer paid £5 per ton, and Customs value of same is given at £53,000-odd. I understand that this by-product can be produced and sold to the farmer at something like £2 a ton. Then, going into the question of cost, we would have to take the £126 per annum for the labourer, and multiply that by the trade values of New Zealand; so the Ethelburga Syndicate's offer is a very good one. My executive has considered it a very fair and reasonable one—it is quite an open offer. If the company can produce cheaper than the present cost the Government will buy, but if not then there is no obligation to take one ton.

4. Is your company one of some standing?—Well, we pay our way; we pay probably between £3,000 and £4,000 a year in wages, and the number of employees runs from twenty to thirty or forty.

5. How long has your company been working?—We have been in existence since 1870. I bought in about six years ago.

6. Have you any knowledge of their operations at an earlier date—how many men were they employing then?—No, I cannot say; probably seventy or eighty.

7. How many men were they employing six years ago?—They were employing more men six years ago than we are to-day, and I have no doubt the man who established the business was employing more men then. He had two lines of business, one of which he has had to drop—he was in the galvanizing trade, and the importers wiped him out.

8. How many other companies were there in existence, say, thirty years ago, besides your company?—There are more companies in existence now than there were thirty years ago, but they are not doing as much business now as the smaller number of companies did then.

9. There was not as much total business?—It is very spread now.

10. You stated that the Ethelburga Syndicate could probably produce at the same price as England could. Have you any guarantee that they would sell at the same price?—The Government has authority in the Bill to see what their costs are.

11. Do you understand that the Ethelburga Syndicate has made the Government an offer in the terms of the Bill, and that this is the effect: they wish legislation to be introduced, but there is nothing in that offer to compel them to sell at any price?—No.

12. If this scheme were agreed to it would practically set up a monopoly in New Zealand—so far as New Zealand is concerned—so that no other company could compete?—It depends upon other syndicates in the Old Country having security or capital to establish other works. I understand there are other iron-deposits they might develop.

13. Do you think there is any likelihood of their coming into opposition with a company receiving £32,500 per annum subsidy?—I hardly think so.

14. Do you think there is any possibility of their reducing prices to you when they get higher?—If they are to be based on Home prices. The present report of the freight on pig iron is £1 1s. 3d. per ton. They could not increase their cost more than that, so we would be equal to what they are at Home.

15. Would they be likely to sell at a reduced cost if the price of the imported article was reduced?—It depends on what their outside markets are.

16. Would you not be at their mercy?—Only so far as the difference obtains in cost as between England, Australia, and here.

17. Therefore there would be no advantage to you in selling at a much lower price than the imported article?—Except that they would get what they sold at their own door and be able to supervise the customers they sold to.

18. Would they not be sharing your custom if their price was lower?—Yes.

19. Can you give us any idea of the cost of raw material as against the cost of the manufactured article?—Take the cost of pig iron: the proportion for the representation of labour in the manufactured article is 70 per cent.

20. *Mr. G. M. Thomson.* Will you tell us the difference in cost between iron shipped in London and the cost landed in New Zealand?—£2 per ton.

21. What is the pig iron used for here?—For making castings of all kinds, cast-iron columns, castings for ships' engines, and the castings you see along the streets.

22. Only 10,000 tons of pig iron are imported into New Zealand?—Yes.

23. Would there be any more used if you put up a blast furnace here?—If we could reduce the cost by £2 per ton, the manufacturers would manufacture nearly 27,000 tons of cast-iron pipes and fittings that are imported into New Zealand. In 1911 we imported 27,967 tons; in 1910, 19,889 tons; in 1909, 15,824 tons; in 1908, 16,875 tons; in 1907, 17,743 tons; during the five years we imported nearly 100,000 tons.

24. Which you think would be made here if the cost of freight was done away with?—Yes.

25. Would it be an advantage to the country to put up a blast furnace for pig iron, seeing that one furnace would produce at least 60,000 tons per annum?—Not unless you have a larger market than New Zealand.

26. Then, you ought to have converters and rolling-mills?—Yes; and also mills for the making of steel blooms and billets, which I understand they use very large quantities of in Sheffield and other places, and for which I understand they get a very good price. It does not cost much to refine it from the ordinary pig iron to the steel.

27. Do you consider that this country could make iron or steel sufficiently cheap to export it?—Not as a nationalized thing.

28. Could they make it and export it at a price?—The company might be able to do so. If they can make pig iron in New Zealand at the same price as they can at Home, then they will be able to export it, I should say, if they can find a market.

29. *Hon. Mr. Fraser.*] Can they?—That is the question.

30. *Mr. G. M. Thomson.*] You referred to basic slag: do you know what quantity of phosphorus requires to be in crude iron before putting up basic-slag converters?—From 1·3 to 1·5 of phosphorus in the iron.

31. Would it pay to put up a Bessemer converter to convert iron in that quantity?—I understand that they have had the ore tested, and they say the iron here is quite good enough.

32. I suppose you know the principle at Home: when the mild-steel process came in they had to import other irons to make steel, and then the Thomas-Gilchrist process enabled them to use two grades of iron and use much phosphorus. Would it be possible to put up Bessemer converters?—I cannot say; these people have inquired into it very carefully, and that is all I know.

33. We have constantly heard that basic slag is one of the by-products that is going to pay us, but we have not got sufficient phosphorus?—There are two very interesting articles on the basic-slag question in the *Agricultural Journal* for June and July. Germany used 885,000 tons of it last year. It is a first-class fertilizer.

34. *Mr. Sidey.*] When you stated that this company could produce iron as cheaply in New Zealand as in the Old Country, is that your own calculation?—No; I am not in a position to make a calculation. Calculations have been made by Dr. Bell, also by Mr. Scott Anderson, and various other gentlemen who have gone into the matter.

35. Are their computations on record?—Yes.

36. Can you hand them in to the Chairman?—Yes; I will make copies of them, and send them in to the Chairman.

37. You have examined them yourself?—Yes. I got them from the Parapara Company.

38. Are the conditions, say, as regards wages between the two countries similar?—No. In calculations as to cost of production they have doubled the whole of the wages, so as to make it apply to New Zealand.

39. Even supposing the iron is produced as cheaply here by a saving of £2 in cost of freight, it does not follow that the manufacturers here would get the benefit of that £2?—No.

40. The London market would regulate the price here?—It might. In view of the fact that the Government would probably be getting their iron at £2 12s. 6d., and buying at that price, and the Home people were asking us to pay £5 5s., it is not likely the people of New Zealand would put up with that, because the Government could buy for the manufacturers themselves.

41. I think the company would probably have something to say about that?—I think the Government would very much prefer to do as I suggest, rather than open up the tariff question. Supposing we were not buying anything from them at all, looking at it purely from the point of view of the Government as being the highest purchaser, the offer would be in favour of the Government.

42. You say, if your facts are correct, if it could be produced here at the same cost as at Home, the Government would save £2 per ton in freight?—I do not know exactly what the Government use; but they laid down 9,900-odd tons of rails last year; if there is a saving of £1 or £2 per ton, that means £18,000-odd in their pockets on rails alone.

43. You think it would pay this country to pay that subsidy for forty years?—Yes; I am quite satisfied about that—I and the members of our association. £237,239 was paid in bonuses last year in Canada, and in fifteen years Canada paid £3,462,308 as bounties for the production of iron and steel; and during 1896–1910 the production rose from 81,801 tons in 1896 to 1,530,436 tons in 1910.

44. You do not think, from the company's point of view, that they are asking too high a subsidy?—No, especially as the Government can resume at forty years free.

45. You are aware that if the thing runs for forty years the company is practically getting its principal and interest back by the subsidy?—And the Government will be handed the works, which have cost them nothing, at the end of that time. Of course, there must be some contract entered into with regard to renewals and upkeep.

46. *Mr. Craigie.*] Mr. Laurenson, as one who knows a good deal about the iron trade and requirements of New Zealand, supposing we put up a plant for the requirements of New Zealand only, and that we had to compete against the markets of the world, would that be a disadvantage compared with a larger concern which would be better equipped and have more expensive plant?—I think the larger plant would decidedly tend towards reduction in cost. The difference in cost of production between a small and a large plant is very considerable.

47. And you think as a citizen we are not giving away any of our rights—you think it is more for the good of New Zealand than anything else?—I think it is in the best interests of New Zealand, and an opportunity we are not likely to get again.

48. *Hon. Mr. McKenzie.*] Did you see any reason why the Government should not include a provision in the Bill that the company should sell at cost price plus 5 per cent. to the consumer?—I should like very much to see that.

49. Do you not think it would be a profitable investment for them to do so?—I think if it were profitable to sell at 5 per cent. on 15,000 tons to the Government, surely it would be profitable to sell to the private individual at 5 per cent. on 109,251 tons.

50. This is being established in competition with the iron and steel manufacturers of Australia independent of the Home people?—Yes.

51. Do you think they would go into competition with Australia?—It depends upon the protective tariff.

52. If the Government arranges with this company, would it be wise to apportion the tariff and put iron and steel on the free list?—No; we can produce the same as they can do in the Old Country. I would be quite willing to drop the whole matter of tariff revision, feeling sure we could carry on without the assistance of any tariff.

53. If all the manufacturers of iron were put on the free list, would not that help the syndicate to sell?—Yes.

54. Have you gone into the question of the value of this goodwill after forty years?—I could not say unless I knew something about the increase of population in forty years.

55. Supposing they established a large trading concern in forty years, you could not give some idea of the value?—Oh, yes.

56. Assuming this company was prepared to carry on, do you think they would be prepared to pay back something for the goodwill at the end of forty years?—I think the country would be quite justified in asking for a substantial goodwill.

57. Have you any idea of the quantity of castings imported into New Zealand now?—Under the heading of "agricultural machinery," including cast iron, we imported last year £2,364,384 worth—in five years just on £13,500,000 value.

58. With regard to the establishment of a manufactory for the iron and steel industry, would it give an impetus to the agricultural and mining industries?—Yes, and to every other industry. In agricultural machinery we import about £186,000 worth yearly. The manufacturers would be able to turn the whole of that out and sell to the farmer at present list prices less 10 per cent. During a conference with the Farmers' Union it was stated that one firm would be able to manufacture all the reapers-and-binders, and could turn them out at a less price than those imported.

59. Do you think it would be to the advantage of New Zealand to accept this offer of the Ethelburga Syndicate?—Yes.

60. Do you know whether any other company has started to work these deposits at Parapara?—I do not know. I understand that there is another company, but I do not know anything about it.

61. If advantage is not taken of this offer do you think there is any probability of any other offer coming along within a few years?—No.

62. *The Chairman.*] Can you supply that authority with regard to the syndicate?—I cannot speak with any authority.

63. *Hon. Mr. McKenzie.*] Are you satisfied it would be a very great advantage not only to the engineering shops, but ironworkers generally, to have these industries worked as well as other industries?—I think it would be of the very greatest importance. The United Labour Party affirmed the necessity of the establishment of the iron industry in New Zealand, but they incline towards the nationalization of the industry. When I went into the figures with some of them they said they thought the very best thing the Government could do was to accept the offer.

64. Do you know that large quantities of iron are imported into Britain from Bilbao, in Spain, and Sweden for the manufacture of iron and steel?—Yes.

65. You cannot give us any information with regard to the cost?—No.

66. Do you know whether it has been estimated that the facilities for getting iron-ore at Parapara would counterbalance the difference in labour as between England and New Zealand?—I have seen it stated that the Parapara people are in a unique position with regard to their iron-ore, and that they have an enormous water-supply by which they can manufacture electric steel by electricity without the aid of the blast furnace at all.

67. Have you ever been to Parapara?—No.

68. Are you fairly well satisfied that the raw materials would counterbalance the cost of labour as between England and New Zealand?—I think so, judging by the reports I have read.

69. *Mr. Nosworthy.*] Is there any possibility, by this company coming in here, of the initiation of an element of the Steel Trust: does this firm belong to the combine?—I do not know.

70. *Mr. Wilkinson.*] If the ironworkers did not get the iron at a lower price, no benefit would be derived by them?—No, except in so far as we all benefit by the expending of a large sum of money in New Zealand.

71. Do you advocate that restrictions be made in regard to prices?—Yes.

72. You said something about cast-iron pipes: would it not be possible to make them in New Zealand?—No; we are not able to compete with the Home market under present conditions. The Customs value of the pipes and fittings runs out at £11 per ton. We could make them here if we got the raw material at £2 less.

73. You estimate the cost of slag at £2 per ton and the selling-price to-day at £5 per ton?—Yes.

74. The same restriction would have to apply in regard to the price of basic slag?—Yes.

75. It seems to me that the company would get the utmost possible price for the product unless restricted?—Yes.

76. *Mr. Nosworthy.*] Did I understand you to say the freight was the same on iron pipes as on pig iron?—On iron pipes it is £1 6s. 3d. a ton, and on pig iron £1 1s. 3d.

77. How do you account for that, seeing the pipes are hollow?—They use pig iron as ballast very often; large importers arrange for so-much "bottom," and if the space is not filled up they fill it up with pig iron or cement.

78. *Mr. Skerrett.*] I understand that you are in favour of a subsidy being given for the production of iron and steel in New Zealand?—Yes.

79. Have you considered the question of whether that subsidy ought to be able to be earned by another company or not?—I think they ought to be made a joint thing, and at the same time made one, in order to restrict useless cutting of prices to a certain extent. Price and Sons, at

the Thames, put down a very large plant for making locomotives; if Scott Bros. and Andersons put down the same plant, there would be a serious economic loss, from the fact that only one plant could be in use profitably.

80. Could you not let manufacturers find that out for themselves?—No.

81. The present proposal is to grant to this company, and this company only, a bounty of £32,500 a year for forty years on the production of pig iron. The effect of that is to create a monopoly. Unless that bounty is granted to other companies starting, this company will have such an advantage as to secure a monopoly of the trade?—A beneficent monopoly.

82. Do you appreciate this fact: that the capital provided in the Bill should be expended by the Ethelburga Company—viz., £650,000—and that they are guaranteed 5 per cent. for forty years—assuming that they produce one furnace, an output of 65,000 tons a year: is not that a guarantee of interest and capital?—Yes; but the guarantee is only on the production of not less than 65,000 tons steel rails, &c.

83. Well, do you want to go to the Ethelburga Syndicate to get terms of that kind?—I say the payment of £32,500 a year bounty to the iron and steel industry would be the best thing that New Zealand could do under the restrictions outlined in the Bill.

84. Is it possible to convert pig iron in New Zealand into steel bars?—Yes. I am not speaking from actual knowledge.

85. I think you said that the expense of the plant would not be very great?—No, I have given no estimate of the cost: but a large and modern plant is expensive, but would cheapen the cost of production.

86. The conversion of pig iron into steel blocks would enormously increase the demand for iron in New Zealand?—Oh, no. There is a large market for steel blooms and billets in Sheffield.

87. You do not suggest that they could be converted into steel blooms and exported?—Yes.

88. *Hon. Mr. McKenzie.* Mr. Skerrett asked you whether this bounty should be general or whether it should be confined to one company: what do you conceive to be the idea of this bounty at all?—The only object the Government has in granting a bounty would be to get the industry established, and cheapen the cost of raw materials to themselves and New Zealand users.

89. Have you ever known of any country granting a bounty before the industry was established?—No.

90. Do you know whether the Government in this country has given a bounty for the development of the oil industry in Taranaki?—I could not say.

91. Assuming they had given £10,000 for the development of the oil industry in Taranaki, do you think they should give it to more than one company?—I think they should give it to more than one company.

92. Why?—Supposing the other company had a better proposal.

93. Supposing it was based on a fair quantity in reference to this company and any other company: the Government in this country offers rewards with regard to gold?—I understand they give it to the first people who discover a new goldfield.

94. This is a new development. The only object the Government would have in giving a bonus would be to get the industry established?—Yes.

95. Do you think it is a fair proposition to give it to the first people who do establish it?—Yes.

MONDAY, 28TH OCTOBER, 1912.

The Committee met at 10.30 a.m.

Mr. Myers, solicitor, intimated to the Committee that he had received cabled instructions from England which enabled him to lead for *Mr. Witheford*, the representative of the Ethelburga Syndicate.

JAMES DUNBAR examined. (No. 5.)

1. *The Chairman.* What is your name?—James Dunbar.

2. What is your occupation?—I am general manager of Cooper and Duncan (Limited), Christchurch.

3. That is a company of ironmasters and ironfounders?—We are all branches—engineering and ironwork.

4. Have you had considerable experience in New Zealand in the iron trade?—I have had twenty-five years altogether, and a little more, practically.

5. Your company employs a substantial number of men?—At present, about a hundred; I have had charge of as many as three hundred at times.

6. And is it a fact that you use in your busiest times a considerable quantity of iron and steel?—Yes. It depends on the business we are doing. We use a considerable quantity at times—a few hundred tons.

7. At the present time whence do you obtain that iron?—We obtain everything from Great Britain.

8. How many tons?—It fluctuates. At present we have £2,000 or £3,000 worth in stock, and £2,000 or £3,000 oversea coming.

9. Could you put that into tons?—I should say it would go anything from 500 to 1,000 tons.

10. *Mr. Myers.* Is that all pig iron or all various kinds of iron?—It is pig iron of two kinds. We are manufacturers of malleable iron; we import that particular class of malleable iron, and with that use bar iron—usually steel rails, pipes, and all.

11. What proportion, roughly, would you use of bar iron, steel, and so on—you import pig iron?—We would import 250 tons or thereabouts of pig iron. We always buy locally perhaps £100 worth a month of bar iron.

12. Would you mind saying whether you are in any way—except, of course, from the point of view of your own business—directly or indirectly financially interested in any proposal to establish this iron industry in New Zealand?—I have not a halfpenny's worth of interest in it.

13. You are not concerned in the Ethelburga Syndicate or the Parapara Company, or any of the other concerns which may be interested?—No. The Ironmasters' Association and Industrial Associations are taking an interest in this.

14. Have you been considering the advantages of having this iron industry established in New Zealand?—Yes.

15. You are a member of the employers' association?—Yes.

16. Are you a member of the Industrial Association also?—Yes.

17. Has this question been agitating the minds of the executive of these associations?—It has, and they have passed resolutions in favour of this particular industry.

18. Are you able to say, Mr. Dunbar, whether the raw products required in such a business as yours can be successfully manufactured from the iron in the neighbourhood of Parapara?—I am certain of that, provided they had a plant capable of doing it.

19. I think you have, as a matter of fact, samples, have you not?—Yes, with me.

20. This sample is iron from Parapara ore?—Yes.

21. Would you mind handing that in to the Committee?—Yes. [Sample of iron handed in to the Committee.]

22. You have also a sample of the material manufactured from Taranaki ironsand?—Yes. This is a new alloy, and supposed to be of great commercial value. [Sample put in to the Committee.]

23. Taking that piece of Parapara iron, is that a satisfactory production?—You could hardly tell by looking at the iron; it is only a matter of analysis, and it has been manufactured to make it illustrative of what you want to bring it to—a good grade of pig iron. Pig iron is graded, you know. We all get what is called No. 1 up to No. 6, which is all from the same mines.

24. Mr. Dunbar, will you say as the result of your consideration of the matter that it would be advantageous to this country to have the iron industry established in the neighbourhood of Parapara?—Most certainly.

25. Have you gone into the question and considered it with a view of coming to your own conclusion as to whether the industry can be best established by a company or as a national concern?—Looking at it in all lights, I believe the interests of the Dominion would be better served by a private company taking on the work.

26. Do you think it possible, having regard to various matters which you have considered, and having regard especially to the question of procuring markets, that the nationalization of this industry is favoured?—I do not think so from the business point of view; I should say it would not.

27. Do you think that the establishment of the iron industry would be possible, either as a national concern or by a company, if the only market which the works had was the New Zealand market?—It would not be worth while. You might as well throw your money into the Pacific.

28. Leaving out consideration for the moment of the fact that Australia is itself considering the establishment of the industry, do you think that the Australian market would be sufficient to support works similar to Parapara?—That would all depend upon the price that it could be produced at. There is German competition there. We have in New Zealand a preferential tariff as against German rails—they might not find the market.

29. I was considering the question of the quantity required in the market. Do you think that Australia alone, without any foreign markets, would afford a sufficient market to justify the establishment of works on as large a scale as those proposed at Parapara?—No. There would not be sufficient, in my opinion, to warrant the establishment of works such as ought to be erected to work out the Parapara deposits.

30. You know, do you not, that Australia is itself considering the establishment of works?—Yes.

31. Would you say, then, it is natural to assume that the Australian market is now lost to the New Zealand works?—I should say so.

32. Do you think it possible for a Government working a concern of this kind to go looking about for foreign markets?—I certainly do not. I know what travellers are, and have had a good deal of experience with them. That is a very important point: the cost of production is one thing and selling the finished article is another thing. It sometimes runs to a difference of 25 per cent.—that is, the cost of selling.

33. May we take it, then, that in your opinion—whether that opinion be right or wrong—nationalization of the industry is not possible at the present time?—I should certainly say, looking at it from all points of view, that it is not possible for the nation to go into competition with the ironmasters of the world.

34. And in your opinion the New Zealand market is not sufficient to justify the erection of works?—No, it would be so-much loss—you do not want a small market.

35. Do you know anything about the South American market—I mean as to the quantity of iron they are likely to absorb during the next few decades?—Only from reading; if new countries open up there must be a market.

36. If, therefore, a company had not only the New Zealand market to sell to, but had a certain amount of control over foreign markets, such as South American markets, do you think it possible such a company could carry on the iron industry successfully in New Zealand?—Provided that costs are right their success would be assured, because of the market.

37. I suppose that if such a company started and found that it could not work at a profit it would cease working?—It would.

38. You have read the terms of this Bill, have you not?—I have scanned them.

39. As a business man can you not see that under the terms of this Bill it is the company which would be establishing the works which would really be taking the whole risk and responsibility?—Absolutely.

40. If it did not produce the iron it would not receive its subsidy?—No.

41. And it could only produce the iron if the business could remain as a paying concern?—There is another aspect of the question: at times you get slack, and have to keep the works going in order to save putting your hands off—there would be increasing stocks and out-of-pocket expenditure; and in order to make it a success you want a good open market, otherwise it would be a failure.

42. You mean that foreign markets are essential to the success of a business of the kind?—Yes, the world's markets.

43. Do you think that the establishment of the industry in New Zealand upon such terms as are set out would be an advantage to this country or any section of the people in this country?—I do not see how it could help being a benefit to the whole Dominion. I think that generally, taking the volume of our trade and the inhabitants and dividing that at so-much per inhabitant, it would be worth £3 per head; and certainly the establishment of the new industry would be bound to attract some population. Then, importers often have to pay cash for forward stocks as landed from Home. Sometimes the market may fall, and in that case they are bought at a loss; a lot of money is expended a long time before you see the goods. If works were established the importers need not carry those stocks, and could invest that money in other lines, and an importer would be in a better way than at present. Then again, there is no need to mention the attendant benefits to commerce that would necessarily spring up if works of such a magnitude were established. I suppose it would mean anything from five thousand to ten thousand men being employed, and there would be their dependants, and that alone would be a big feature for the Dominion.

44. When you say five thousand or ten thousand men, do you mean that in the neighbourhood of the works: are you including the coalmen?—Yes.

45. Then do you know anything of the question of comparative costs of production as between this country and England. If you do not, say so?—I only know what I have read.

46. As a mere matter of opinion, do you think that the iron could be produced in this country as cheaply as it is produced in Great Britain?—Certainly, we pay higher wages here than at Home; but then again there is the question of sea-borne freights, and that is a set-off against low wages.

47. There are facilities here, you mean, especially good facilities that do not exist in Great Britain?—Yes.

48. Speaking as an ironmaster, do you think the establishment of works here by a company in some such terms as are provided for in the Bill would be of advantage to people in your own trade or profession?—It would be a decided advantage.

49. Would you mind adding anything that you might wish to add as to the advantages that you think would accrue to the people of this Dominion from the establishment of ironworks under the terms of the Bill?—Looking at it from a business point of view, I suppose that is really the whole question that affects the matter—is the Dominion going to make a good deal? Looking at it in its widest range, I have found the benefits accruing to the Dominion are many. For every ton of iron smelted 2 tons of ore are required and 2 tons of coal. This carries a royalty of equal to 1s. 6d. If 100,000 tons of iron are produced, this means £7,500 in a year. This, together with raw material supplied at 5 per cent. on cost, would mean a sum equal to the subsidy asked by the syndicate. Assuming at the end of forty years the works revert to the Government, the £650,000 originally spent will have had an equal amount added to it to keep the plant abreast of modern discoveries. This is equal to £1,300,000, and this whole amount spent is given free to the Government. Assuming the subsidy of £32,500, equal to 10s. per ton, is paid, in forty years' time this would amount to £1,300,000. In other words, the Dominion gets every penny of its own back again, plus royalties, which during forty years will have amounted to a quarter of a million pounds, to say nothing of any saving accruing owing to cheaper production. Another aspect should not be lost sight of—that is, that vast sums will be spent to equip the works before any return is possible, and then each succeeding year close on half a million pounds will be distributed, creating new wealth among the workers. Other States are waking up to the value of their mineral resources, and it appears to me the Dominion could not do better than by throwing the door open and bidding Opportunity come in. As the poet says, "There is a tide in the affairs of men which, taken at the flood, leads on to fortune." The Dominion should catch the present tide before the ebb comes.

50. You have dealt with the saving in cost in Government orders?—Yes.

51. Have you any knowledge of the present expenditure per annum—in tonnage?—On the authority of the Year-book I think Mr. Laurenson mentioned an estimate of between 20,000 and 30,000.

52. I suppose you know, Mr. Dunbar, that in any agreement under this Bill the Government could provide that it need only purchase from this company so long as the quality and the price were right?—Yes.

53. Assuming that the Government need only purchase if it can purchase on satisfactory terms as to price and quality, apparently there is a distinct saving in connection with the purchase of Government requirements. Assuming that the Government can purchase more cheaply than, or as cheaply as, it can purchase in the London market, do you not see there is also a

saving to the Government of freight upon every ton of iron it had to purchase in New Zealand?—That is apparent.

54. Do you know what the cost of freight is on the iron requirements?—£1 1s. 3d. at present.

55. And there are other charges in addition to freight?—Yes, landing charges, duty, and so on.

56. When you say the freight is £1 1s. 3d. per ton, are you referring to all iron and steel or to pig iron only?—To pig iron.

57. Is the freight on bar iron and steel greater or less than on pig iron?—It is a shade more, subject to fluctuations without notice.

58. If, then, the company could produce its iron in New Zealand more cheaply than, or even as cheaply as, it might be produced in England, do you say that there would be a considerable saving then in freight and in charges, apart from any other consideration?—There must be, because a Home pig-iron manufacturer charges more as a selling-price than 5 per cent. on his cost, while added to that we have to pay the freight.

59. *The Chairman.*] What advantage would you as an ironmaster expect to get from this competition, Mr. Dunbar?—Even supposing we paid a higher price we would have a quicker market, and would not have to wait four or five months for our raw products and hang up work. Shipping strikes just now put it behind for months. That would not happen if we were so near a source of supply.

60. You do not consider that the establishment of works in New Zealand would necessarily mean a reduction in price?—Not necessarily. We would be quite prepared to pay the same price, provided we got a good deal.

61. Why?—In the interests of the Dominion generally. I do not see they have any right to lower prices than Australia; prices will always be ruled by prices at Home.

62. In other words, the New Zealand company would simply frame its rates just a trifle below Australian or British prices?—Yes.

63. You say that the New Zealand market would not be worth having as the only market?—No.

64. You say it is very much cheaper to make 1,000 than 50 tons, and that becomes increasingly true?—Yes.

65. What market would you expect the Ethelburga Syndicate to exploit outside of New Zealand?—A large company like that would have their interests and financial undertakings all over the world. They would also have their company's agents all over the world, and therefore would have the world's markets.

66. And what part of the world's markets do you think New Zealand could sell in, provided rails and iron made in Great Britain were just now going to South America or South Africa?—We could land them just the same and just as cheap—it is a matter of freights.

67. Would there be any difference in the freights to South Africa—would the freights be cheaper from New Zealand to South Africa than from Great Britain to South Africa?—The distance is about half-way between both countries.

68. Do you think they would be very much higher?—It all depends.

69. Which South American markets would you expect New Zealand to get?—I should say the Argentine, and where our steamers call.

70. You acknowledge the Argentine is in easier communication with Great Britain?—Our boats go Home that way.

71. The Argentine lies on the east of South America?—Yes.

72. And therefore the distance from Great Britain is less than from New Zealand, I should judge?—I do not know if it is much. That would be the Ethelburga Company's business to find markets, of course. They say they have a market.

73. And it would be a fair thing to ask them to establish their own markets?—Yes.

74. As for the cost of production, do you hold that it would probably be cheaper in New Zealand than Great Britain?—Yes.

75. Considering the cost of labour and considering the fact that the proposed plant would turn out enormous quantities?—Yes; because of the purity of the ore and the close proximity to the works—they simply tip it in.

76. Are you aware of the fact that they would probably have to bring their coal by sea?—Yes.

77. You spoke of the great saving that New Zealand would enjoy in buying 30,000 tons from this company at 5 per cent. on cost. You estimated that it would be something like £38,000 per annum?—At 5 per cent. on actual cost no Home manufacturer would sell; 15 per cent. is not too much.

78. Would New Zealand have any guarantee?—If they did not—the prices are known on all dates, and they need not purchase.

79. Would they have any saving?—I think the freight is always a large item.

80. Is not the saving just entirely problematical?—With the same facilities there is no reason why it should not be produced at the same cost.

81. You recognize that there is no guarantee?—I see that plainly, but the margin is so wide there can be no possibility of the company failing.

82. *Mr. G. M. Thomson.*] This is a Parapara sample you have handed in to the Committee?—Yes, I have absolute authority that it is from Parapara.

83. You do not know the composition of this particular sample?—No.

84. What is this sample?—This is a new alloy, and it has zinc and aluminium, &c., in it, and some say there is a trace of gold and silver.

85. Who produced this?—The son of the late Mr. E. M. Smith, from the Taranaki ironsand.
86. Would you be surprised to know that the whole of this stuff, with the exception of a small trace of iron, which may be either put in the materials or gets in, is taken to Taranaki and partly used? This company is advancing this material as a product of iron-smelting in Taranaki and it has no iron in it?—I do not know how it is made; that is a secret.
87. Is this not a material produced from the flux used?—Yes, it is mostly zinc.
88. And the material that you have shown us, Egmont metal, is really the product of a flux?—Yes.
89. It is not a product of the Taranaki ironsand?—Not purely; you could not bring Taranaki ironsand in a boat to the works and bring that out.
90. Do you know the composition of Taranaki ironsand?—I know there is 50 per cent. of iron and titanitic acid; I know that it is difficult to handle.
91. I merely bring that out, as it is absolutely of no value in the connection for what the promoters claim?—I have been told they have used it in motor-cars, &c.
92. Have you studied the production of pig iron?—Just from reading.
93. You know that a blast furnace once started must be carried on, so that if this syndicate were to put up blast furnaces, say, capable of producing 70,000 tons of iron per annum, they must keep them going; if they stop them the furnace is destroyed?—Yes.
94. You mentioned the possibility of exporting to India?—Yes.
95. Could we, with the cost of our labour, export to a country containing enormous deposits of iron and coal with labour at a tenth of our cost?—I do not mean India specially; I said, the world's markets.
96. You do not think we could?—I would not say. All that India uses is not made there, and it would be a chance for us to get in if we manufactured here.
97. Would it not be more likely that a syndicate like this would establish works in India to supply the Indian markets?—I should not think so, because you would have the upkeep of two works, whereas we would have one large works and, therefore, the reduced cost.
98. Take another point: coal for these works would require to be carried by sea?—Yes.
99. Can you give me an idea of the price of coal delivered to Parapara?—I could not speak with authority about that, but the coal-deposits are near, and I understand that if the company goes on a huge wharf will be put out so that vessels drawing a good draught of water could get alongside, discharge coal, and take away the finished products.
100. What coke do you use in your works?—P.C. coke.
101. What does it cost you per ton?—We are dependent upon New South Wales at present. We use soft gas coke; we prefer the hard coke.
102. Can you give me an idea of the cost?—At Parapara, about £1.
103. Are you aware that in England for blast furnaces the coal and the iron are got from the same shafts?—Yes; I know they are alongside.
104. Are coal, iron, limestone, &c., so at Parapara?—Yes.
105. Do you consider as a business man it is a good proposition that the company should have during these forty years the gilt-edged security of practically getting the whole of its capital back again, and 5 per cent. on all the Government materials, and anything they can make from the public?—They get it back, to give it back to you again.
106. In what way?—As far as I understand, the Canadian Government gives larger bonuses than what is handed back in this case. Here, after the bonuses are paid and after a certain while, you get the whole thing handed back plus goodwill. There is no reason why, if it were a good proposition, the Ethelburga Syndicate should not continue to mine and pay the Government for the privilege to carry it on. To buy right out it would probably pay a million and a half for the works.
107. It was proposed by the Onakaka Syndicate that they were prepared to work their deposits without bonuses: do you think that is feasible?—I do not think that is possible. I know what some of the estimates are. You have to estimate your cost, and I doubt if this £650,000 will see these works started; it may take a million; but that would be the business of the Ethelburga Syndicate. If the Government take it up they will have to see it through.
108. *Mr. Craigie.*] Mr. Dunbar, you think that large works to compete with the outside world are necessary?—The bigger the better.
109. What are the conditions at Parapara to establish works there: are the conditions more in favour there than in other centres?—Supposing you establish works in Wellington, everything would have to be carried here. You can see you would have the better advantage if you had a proper wharf and works at Parapara—instead of taking coals to Newcastle you set the works up at Newcastle.
110. And a plant only for the consumption of iron made in New Zealand would not be profitable because it could not compete with the markets of the world?—No, it could not.
111. Supposing the Government took on the work and put down a plant sufficient for the requirements of New Zealand?—It could not compete with outside markets.
112. It would pay the Government to put a tariff or duty on and protect themselves, and keep the money in the country?—We want a tariff on other things first.
113. It would not be successful for the Government to establish the works except they had a tariff?—The Dominion would be up in arms, as cheap reapers-and-binders come in and other iron manufactures.
114. You think the farmer would be up in arms?—Exactly. If you are going to keep a high cost for material, nationalizing the industry would be no good to anybody. If the works are to be established you must be able to compete on a large scale and with a large plant. You would have to have a million pounds for working capital, which would be locked up, and at times return no interest.

115. What are the disadvantages of establishing works in New Zealand as compared with places where they have labour cheaper and a bigger consumption?—The only disadvantage in New Zealand as far as I know is the increased wage. Against that are all the natural facilities for getting ore and limestone and everything at hand.

116. You think it is a favourable consideration having the water and other things close to the works in New Zealand as against a high rate of wages?—Yes.

117. What does it cost you to get a ton of pig iron from the Clyde and to lay it down at your works?—£5 3s. is the present price, f.o.b. main ports.

118. What is it there?—£3 to £3 10s.

119. How much would that cost to bring it out?—£1 10s. to £1 15s.

120. That is direct from the Clyde put into your factory?—No, at the Wellington wharf or the Lyttelton wharf.

121. That means an expenditure in bringing it out of approximately £2?—Yes.

122. Supposing the works were established at Parapara, you would still have transit charges?—12s. 6d.

123. Is there any duty just now on pig iron?—No duty.

124. Would these works get worked out?—It would depend on the kind of ore you had to work. Ironworks at Home have been going for one hundred and fifty years.

125. As a practical man you think by the establishment of these works there you would employ a lot of labour directly and indirectly right throughout, and it would be for the benefit of New Zealand?—There is not a better proposal put before the Government. You would have a new town springing into existence there, and all its attendant benefits.

126. You think, then, by putting their money into it they would keep it going?—They would have to hustle it along. There is another point: it would open up another field of research in chemistry, and instead of our young men going away it would be a splendid opening for them to begin there.

127. *Mr. Sidey.* At whose instance are you giving evidence here this morning?—I was asked by Mr. Hepworth, the secretary of the Parapara Company. I have already put up experimental works at Parapara, and they thought I would be able to speak on first-hand information. I put up the works in April of this year in Taranaki.

128. What was your object in putting up these works?—It was part of the Parapara Company's obligation to the Harbour Board to spend a certain amount of money in a certain time towards testing the ironsand.

129. That is the Parapara Company's obligation?—Yes; the Parapara Company had the lease of the Taranaki ironsand.

130. It was experimental work at Taranaki?—Yes.

131. Did you take your ores from Parapara?—No, we had the ironsand to work upon. We had an exhibit made from the ironsand.

132. The exhibit you submit here to-day marked "Egmont Exhibit" was not made by you?—No.

133. Have you any exhibit made by you: is there any exhibit in existence?—The late Mr. E. M. Smith had a splendid collection.

134. How long were your works in existence?—They were started in April; they were burnt down, and we re-erected them in May; some parts of the engines were destroyed, and we have only just got a start again.

135. What are the terms of your arrangement with the Parapara Company?—Just simply to erect that plant and hand it over in running-order to them, and my responsibility ceases.

136. What consideration do you receive?—So-much money for so-much work.

137. When you speak of the Parapara ore being a satisfactory ore from which iron can be manufactured, do you speak of your own personal knowledge?—I have got a lot of reports; I have read the reports of those who have analysed it. I have also the Government report of Mr. Park.

138. Where does that exhibit submitted from Parapara this morning come from?—That is from the ore. I did not see it smelted; it was smelted electrically.

139. You cannot say from your own knowledge?—I have it on absolute authority and from the person who saw it smelted.

140. The other information you have is derived from reports published by other people?—Yes, you have to be guided by experts' reports such as those.

141. I suppose you are relying upon other evidence when you say the cost of production of iron from those ores is likely to be as cheap as the cost of production at Home?—Yes; of course, you have your own personal knowledge and experience relating to the business we follow.

142. You speak of it being a good thing for the country. How about the standpoint of the company? I understand that you consider that there is an increasing wide-world demand for iron, which is likely to become accentuated as time goes on?—Yes.

143. In view of that fact is it not likely that foreign companies would be very glad to exploit that industry here without any subsidy at all?—I do not think so. No financiers would guarantee a company without some guarantee from the Government.

144. In view of the special conditions with which nature has endowed us, and in view of the increasing wide-world demand, you think that the inducements would not be sufficient for a company to come in and exploit it unless the large subsidy which is being asked for from the Government is given?—I do not think it is large. I understand no financier would finance large sums of money without some sort of small guarantee that the Government had faith in it.

145. You do not think we are being asked for too much?—There is an option at expiry of twenty years.

146. Long before the twenty years is up the success or failure of this proposition would be established?—If it is a failure how would the State get on?

147. Why should we necessarily subsidize for the whole of that forty years?—Because you are going to get it all back again. Canada does not get anything back.

148. Can you speak from any knowledge of the Canadian conditions?—I have the report.

149. Do you consider their iron-ores are situated in as favourable a position by nature as our iron-ores?—I can only speak of the bonuses paid; they have paid larger bonuses for the industry than are being asked for now.

150. In your opinion this subsidy you think is about the minimum that you consider the company should ask from us?—It is reasonable. Supposing they are experimenting, and they have to spend £1,000,000, we are only subsidizing to the extent of £650,000.

151. Do you suggest that any especial arrangement should be made with the company so far as the local market is concerned?—I do not think you could bind them. We have competition now arising in Australia, and it is a small freight from there, and if they wish to dump their excess of production over there they would ship it over in order to catch this market.

152. How about the adjacent iron-deposit, Onakaka?—So far as I understand I think that can be amicably arranged.

153. Do you think if the Government is going to give a subsidy it should not give one that should apply to the whole of the deposits there, and insist upon some arrangement being made by the various lessees of the ground—both Onakaka and Parapara?—I think if a syndicate has sufficient confidence to sink a million of money into a concern before they can produce, it is the least a Government can do to assist them. If another company has another offer to make let them come along; you could not give a bonus to everybody.

154. You could hardly expect the Government to give another bonus to any company that came along to work Onakaka?—No.

155. It is not suggested that a bonus should be given to each one?—No.

156. Do you think the Government ought to do so?—Supposing the Government gave a bonus to Onakaka and the Parapara Company, others would be claiming bonuses all the time.

157. Do you think the Parapara Company should receive special treatment?—Yes; they were the first in the field, and have been pushing capitalists into New Zealand. New Zealand might be left lamenting, and I certainly think the Dominion should wake up and accept it.

158. What about the Taranaki ironsands: has the same company got a lease there?—Yes, the same company has it.

159. *Hon. Mr. McKenzie.*] Do you know of any other iron-deposits existing in New Zealand besides Parapara and the Taranaki ironsands?—No.

160. You do not know whether there is a deposit on the Coromandel Peninsula?—No, I could not say.

161. You say you have a number of reports. Some twelve years ago the Government sent 10 tons of ore from Parapara: have you seen the analysis of it?—I do not think I have seen that one.

162. Do you know anything about the timber resources in New Zealand?—There is still a quantity in Southland and Otago.

163. Do you know that the timber-supplies in New Zealand are getting exhausted?—There are sixty-odd mills in Southland and Catlin's, which are cutting out fairly fast, and a great deal is getting burnt down. Over the Waiau, Fiord County, now there are great tracts of bush, and at Catlin's they have a good deal of bush land, though hilly.

164. Do you know generally whether the timber resources for building purposes will practically be exhausted in twenty or twenty-five years?—They cannot last for ever.

165. Do you know whether reinforced concrete and steel buildings must necessarily take its place?—Yes.

166. Would not that increase the demand for iron and steel enormously?—Yes; steel joists have to come from England now.

167. Are you satisfied that reinforced concrete buildings and steel-frame buildings must necessarily take the place of wooden buildings in this country before many years are passed?—Yes.

168. You have seen this Bill, which has been submitted to this Committee. Do you know of any reason, if the Government undertakes this proposal, why it should not make a condition that this syndicate should supply the Government at London prices, f.o.b.?—You might be paying more than what the 5 per cent. would cost you.

169. Do you know of any reason why the company should not supply the Government at London prices, f.o.b.?—I have not thought of that.

170. Do you know of any reason why the Government should not insist on this being done?—It might be cheaper to give them 5 per cent. than pay f.o.b. A manufacturer might charge 15 or 20 per cent. on his cost.

171. The London prices must control the prices of the market?—The German prices are a good deal lower.

172. They have a preferential tariff here?—Yes.

173. You admit the London prices must be the controlling factor?—Yes.

174. Is there any reason why the Government should not put a condition in an Act of Parliament to say this company should supply them at London prices, f.o.b.?—Yes.

175. You would save freight and charges between London and here?—Yes.

176. Supposing the Government started this as a State industry, you would require to go in for a pretty substantial protection?—Yes.

177. And pass the tax on to the consumer?—Yes.

178. The consumer in every case pays the tax?—Yes.

179. What do you reckon out the prices and charges at, including everything?—Approximately £2 per ton.

180. You said in a few years there ought to be a population of ten thousand people working in connection with this industry?—Yes.

181. Have you ever calculated how much per head they would be worth?—£3 2s. 5d., according to the New Zealand Year-book.

182. That would be £30,000 for the payment of Customs?—Yes.

183. So you could take them at £3 per head and get £30,000?—Yes, and on the goods that come in now we only pay 1s. 5d. per £100 Customs duty. The Industrial Association passed resolutions in favour of the protection of the iron and steel industry in New Zealand.

184. Are there a number of the members of that association iron-manufacturers?—There are all sorts of industries represented, including iron people.

185. Are the ironmasters sure this would be a benefit to their business, and are they practically unanimous about it?—Yes, so far as I know. There may be one or two, but they are practically all importers who would differ.

186. You expect to get a royalty of 6d. per ton more in the coal: that royalty would only apply if the coal is got from Crown land?—There is no coal in Parapara—on the particular block.

187. You can get coal and iron—say, for instance, the Blackball Company is working on the field?—They may have to pay 6d. per ton.

188. How would you get on with the ore?—They pay 3d. per ton on the ore.

189. Have you ever been to Parapara?—I have not.

190. *Mr. Blow.*] You have had no experience in the production of iron from ore, Mr. Dunbar?—No.

191. Nor of rolling-mills?—No. I was brought up in Lanarkshire amongst the blast furnaces, but have no intimate knowledge.

192. You cannot speak with authority as to the cost of producing iron from ore?—Only from the authorities and from reports I have read.

193. You are of opinion that it would be unprofitable to establish ironworks in New Zealand for the supply of New Zealand only?—I believe it would.

194. Why?—Because there are so many side lines, and you can manufacture a larger quantity cheaper than a smaller quantity per unit.

195. Is not the quantity of iron used in New Zealand sufficient to keep a moderate-sized works going?—It is not sufficient, in my opinion.

196. Do you know what the quantity imported is?—137,000 tons a year, which includes corrugated iron.

197. I think it is 146,000 tons per annum, and of all sorts: those are last year's figures, and it was not a particularly busy year?—How much of that was pipes?

198. 27,900 tons. That is the total quantity—146,000 tons. Would that be sufficient to keep a reasonable-sized works going?—In the Old Country they specialize and make pipes, galvanized iron, plates, bars, &c. We would be specializing for all lines, and have a whole lot of small units in one large works, all half-employed.

199. So far the company has not told us what they are going to supply. Unless they supply all the iron required for the brick buildings and reinforced-concrete buildings and rails this industry will not be much good to the Government. Do you not think, then, this 146,000 tons, or so much of it as it would pay to make in New Zealand, would be sufficient to keep the works going?—To keep the works going, but not to keep another works going.

200. Do you not know the company only guaranteed to put out 65,000 tons?—They want a bonus to put that amount out.

201. The company apparently considers that an output of 65,000 tons would at any rate be sufficient to be going on with?—It would be a guarantee of good faith with the Government to show they mean business.

202. Have you ever been in New South Wales?—No.

203. You know the ironworks at Lithgow: they have been there for some years?—I have seen pictures of them.

204. Do you know what their output is?—I do not know.

205. Would you be surprised to hear it is much less than 65,000 tons? Have you heard of the proposal of the Broken Hill Proprietary Company to establish ironworks in New South Wales?—Only from a paper cutting, which is as follows: "According to a statement made in the New South Wales Legislative Assembly by Mr. Griffiths, Minister of Works, the State Government does not propose to put any obstacle in the way of the Broken Hill Proprietary Company establishing iron and steel works at Newcastle. These works are part of the scheme which the directors have formulated for treating the ore from the Iron Knob Mine owned by the company in South Australia. Mr. Griffiths made the interesting statement that it was expected that the company would ultimately expend £3,000,000 in its iron and steel works. So far the directors have not, in the statements they have made to the shareholders respecting their financial intentions, disclosed that they propose an outlay larger than £750,000 or £1,000,000. It would be interesting, therefore, to learn the authority for Mr. Griffiths's statement that such a large outlay is contemplated. What is disturbing is that Mr. Griffiths indicates that the Government intended itself to establish ironworks. In the State of New South Wales there are some very large deposits of iron-ore, notably at Cadia. There are also deposits at Lithgow and on the south coast, all being fairly close to coal. It would be exceedingly interesting to have the private enterprise of the Broken Hill Proprietary Company in competition with the State works. There then would be an opportunity of seeing how, working under even conditions, the two enterprises would compare. Of course, if the Government intends to start a coal-mine, and

the Proprietary Company have to buy their fuel, there would be a handicap in favour of the State; but we are satisfied that the policy of the Proprietary Company directors of engaging the highest talent available and paying good salaries to experts would always tell in its favour, because their officials would not be hampered by any 'man-on-the-job' conditions such as would be sure to impede the management of any State-owned works or mine. Still, it is not very encouraging to private enterprise to feel that it may have to face the loose expenditure characteristic of State enterprise."

206. What are you reading from?—*The Australasian* of the 12th October, 1912.

207. From that you learn the Broken Hill Proprietary Company proposes to establish works at a cost of a million of money?—Yes.

208. Do you know whether they are getting any subsidy?—I could not say.

209. They are not getting a penny?—The industry has already been launched by the Lithgow people, who were the first people to break the ice: that is the position the Ethelburga people are in—these people will profit by the Lithgow mistakes.

210. In the case of the Australian venture the ore is got from South Australia, forty-one miles from Port Augusta. There is forty-one miles from Port Augusta to Iron Knob, fifteen hundred miles of sea freight to Newcastle, and probably wharfage to pay at both places. It is quite clear, Mr. Dunbar, the conditions in New South Wales are much less favourable than in New Zealand?—The Government is having a good proposal put before it; all those things you mention are in favour of the Parapara proposal.

211. You know that the Broken Hill Proprietary Company is a very large concern, and that it is run on commercial lines, and they see their way to enter into this contract?—Yes, they will probably profit by the Lithgow mistakes.

212. Do you know what it will cost to mine the ore at Parapara?—Estimates from London are 2s. per ton, or something like that.

213. Landed at the furnace at 2s. per ton?—Yes. Mr. Poynton, a practical miner, undertook to deliver for 1s. 6d. per ton.

214. Do you know what is the Lithgow cost?—I could not say.

215. Seven shillings per ton. Are you quite clear that it could not be landed there at 3s. or three times 3s. a ton?—I would have to have the figures before me.

216. *Mr. G. M. Thomson.*] Can you handle ore at 2s. per ton with the price of labour in New Zealand now?—Yes. Payable contracts have been let for it.

217. *Mr. Blow.*] You have also heard the Onakaka Syndicate is willing to undertake construction-works without any subsidy?—I believe so.

218. In view of the fact that in New South Wales, under much less favourable conditions, a commercial company can see its way to establish works without a subsidy, and that a syndicate in New Zealand is also willing to establish works without a subsidy, is there any necessity for a subsidy being given? What is the comparison of the rate of wages between here and Australia—I believe they are higher?—You yourself would often pay a man £1 a day not to lose him—that is not to say that is the value of him. I have heard Mr. Cooper, our association secretary, say wages are lower for labourers in Australia than they are here.

219. Would they be lower at Onakaka, considering the two properties are adjoining?—You pay less for your ore and more for your wages here.

220. You still give evidence that you can put the ore down at 2s. per ton?—Yes.

221. You know the ore at the Broken Hill Proprietary Company, and labour is 7s. per day?—Wages there are 7s. and 7s. 6d. a day, whereas they are over 10s. here now.

222. Do you consider this industry cannot be run without a large subsidy?—I believe the subsidy should be paid, because you are going to get the works back as a national asset. On the other side, in Australia, there is nothing returned to the Government.

223. Parapara works are to be handed back?—Yes. I understand there is compensation payable at the end of twenty-eight years: compensation has to be paid on this particular lease whether you get any ironworks or not.

224. As an experienced manufacturer would you consider a plant put down to-day would be worth anything like its cost at the end of forty years?—I have allowed another £650,000 to be added during the next forty years to bring it up to modern requirements.

225. There is no contract submitted to provide for the upkeep?—It would not pay to work with a scrap-heap of a plant: they would have to get their returns somehow, and must keep the plant in good trim.

226. *Mr. Myers.*] I assume that that would be a proper provision to go into the contract. Can Mr. Dunbar inform the Committee as to what percentage of cost of the manufacture of iron in such works as are proposed would be payable in wages or labour?—I should say, as far as my experience goes, about 70 per cent.

227. *Hon. Mr. McKenzie.*] Do you know whether any of these works to be established for the manufacture of iron at Parapara would be on the lease at all, or on ground outside the lease?—I should judge it is intended to put them in the most favourable place on the lease.

228. The lease has not a favourable place?—That would have to be safeguarded in the Bill.

229. Do you know whether the trend of wages in New Zealand, Australia, and England is tending to become more alike than in former years: are they getting closer in the colonies to Home than they were formerly?—I think they are all going up here. Where they rise in one place they rise in others.

230. How do you make out they are rising here?—In the iron trade we have to pay a blacksmith 11s. now, instead of 8s. a few years ago.

231. You cannot say whether they are more or less than before?—I think we have got enough to face at present.

232. Do you know the locality at Parapara and New Plymouth?—Yes.

233. Do you know whether we are nearer to the sea than they are in Australia, from Newcastle to South Australia?—I could not say without a map.

234. *Mr. G. M. Thomson.*] How much coal would it take to convert a ton of pig iron into wrought iron?—I could not give you the figures for that.

JOSEPH SMYTHE recalled. (No. 6.)

1. *The Chairman.*] I understand you want to put in another exhibit, Mr. Smythe?—It is a report on the Parapara property by Mr. Harley E. Hooper, a metallurgist and mining engineer of good repute, and who was a lecturer of the School of Mines at Adelaide for six years. [Report handed in.]

2. *Mr. Myers.*] The Parapara Company during the last few years has expended a good deal of money in ascertaining the value of the property and in other directions?—Yes.

3. Would you mind stating what money has been spent?—I have it here in a letter from the secretary to me at the Royal Oak: it is as follows:—"Christchurch, 24th October, 1912.—J. Smythe, Esq., Royal Oak Hotel, Wellington.—Dear Sir,—Parapara: I am forwarding a few particulars of our expenditure on Parapara. As you are aware, the company paid the Public Trustee £23,000 for the leases—£11,500 in cash, and £11,500 in debentures at 6 per cent. In addition to that, £2,339 was spent on works at New Plymouth. Since the company was registered in June, 1909, we have paid out in wages at Parapara £6,167 2s. 6d.; rents and royalties, £842 17s. 7d.; reports on iron leases, &c., £308 8s. 6d.; expenses incurred in connection with attempted flotation in London, &c., £1,456 14s. 10d.; salary, petty expenses, £588 4s. 3d.; legal expenses *re* titles, &c., £783 19s. 1d." A total of £35,486.

4. *Hon. Mr. McKenzie.*] Mr. Smythe, you know the Parapara lease and the locality and the beach?—Yes, very well.

5. Do you think any works erected would be outside the lease altogether—between the boundary and the coast?—Yes; I should think they would be on the Maori lease before you get to the bridge.

6. That is outside of the Cadman lease and also the Washbourn lease?—Yes.

7. Just a few acres would be on the Washbourn lease?—There is no flat ground on the Washbourn lease.

8. There is no suitable ground on the lease itself for the erection of the works?—No suitable ground; they want it for the wharf, where all coal would come in.

9. Is not the ground on the lease all broken and steep?—It would have to be made up. You want the base 50 ft. above the flat, perhaps higher than that.

10. Well, your ground now, where the face is—that is probably 100 ft. above the ground?—It is only 30 ft. above the sea.

11. In that gully, you mean?—30 ft. above the sea.

12. Where the tram-line ends, you mean—take away the water-race?—I should think, about 60 ft.

13. Your face is much higher than that?—Do you think it is?

14. Is it your opinion that there is any suitable ground on either of these places for the erection of works?—There is nothing suitable to be used. There is plenty of other ground just there to choose from.

15. By putting the works on the lease anywhere would you not be putting them on ground which you would likely have to work out?—Yes. If you take the first part of the lease you would have to put our works right near the sea—the very land we want to work out.

16. In the event of the buildings being erected outside the lease you would have to acquire land to erect them on?—

17. *The Chairman.*] And in that event, Mr. Smythe, the buildings would not be surrendered to the Government at the termination of the lease?—I think you will find that is in the lease.

Mr. Myers: If buildings were erected upon land not included in the lease it is quite plain that under the lease those buildings, plant, and machinery upon the land would not go to the Government. Under the Bill they would go to the Government—the whole undertaking would go to the Government.

The Chairman: The whole property?

Mr. Myers: Yes. Clause 4 of the Bill reads: "At the expiration of a term of forty years from the passing of this Act all the property of the lessees in the goodwill, leases, tramway, furnaces, electric lines and fittings, wharves, buildings, and all other works, erections, or appliances of every kind whatsoever used by them in connection with the production of iron and steel, shall pass to and become the property of the Government, without any compensation whatever being payable to the lessees for such property by the Government." That may be a matter for some sort of amendment. It is an important point, because it answers one objection at all events that Mr. Blow made during the course of this morning's proceedings.

TUESDAY, 29TH OCTOBER, 1912.

The Committee met at 10.30 a.m.

THOMAS MAXWELL MILLIGAN examined. (No. 7.)

1. *The Chairman.*] What is your name?—Thomas Maxwell Milligan.

2. What is your occupation?—Engine-driver, sir.

3. What is your address, chiefly?—Care of the Kelburne Tramway Company. I do not wish to take up the time of the Committee in any way, but, being a resident for over fourteen years in the centre of the iron industry in Scotland, and being employed on the railways, I naturally had a good insight into the very difficult process of the manufacture of pig iron. The present proposals before the Government seem to be rather vague; in fact, the criticisms that have been offered by several of the members of the Lower House and through the public Press seem to show that they have no idea of the intricate business of the manufacture of pig iron. In giving this evidence before the Committee I have had a close acquaintance with all the blast-furnace works in Scotland. There are some sixty-two furnaces in blast now, and there has been no extension in the blast-furnace industry in Scotland during these last fifty years. One or two of the works lapsed, but have revived during the last ten or twelve years, and these blast furnaces were initiated over a century ago, I suppose, for the purpose of using up the large deposits of ironstone that was found in the coal-mining districts of Scotland. With regard to ironstone, this ironstone is almost all used up now. It had to be charred generally when got out of the mines, and then conveyed to the blast furnace. Owing to this ironstone being almost used up now they have adopted the system of using ores, and none of those ores are found in Scotland. There is a great lot of it comes from England, but the bulk of it comes from Bilbao, in Spain. They also require a very good supply of limestone for the manufacture of pig iron. Now, I do not think the limestone found in New Zealand may be suitable, but possibly it might do; but it is very essential to have good limestone for the manufacture of pig iron, and also there are other ores required for the manufacture of pig iron. Sulphur-ore is used for the furnace, and allows the iron to work down to the bottom, and without that the iron is apt to stick to the sides of the furnace, and consequently it is very serious if she slips at any time. Then there is a by-product that is got from the puddling-furnace, where they manufacture the malleable iron, in the shape of puddler's tap. There is no iron in this: it is simply used for the furnace cast. By the mixing of ores they have been able to bring out a good product of iron. There are several ores used, but I could not mention them all in the meantime. I have asked for some information from a friend in Scotland who is in one of the blast-furnace companies: I have asked him to give me some statistics, and if I get these out from Scotland I will forward them to the Minister of Public Works. Now, this ore is chiefly conveyed from Bilbao, in Spain, by colliers going over to Britain for coal, and it comes over in the shape of ballast, and it does not cost the manufacturers of iron very much to get it landed in Britain. Then, these iron companies have very special facilities with the railway companies to transmit it to the works at very cheap rates of freight, and by this means they have been able to produce iron cheaper than anywhere else. Of late years they have had very keen competition from the Americans. Ten years ago I have seen American pig iron imported into Britain, simply because the Americans put up furnaces with a very powerful blast plant. On this account a furnace is able to produce iron, but of not so good a quality as the English. All furnaces I know in Britain work on the hot-blast system; without the hot blast it would be almost impossible to manufacture iron here at a payable price, because this hot blast accumulates in the furnace; as the gases rise to the top they are conveyed through very large tubes to refineries where the different products are extracted. The refuse is then sent back into heaters, where it is burned to supply the hot blast for the furnace. All companies making pig iron have adopted this process. I might refer to what these heaters are for. In mentioning the hot blast, now—a blast furnace on the hot blast—it will be observed, with the great heat inside the furnace certain gases are formed: these rise to the top where the furnace is charged; large tubes lead from the top of the furnace to convey these gases away, and these are treated so as to extract the different by-products that are in them—tar, ammonia, and some other products. Some companies have different plants for this purpose and therefore extract more than others. Now, the refuse of these gases is sent back through tubes into these heaters and there burned, and this is where the hot blast is got to blow the furnace. A blowing-engine forces it through twyers into the furnace; sometimes as many as ten twyers blowing—the more blast the more iron-ore and coal is consumed. A furnace used in this way is able to cast about 40 tons a day. Now, that furnace casting about 40 tons a day costs a lot of money to build. It may not be very well known by the gentlemen forming the Committee how these furnaces are constructed. They are generally built on the face of a hill, so as not to give too steep a grade to get the outlet, and they are generally built half-and-half, and have to have an engine to lift the ore up to the furnace, and also an engine to take your pig iron away. I am an opponent of the present proposals, for this reason: If the Government commits itself to these proposals, you will notice they have offered to put out 65,000 tons a year before the proposed syndicate can claim a subsidy. It is impossible to keep a furnace blowing all the year round. Putting out an average of about 40 tons a day this would take at the least six furnaces in blast. They are very costly with regard to construction, and the different machinery that is attached to them now, and to bring them up to date would cost a lot of money. The construction of blast furnaces is that they are generally constructed and built of sandstone on the outside, lined with furnace-blocks on the inside, and these blocks are made from the best fireclay. I do not think there is any fireclay in New Zealand suitable that would stand the heat that is required. Generally the furnaces are about 70 ft. or 80 ft. high. Then heaters are built a similar height. With the proposal as it stands now, it is said

the manufacture of pig iron can be accomplished in New Zealand at £1 16s. per ton. A matter you have to take into consideration is a filler putting seventy charges into a furnace per day for 6s. 6d. or 7s. Ironworkers are all paid on tonnage rates, and the more money an employer draws for the price of iron per ton the better it is for the workers—it is all on tonnage rates. Providing you had an up-to-date plant and furnaces in full blast taking seventy charges per day per man, that would mean at least three men for these furnaces. These men are getting 6s. per day, and all the other by-products are used up. You would not get men in New Zealand to put seventy charges into the furnace per day. The question is, what would the average wage of these men work out at per day, providing you could get them? With regard to the manufacture of steel—it is the proposals of the company I have been referring to—they have proposed to place 65,000 tons of iron and steel on the market before getting a subsidy. This manufacture of steel would be a very big business. I know one firm in Scotland (Messrs. John Colville and Sons, Motherwell, Scotland) which is a very large manufacturer of steel. Well they have a plant, and it might interest members of the Committee to know the amount of money spent in additions to their plant is £250,000 for the manufacture of steel. I know the Americans have a process of casting steel rails direct from the furnace, but there is very little cast outside of America. They have discarded the system, and railway companies get their stuff from Colville and Sons, Motherwell, Scotland. Steel is made from hæmatite pig iron. This pig iron is put into steel furnaces and subjected to a great heat, and when it is drawn from the furnaces in a liquid state, manganese ore is added to it as it runs into ingots. I do not know if there is any of this ore in New Zealand; if not it would have to be imported. The price of coal is a big item; the coal there does not average more than 6s. per ton, and compared with the price of coal in New Zealand it is a big handicap. On the question of malleable iron—I consider that this is the most important of any. If blast furnaces are erected here in New Zealand it follows that puddling of iron would have to be started, if it is intended to benefit the community. There must be a large amount of malleable iron imported into New Zealand, and if, as it is contended, which I very much doubt, that pig iron can be made very much cheaper here than the imported article, in justice to the community malleable iron should be manufactured here. Now, this making of malleable iron is another very expensive process, as a great lot of machinery has got to be put down. These companies manufacturing malleable iron in Scotland use a great amount of scrap; no one company uses one sort of pig iron alone; it is by this process and their plants that they have been able to produce such a good article. I will hand in my notes to the Chairman, which will save a lot of time. [Witness's notes were at this stage handed in to the Committee.] The Americans are now finding that their iron-ores are diminishing very fast. There is just a possibility in time to come that this iron-deposit in New Zealand might be of value. My opinion is this: I think it would be very inadvisable for the Government to subsidize any private company. If the private company puts down a private plant the Government could give bonuses when it had a certain amount of work accomplished. It would be very foolish of the Government to bind the country at the present time with the present proposals.

4. *Mr. Myers.*] I take it, from your evidence, that in your opinion the iron industry could not be worked profitably in New Zealand at the present time?—That is my opinion.

5. That is the sum total of your evidence?—Yes.

6. In your opinion it would be many years before the iron industry could be properly worked in New Zealand, if ever?—Yes, on the present labour conditions; and they have a tendency to go up.

7. Then you do not think that it will be profitable for the State to commence ironworks on a large scale in New Zealand?—I do not know; you will find the State does not get its money from the clouds, any more than a private company does.

8. You see no objection to private people risking their money for the public benefit of future generations over that matter?—By no means.

9. *Mr. G. M. Thomson.*] Where did you get your experience, Mr. Milligan?—I was on the North British Railway for fourteen years, and had a good insight into all the working. Blast furnaces are confined to the west of Scotland, Carron in Stirlingshire, and Lanarkshire.

10. What size furnaces do they use there: you were speaking of them as only being capable of 40 tons per day?—They are generally 80 ft. high and 12 ft. across.

11. You do not know what difference there is between them and the furnaces in the Cleveland district?—I have known men who worked there, and furnacemen there state that furnace-filling is much the same as in Scotland.

12. Do not they turn out as much as 200 tons per day?—They might. It is all worked on almost the same process all over Great Britain. Baird's Gartshire No. 1 grade usually commands the highest price in Britain.

13. *Mr. Nosworthy.*] What do you think of the samples submitted to the Committee as the metal from the Parapara Company?—I can see this has been through a furnace. It is not very high in steel matter. I might say I was employed in a foundry, and the employer of that foundry is an engineer by trade, and he got a quantity of some 30 tons of pig iron in. I was helping to unload it. He came along and refused delivery. He said, "That is not the brand of iron I ordered at all." He said, "I wanted Govan brand." He was receiving Carron, Stirlingshire pig iron, the second best. He said he was expecting to get No. 1 in 4. A man used to pig iron knows it whenever he sees it broken; it can be chemically tested as well.

14. *The Chairman.*] What do you think of that sample?—I believe there is a quantity of iron in it. I have heard of late of these tests of certain samples from Taranaki and so on. The best test would be to load a vessel with 1,000 tons, and give her another 2,000 tons of coal, and send it to a private company at Home to put a blast on it and test it.

15. *Mr. Nosworthy.*] You would advocate taking the local material and the coal Home to give a fair test?—Yes,

16. You are not inclined to think the ultimate production of steel was got from the local samples?—You cannot produce steel from pig iron. You must get manganese-ore.

17. *Mr. G. M. Thomson.*] Surely not—only some classes?—You must use the ore.

18. *Mr. Craigie.*] In your opinion, what is the disadvantage in establishing ironworks in New Zealand, which would have to compete with those at Home?—There is the outlay in cost for a start. These works at Home were established centuries ago, and not one of them is close to the different products they use: for instance, the limestone has to be imported from Ireland. The initial outlay in cost is a big handicap. Old-established works would have a big handicap against the new company.

19. Has labour any disadvantage?—I am sure it has. Under any conditions it is almost impossible to get a man in New Zealand to tackle this. I have seen men working at those blast furnaces when hard frosts were on the ground, stripped to the waist, year in and year out. That is a very trying thing; no man works harder than those in the iron and steel industry.

MICHAEL MYERS, Barrister and Solicitor, examined. (No. 8.)

1. *The Chairman.*] What is your name?—Michael Myers.

2. And your profession?—Barrister and solicitor, Wellington. The first point that I desire to make is this, sir: The Ethelburga Syndicate is a British company composed of British shareholders. I understand that the gentlemen who control the affairs of that company are men of standing and position in the City of London. I mention this point because one has heard the suggestion—possibly some of the gentlemen here may have heard it—that this company is in some way or other a foreign company; but it is nothing of the kind, sir.

3. Will you be as explicit and full as possible in regard to their financial standing?—I may be able to give the Committee some information on that point from another source, but, of course, I have not full information as to the capital and business of this company, and, indeed, I submit that it is hardly relevant at this stage. The sole question for consideration now is as to whether the proposals that are made are proposals which will result to the benefit and advantage of this country. On any other point, such as the financial position of this company, and similar points, no doubt we will have to satisfy the Government hereafter if this Committee reports in favour of the proposals which are made, and if the Government hereafter decides to take those proposals into consideration. For the moment it is sufficient, it seems to me, to say that, as I am informed and as I believe, this company is a British company, composed of British shareholders. The proposal which is made is purely and essentially a business proposal. It is not suggested—and these gentlemen in England do not suggest—that they are philanthropists. They are making these proposals because they think they can conduct this iron business profitably. If they did not think they could conduct it profitably they would not be here. One point I want to emphasize is this: it is not the sale of the manufactures in New Zealand from which they consider any profit can be derived. If the only market for the manufactures were the New Zealand market, the proposals now being made would certainly not be made, at all events by the Ethelburga Syndicate. While these gentlemen think that they can conduct the iron-manufacturing business in New Zealand to their own profit, they also think, and they submit, that the proposals which are made will, if carried out, result in very considerable benefit to the people of this country. First, it is necessary that the nature of the proposals should be thoroughly understood, and perhaps I may be permitted quite briefly to explain the leading provisions of the Bill. It is a Bill which has been prepared not by the Ethelburga Syndicate, but, as I understand, under the instructions of a former Government. I do not know that it was prepared for the purpose of being introduced in its present form into Parliament, but it was prepared for the purpose of its being given serious consideration. In the first place this Bill is only an empowering Bill: it empowers the Government, if the Government thinks fit, to enter into a contract or agreement of a certain kind. If this contract is entered into the Government is empowered to pay to the company with which it contracts a sum not exceeding £32,500 per year for a period of forty years. Now, what is the consideration if that payment is made? It is this: in the first place the company would have to expend a sum of £650,000, and that sum would have to be expended within a period of five years; but during those five years the Government would not be paying £32,500 per annum, but would be paying only at the rate of 5 per cent. upon the capital expended at the end of each year. Even then, after the expiration of the five years, the Government would only be paying the £32,500 a year so long as the company was manufacturing not less than 65,000 tons of manufactured material a year. It has been suggested before this Committee that the company anticipates that it will be manufacturing *only* 65,000 tons per year. Nothing of the kind. That provision with regard to the 65,000 tons per annum is not a suggestion of the Ethelburga Syndicate, but was put in by the draftsman of the Bill—a Government officer—because the draftsman wanted to provide for a minimum output upon which this sum of £32,500 would depend. I do not know what output would be necessary to make the business pay, but I should assume, in order to make it a payable proposition, that a very much larger output than 65,000 tons will be required. The first part of the consideration is that this company has to expend a sum of £650,000. The company would be under covenant to supply to the Government all its iron and steel requirements at the cost price of manufacture, plus 5 per cent. profit. I desire to point out that there is nothing in this Bill, and there would be nothing in the contract, compelling the Government to take its iron and steel from the company. Of that there can be no doubt, on the construction of the Bill as it stands. But if there were thought to be any doubt it could be made quite clear by the insertion of two or three words. That is a very important part of the consideration, and I shall show a little later that

the whole of the risk and the whole of the responsibility in regard to this undertaking is really being taken by the company, although at first sight and without full consideration it might appear that under the Bill the company would be obtaining some very substantial advantages from the Government. The next point is this: that under the Bill the Government would have the right at the end of forty years to take over the whole undertaking of this company absolutely free of cost and free of encumbrances. That, sir, is a very important consideration indeed, because at the end of the period of forty years—and we must assume, of course, that these people are business men and not going to spend £650,000 for the fun of spending it—presumably this business would be a very flourishing one, and there would be attached to it a very substantial goodwill; and the whole of the machinery and the tramways and other plant of the company and the goodwill of the company's business would pass absolutely to the Government without payment of a single penny. If during the forty years this business had been a profitable one, and if at the end of the forty years the Government found it undesirable to carry on the business, then there would be in the hands of the Government an asset of very considerable value, and the Government would be in the position then to arrange either with the company or with some other concern to take over the undertaking upon satisfactory terms to the Government. The Government would have in the goodwill attaching to this business an asset the value of which it is impossible to predict at the present time. It might conceivably be worth some millions of pounds. Then, sir, it was pointed out during the course of the previous proceedings before this Committee that there is no provision made by this Bill that the company's plant should be kept in good condition. Might I point out that section 4, paragraph (c), subclause (viii), provides, "The lease shall contain such other terms not inconsistent with the provisions of this Act as may hereafter be agreed upon between the Minister and the lessees." Obviously a covenant to keep the plant in good repair and condition would be a proper covenant. It is a covenant which is inserted in most leases, and would not be inconsistent with the provisions of the Act, and it is certainly a covenant which the Government would require in a contract being entered into under the provisions of this Bill. In order to understand the provisions of this Bill, and in order to appreciate some of the benefits which, under the Bill and under a contract made in pursuance of it, would accrue to the Government, it is necessary to look at the provisions of the lease under which the Parapara property of 920 acres or thereabouts is held.

4. Is this a copy of the lease?—This is a copy. This is a lease from the Warden of the Karamea Mining District to the Public Trustee as executor and trustee of the will of the late Sir Alfred Jerome Cadman. It is dated the 15th August, 1905. The lease has become vested in the Parapara Company, and it is one of the properties over which the Ethelburga Syndicate has an option. The lease, sir, was granted for a term of forty-two years, commencing on the 15th August, 1905. I will come now to a very important point, and that is this: that under the lease there is provision made whereby the lessee has the right of renewal provided for under section 138 of the Mining Act, 1898. Now, under that section there can be no doubt about this: that the lessee would have at least the right to renew for a term not exceeding the term of this lease: in other words, the lessee would have a right of renewal of the lease for a term of not exceeding another forty-two years.

5. *Mr. Davey.*] Are you sure of that, Mr. Myers?—Yes. There is a further point, upon which I am not proposing to express a definite opinion: It may be, sir, that under that Act the lessee of this lease would be entitled to perpetual renewals. I am not giving that as a definite expression of my opinion; I am only saying that it seems to me at first sight to be at least possible to argue that this is the effect of the section, because the renewed lease would have to contain the same provisions as are contained in this lease, including the right of renewal. If that is so, then the lessee of this Parapara lease would have what amounts to a lease in perpetuity. I want to avoid in any way misleading the Committee, and I am only giving that as a possible construction of the section. In any case, the lessee has the right to one renewal up to another forty-two years. In that view of the position the lessee has what amounts to a lease for eighty-four years.

6. *The Chairman.*] Do you think that was the intention?—Unquestionably I think so. This section 138 of the Act of 1898 deals with mineral privileges and the right of renewal. I think, sir, that probably those gentlemen on the Committee who are members of the legal profession will agree with me in saying that in all probability this lease amounts to a lease in perpetuity, because there is a subsection (7) in section 138—"The foregoing provisions for the renewal of the original term shall apply to every renewed term." Under this lease there is a rental payable. The rent payable by the lessee during the said term shall be £115 yearly, rent being at the rate of 2s. 6d. for every acre or fraction of an acre of the land. The lessee shall also pay a royalty, and the royalty is to be 3d. per ton on iron-ore raised in pursuance of the lease.

7. Limestone pays no royalty?—No, not limestone used for the purpose of treating iron. Now, the next provision in regard to this lease that I desire to mention to the Committee, in order to enable the Committee to understand the benefits to the country under the Bill, is this: "Notwithstanding anything herein contained, or any right, Act, or law to the contrary, the Governor, at any time during the said term or any renewal thereof, on giving to the lessee at least six months' previous notice in writing of his intention so to do, may purchase from the lessee all the lessee's right, title, estate, and interest in the demised land and in this lease, and in all other land situated in the said mining district or on the sea-coast thereof and used in connection with the lessee's mining operations on the demised land, and all the lessee's plant, machinery, appliances, and other property used in or in connection with such mining operations, at a fair value, to be ascertained in case of dispute in the manner following: (a.) The amount of the purchase-money to be paid to the lessee shall be determined by arbitration under and in accordance with

the provisions of the Arbitration Act, 1890, and these presents shall be deemed to be a submission within the meaning of that Act: Provided that the reference shall be to two arbitrators, one to be appointed by each party, and an umpire appointed by the arbitrators before entering upon the reference. (b.) In ascertaining such fair value the arbitration shall proceed on the same principle as to items and amount as if the property purchased were land taken for a public work under the Public Works Act, 1894. (c.) If in the course of the arbitration proceedings any question shall arise as to the right of the lessee to claim in respect of any head of damage, such question shall be determined by the Supreme Court of New Zealand upon a special case stated for the opinion of the Court." Under that lease, therefore, whether the lessee has the right for forty-two years only, with the one right for another forty-two years, or whether he has a right of perpetual renewal—and the latter seems to be the real position—the Government has the right at any time to acquire the undertaking. It is provided, as I have read, that in ascertaining the fair value to be paid by the Government under that lease, arbitration shall proceed on the same principle as in the case of land taken for a public work. That means that the Government would have to pay to the lessee, to use the words of the Public Works Act, "full compensation," and full compensation would include not only the value of the plant and machinery *in situ*, but also the value of the goodwill of the whole undertaking. Those, sir, are the rights under the Parapara lease. Now, it will be seen that under this Bill the company, if it acquires the Parapara lease, is giving up a very great deal indeed, because it proposes to work this property, or the properties which it may acquire, for a period only of forty years, and at the end of that period the Government would take over the whole undertaking without paying one penny-piece for it. Of course, it would have paid these sums of £32,500 a year in the meantime. I will deal with that a little later on. Under clause 9 it is provided—"The lessee shall within six months after the date of this lease commence, and thereafter during the terms of the lease continually prosecute, mining operations on the demised land for iron-ore as aforesaid, and for that purpose shall (except as aforesaid) at all times during the first two years of the term keep employed upon or in connection with the demised land and his said mining operations thereon at least one workman for every full area of fifty acres or less therein contained, and thereafter during the term at least two workmen for every such area: Provided as follows: (a.) For the purpose of compliance with the aforesaid labour conditions there shall be included all work done in the construction or erection of machinery or in preparations indispensable to the actual commencement of mining operations, whether such work is done on or in connection with the demised land or on or in connection with any other land situate in the same mining district or on the sea-coast thereof and used for the purposes of facilitating mining operations on the demised land. (b.) To the extent of one-half of the number of workmen which should otherwise be employed the expenditure of capital pursuant to clause ten hereof or otherwise shall be equivalent to the employment of workmen in the proportion of one man for every thousand pounds of capital which to the satisfaction of the Warden has been expended by the lessee in plant or permanent work for the purpose of the said mining operations." Clause 10 of the lease reads as follows: "The lessee shall expend in work to be done in the construction or erection of machinery, or in preparations indispensable to the actual commencement of mining operations on the demised land, such work to be done either on the demised land or (so long as such work is done in connection with such mining operations on the demised land) on land adjacent to the demised land, the sum of not less than one thousand pounds (£1,000) in all during the first year of the said term, four thousand pounds (£4,000) during the second year of the said term, and five thousand pounds (£5,000) during each succeeding year of the said term until the sum of fifty thousand pounds (£50,000) in all shall have been expended." I think, sir, that these are the only provisions compelling the expenditure of moneys by the lessees. As Mr. Davey mentioned, this is a good lease from the lessee's point of view, and that, of course, as Mr. Lee has pointed out, strengthens my case. We quite recognize that before we can expect to have this Bill passed—or a Bill upon the lines of this Bill—we are bound to show that our proposals are going to be of benefit to this country. We recognize that, unless we can show that, Parliament will not pass this legislation. If the company is able to show that a Bill of this kind would result in considerable benefit to this country, then we are at least entitled to have our proposals considered with the greatest care. The properties which the Ethelburga Syndicate have considered during the last two or three years are—(a) the Parapara lease, to which I have already referred at length; (b) the ironsand proposition in Taranaki, about which it is not necessary for me to say very much now; and (c) the property which has been referred to during the course of these proceedings as the Onakaka property. The Parapara property includes the Cadman lease of some 920 acres. It also includes what has been called the Washbourn lease of 56 acres. I have already dealt with the terms of the main lease—the Cadman lease. The Onakaka Company has a lease, I understand, the term of which is sixty-three years. I have not seen the lease, and therefore am unable to say whether or not it contains any right to renewal. The Onakaka property consists of about 900 acres, I understand. For some years, sir, the lessees of these properties have been endeavouring to make arrangements, each separately on its own account, but during the year 1911 the Ethelburga Syndicate entered into arrangements with both these concerns and acquired an option over the rights of each of the companies. It acquired rights over the Onakaka Syndicate's properties by an agreement with Mr. Turnbull, in whose name the title then stood—Mr. Thomas A. Turnbull, of Nelson—under agreement dated the 4th August, 1911. The Ethelburga Syndicate then entered into an agreement with the Parapara Company dated the 7th September, 1911. Under these agreements the Ethelburga Syndicate had an option of acquiring the rights of both those concerns. That right expired on the 31st December, 1911, but the Ethelburga Syndicate was not prepared to acquire those rights and to take over and work the properties unless it obtained some such legislation as is provided for in the present Bill. It entered into

negotiations with the then Government, but eventually, instead of legislation being introduced into Parliament on the lines of the present Bill, a very different Bill indeed was introduced—I refer to the Iron and Steel Industries Bill introduced in the session of 1911. Members of the Committee will know that that was the last session of the then existing Parliament, and they will also remember that that session began very late and ended very late, and that there was a very considerable congestion of business. The result was that the Bill of 1911 did not receive very much consideration; but be that as it may, it was not such a Bill as the Ethelburga Syndicate could have accepted, although, sir, I may tell the Committee that from the merely financial point of view it would probably have been a very much better Bill for the company than the Bill which contains their own proposals. However, no legislation was passed in 1911, and the options which the Ethelburga Syndicate had acquired expired. During the present year the option given by the Parapara Company to the Ethelburga Syndicate has been reinstated on precisely the same terms as the agreement of last year, but up to the present time the Onakaka Company has not seen its way to reinstate the agreement between it and the Ethelburga Syndicate. I may say, however, that, so far as the Ethelburga Syndicate is concerned, it has been and is prepared to allow the Onakaka Company to come in on precisely the same terms as the Onakaka Company last year thought good enough, when it gave this option to the Ethelburga Syndicate on the 4th August, 1911. Whether or not, sir, the Ethelburga Syndicate would carry on this undertaking unless it can acquire both properties I am not at the moment able to say. I think that, as at present advised, the Ethelburga Syndicate would, if the question were put to them at the moment, say that they would not commence and carry on this undertaking unless they could acquire both properties. Before that question was answered finally it would probably be necessary for some representative of the Ethelburga Syndicate to go to the locality and look over the property and make sufficient inquiry and investigation. The Ethelburga Syndicate feels that there is room in this country, and will be room in this country for many years to come, for only one iron and steel works. I have already said that if the only market available for the New Zealand works were the New Zealand market these proposals would never be made by the Ethelburga Syndicate—I doubt whether these proposals would have been made even if the Australian market had been available as well as the New Zealand market—and the main reason, the real reason, and perhaps the only reason, why the Ethelburga Syndicate is considering the question of establishing the industry in New Zealand at all is that it is practically certain of foreign markets which probably would not be available to any other company establishing this industry in New Zealand, and which certainly would not be available to the New Zealand Government if a nationalized concern was established. I now propose to show that the whole risk in this undertaking under the present Bill would be the company's. In the first place, the company has to take the risk of being able to manufacture on such terms as will enable it to compete with undertakings in other parts of the world. If it is unable to compete successfully, the works would have to close down, because the shareholders and debenture-holders would never permit them to be carried on at a loss. I apprehend that the contract that would be entered into under this Bill would contain a covenant on the part of the company to continue working and to carry on the undertaking.

8. *Mr. Blow.*] And would contain a provision for forfeiture in case of failure?—There is provision for forfeiture in the Bill—clause 6: “Such lease shall be forfeitable only on a judgment of the Court of Appeal . . . on an application by the Minister alleging that by reason of a breach or breaches of its terms by the lessees the lease should be terminated: Provided that in the event of the Court decreeing that such lease shall be forfeited, the lessees shall have the right of appeal from such judgment to the Privy Council: Provided further that in lieu of declaring such lease to be forfeited the Court may impose on the lessees a penalty not exceeding one thousand pounds for any breach of the terms of such lease.”

9. It says “not exceeding” one thousand pounds. They might be fined £5!—But you have exactly the same provision in other titles under the Mining Act.

10. I am aware of the provisions with regard to the lease. Now, you say that the contract would include a provision that would require the company to maintain the output and would involve forfeiture?—Not necessarily to maintain a particular output. Of course, it is a matter for negotiation, because it is not in the Bill. I cannot tell you to what length the company would be prepared to go in the direction of maintaining a minimum output.

11. *Hon. Mr. McKenzie.*] The Government could not enter into a contract that would be illegal: the contract must comply with the mining law under which the lease is granted?—Certainly, the contract must comply with the mining law; but there is no reason why there should not be superimposed, if the parties agree, certain obligations which are not in the Mining Acts at all.

12. But they are not in the lease?—Even if they are not in the lease, this is a new contract which is being made between the Government and a company, and the Government is entitled to impose any reasonable conditions and covenants, even though they are not in the Bill, so long as they are not inconsistent with the provisions of the Bill. Consequently there is nothing to prevent, by agreement, obligations being imposed upon the company in the contract which are not imposed upon the company as lessee under these leases or under the provisions of the Mining Acts.

13. *The Chairman.*] You are speaking for the Ethelburga Company: could you inform us whether they would be agreeable to terms of forfeiture being inserted in the contract?—I think it would be quite fair and proper that there should be some provision, but I am not able to say at a moment's notice what provisions I think would be fair. That question involves perhaps business considerations with which I am not capable of dealing, because I have not sufficient information to enable me to express an opinion.

14. *Hon. Mr. McKenzie.*] In framing this contract the Government would be the controlling authority?—Certainly. If the terms of the contract could not be agreed upon—that is to say, if the Government imposed some conditions which the company thought unreasonable—then the Government could say, “Very well, the contract cannot be entered into.”

15. *Mr. Blow.*] Would you not then move the Supreme Court for a mandamus requiring the Government to enter into the contract?—No, because the whole Bill is empowering. There is nothing to compel the Government under this Bill to enter into any contract at all. “Authority is hereby given to the Minister.” I have thought from the first that there has been, in the minds of the officers of the Department, and perhaps of members of the Committee, some misconception of the terms of this Bill, and I am glad to have the opportunity of explaining the position. I think members of the Committee will see that under this Bill the Government is amply protected. I was submitting to the Committee that the whole risk is with the company. If the company are able to carry on this business with profit, well and good. If they cannot carry on the business with profit, then the works would no doubt be closed down, and in that case the company, I apprehend, could not very well ask that the subsidy should be paid—indeed, it could not under the provisions of the Bill. So that if the business is a successful one all sorts of advantages will accrue to this country. If the business is unsuccessful the only people who will be injured will be the shareholders and debenture-holders of the company, because they will lose their money, and they cannot go on with this undertaking unless it turns out to be a profitable one for them. The Government will only pay this £32,500 per annum so long as the works are being carried on, and so long as there is not less than a certain output. The moment those conditions cease to exist, the subsidy will no longer be payable, and the only people who will lose their money will be the shareholders and debenture-holders of the company. Very well then. I am going to show that under the Bill of 1911 the financial advantages to the company would really have been greater than the advantages under the present Bill. In the first place, certain bonuses would have been payable under the Bill of 1911. But there was more than that: there was a provision in that Bill that if a contract were entered into between the Government and a company, the contract would contain an undertaking by the Minister that if the lessees would supply rails, girders, iron or steel bars, or other articles of good quality made from iron-ores in New Zealand which might be required by the Government, the Government would purchase such from the lessees at wholesale London prices, plus the charges for freight from London to the Dominion. Therefore, under that Bill, in addition to the bonus which would have been payable, there would have been a very large profit earned by the company in consequence of that undertaking by the Minister. The present Bill, however, contains quite different proposals, and it contains no such undertaking; it is quite optional for the Government to take their supplies from the company or not, just as they like. I am informed—I think there has been some evidence on the point before the Committee—that at the present time the total quantity of all kinds of iron and steel imported by the Government, or used by the Government, in New Zealand amounts to something like 20,000 tons a year. We have it in evidence that the freight on pig iron is about £1 1s. 3d. per ton, and the freight on bar iron and steel and so on is a few shillings more per ton. The result would be that at the present time the company would derive under that undertaking a profit of some £25,000 a year at least. We may reasonably assume that from year to year the quantity of iron required by the Government of this country will increase. Supposing that it goes up to 40,000 tons during the next ten or fifteen years; that would mean that under the Bill of 1911 the company would make an annual profit, through this undertaking by the Minister, of, say, up to £40,000 or £50,000 a year. I make these observations to show that, as a matter of fact, last year’s Bill would probably have been a better one in some respects for the company than the Bill which contains the present proposals, but it would not have suited the company. It is quite plain—and we have no desire to be other than frank in the matter—why the company want these provisions. Let us try to think what we like, we know it is not an easy thing to bring British capital into this country for investment in industrial concerns. We know that. The Ethelburga people naturally, if they are going to take over this business, want to be able to present to the British public a proposition which will be attractive. They have first of all to make up their minds that they can make this business a payable proposition. Assuming that they can make it a reasonably payable proposition, then under this Bill they know that they are getting 5 per cent. upon their debenture capital, of which 4 per cent. would be available—still assuming that the business is a fairly profitable one, or is earning expenses—to pay in the way of interest, and 1 per cent. as a sinking fund to pay back the capital at the end of forty years. They may make a profit or they may not; as I have already pointed out, the risk is all theirs. On the other hand, the Government, first of all, have not to find at any time a very large sum of money for the purpose of acquiring these works and this business. Under the Parapara lease—I do not know the provisions of the Onakaka lease—if these works were commenced and the business turned out to be a profitable one, and it became desirable that the Government should acquire the business, the Government would have to find an enormous sum of money, and they would have to find it all at once. Under the proposal made by the Ethelburga Syndicate the Government have simply to provide the comparatively small sum of £32,500 a year for forty years, and that sum is all the time going towards the purchase-money of the whole of this undertaking by the Government. In addition to that, the Government would be entitled to obtain all their iron and steel at cost price, plus 5 per cent. What does that mean? We must assume that the price would not be more than the wholesale cost price in England, because if the cost price of the manufactured product in New Zealand is going to be more than the manufactured cost price in England, then the company would have to close down its works at once, because it could not compete.

16. *Hon. Mr. McKenzie.*] You mean, compete in outside markets?—Yes. So that, look how one will—and one must look at it from the commercial point of view and take the reasonable probabilities into consideration—the Government would be purchasing its iron and steel presumably at a cost not exceeding the price in London, plus 5 per cent. On that basis the Government would be saving at least £1 1s. 3d., and possibly up to £1 5s. or £1 6s., on every one of the 20,000 or 30,000 or 40,000 tons of iron and steel which it uses in this country every year.

17. *Mr. Blow.*] You are referring to the cost of the iron produced at Parapara: what about the cost of freighting that iron to the different parts of New Zealand where it would be required—would that not be as much as the freight from London?—Certainly not. If this undertaking is going to be of any use at all, I should think that at the outside it would not cost more than 10s. a ton to convey the iron from Parapara to any port in the Dominion.

18. *Mr. Sidey.*] I think some one put it down at 12s. 6d. yesterday?—I think you are dealing with coal. Mr. Dunbar says he put it down yesterday at 12s. 6d.

19. *Hon. Mr. McKenzie.*] Reckon the same freight as coal—6s. 6d. from Greymouth to Wellington, and 7s. 6d. to Lyttelton. Iron ought to be freighted at about the same rate?—Yes, but the probability is that it would be carried for less, because it would be establishing a permanent business. Then there is this point: even if the Government were saving only 7s. 6d. or 10s. per ton, the saving would be a very big one in itself; but, quite apart from that, look at the impetus that the establishment of works in this country would give to the Dominion. If the works are successful, it means the employment of a very great deal of labour, and it means giving a fillip to every other industry that we are carrying on or are capable of carrying on. Then, the income-tax upon the profits of such a company as this would be a matter of no little importance. Nationalization of the iron industry at the present time, sir, I have already submitted, is an impossible proposition. It is impossible for many reasons. In the first place, probably the Government of this country is not in a position at the moment, and is not likely to be for a good many years, to find such a sum as would be required—£650,000 or thereabouts—for the purpose of establishing the iron industry in this country. Then, if the Ethelburga Syndicate is right in its belief that the New Zealand market alone would be quite an unpayable proposition, it would be necessary for the Government, if this industry were nationalized, to look around for foreign markets; and we know—our everyday experience teaches us—that it is a very much more difficult matter for a Government to find markets than it is for a company or for an individual that is engaged in trade. In a memorandum which I have received from the Ethelburga Company, or its representatives in England, it would appear that in Canada the iron industry has received special consideration. The memorandum says,—

“In the Dominion of Canada the steel and iron industry was started between 1880 and 1890 on a very small scale, and the output did not reach any importance until the year 1896, when the system of bounties was introduced. Up to the year 1908 the bounties which were paid by the Canadian Government were as follows: On pig iron, 2 dollars 10 cents per ton; on puddled iron bars manufactured from pig iron made in Canada, 1 dollar 65 cents per ton; in respect of rolled round wire rods not over $\frac{3}{4}$ in. in diameter, manufactured in Canada from steel produced in Canada from ingredients of which not less than the weight of 50 per cent. thereof consists of pig iron made in Canada when sold to wire-manufacturers for use, or when used for making wire in their own factories in Canada, 6 dollars per ton; on steel manufactured from ingredients of which not less than 50 per cent. of the weight thereof consists of pig iron made in Canada, 1 dollar 65 cents per ton. Between the years 1896 and 1910 over 4,800,000 tons of pig iron, over 3,800,000 tons of steel, and 383,000 tons of manufactures of steel were produced in Canada from local iron-ores, and the total bounties paid in respect of these products amounted to over £3,000,000 sterling. Although from the year 1910 the amount of the bounties mentioned above has been considerably reduced, the Legislature are being requested to renew the bounties for a further period of years, and there is hardly any doubt that the Canadian Government will recommend such a renewal in order to favour the industry. But, in addition to the above bounties, there is an import duty into the Dominion of Canada of 7 dollars per ton on all steel rails, and in proportion for other products; and, further, an anti-dumping clause whereby, should steel products be sold to the Canadian markets at prices which are lower than those actually ruling in the markets of the world for similar products, the import duty into the Dominion of Canada is *ipso facto* to be increased by the amount of the reduction in price at which the products are offered in Canada. It is therefore clear that the Canadian producers are well protected in every way, and that their manufacturers have a fair chance of competing against other manufacturers in other countries. It is evident that owing to the enormous consumption of iron and steel products in Canada, due to the extensive railroad system and the general development of the country, such as the erection of factories, large buildings, and public works, the iron and steel trade in Canada would have had a better chance of succeeding even without bounties and protection than would be the case in New Zealand, where the present consumption of steel and iron is so small, amounting as it does to barely 125,000 tons of steel and iron products altogether per annum.”

Then there is the further point which has already been mentioned from time to time, and that is that, as far as we know, there is no provision in Canada—nor is there any provision in connection with the proposed establishment of the industry in Australia—whereby the Government can take over at the expiration of a not-unreasonable term of years the whole undertaking of the company without paying anything whatsoever. With regard to the question of nationalization, the only additional observation I desire to make is this: we submit that nationalization of the iron industry at the present time is not feasible, but we also say that under the proposals made in this Bill we have the very next best thing to nationalization—assuming nationalization to be the ideal—and that is that at the end of forty years you will have something like nationaliza-

tion of the industry on exceedingly good terms to the country, and at a time when the industry will be very much more valuable to this country than it is at the present time; when the markets will be probably more extensive; when the ironfields of other parts of the world will be gradually becoming worked out; and when this country will be able to take over an established business with a goodwill of very great value indeed. There is one provision which the Ethelburga Company suggested and which I do not find in this Bill, and that is that if these proposals be eventually adopted, the plant and machinery required for the initial establishment, at all events, of the industry ought to be allowed to enter the Dominion free of Customs duty. I have already dealt with the question of the automatic acquisition of the business of this company at the end of forty years. There is a provision in the Bill that if the Government desire to take over the property at any time after the expiration of twenty years they may do so, but, of course, not without paying compensation; in that case compensation would have to be paid. In this connection the Ethelburga Syndicate submit that the period of twenty years ought not to be in any way abridged, because it takes time to establish an industry of this kind, and it would be some years before the industry could be placed upon such a sure footing as to be really a profitable concern to those interested in it. I do not know that I can assist the Committee further at this stage, but I shall be very glad to answer any questions.

20. *The Chairman.*] Can you see your way to put in to-morrow a rough statement showing the financial result to the Government in the way of expected expenditure and receipts: you gave it in outline in your statement?—Yes, I think so.

21. If we had it in tabulated form it would be of more use to us?—Yes.

22. You are quite satisfied as to the financial standing of this syndicate?—I personally met in London last year the managing director, and I met the solicitors. The solicitors are a well-known firm, and I understand that the Ethelburga Syndicate is a powerful concern. Of course, if these proposals were adopted the Ethelburga Syndicate would probably form a separate company for the purpose of carrying on this particular business, because it probably would not be convenient to work these properties with any other businesses that they have in hand.

23. They have further interests, almost all over the world?—They or the people of whom the company is composed.

24. Is there any chance whatever that they would form a ring to control the New Zealand trade?—I should hardly think so. I should not think that at all a reasonable thing to suppose.

25. You admit there is a possible danger if they are a very strong company financially and with wide interests?—I do not think so, because in a country like this Parliament is sitting every year, and is quite able to protect the people of the country from anything unreasonable.

26. You say that the company are willing to give a guarantee to sell to the Government at not more than the imported price?—At cost price, plus 5 per cent.

27. Or at not more than the imported price?—I am not authorized to give that guarantee, but it is a matter which no doubt the Ethelburga Syndicate would be prepared to consider. I take it that what you mean is that the cost price, plus 5 per cent., would not exceed the imported price? Of course, the Government are protected, because the Government need not purchase.

28. We are asked to believe that this is a concession on the part of the company that is of some value to the Government. Unless we have an assurance that they will sell at not more than the imported price, there is no concession?—Well, there is a concession in this way: the company believe, rightly or wrongly, that they can manufacture in New Zealand as cheaply as they can manufacture at Home. If they are wrong in that belief, then the whole of this business will immediately fall to the ground, because they could not compete in foreign markets, and the New Zealand market would certainly be insufficient to enable them to carry on.

29. Unless they could form a ring?—Even if they could form a ring the trade in New Zealand would not justify the expenditure of £650,000 of capital; and these people at Home think—they may be right or wrong in their view—that it would not pay to establish the industry at all, even with much less capital, if there was simply the New Zealand market to work on.

30. The company do not propose to give any guarantee that they will sell to the public at less than imported price?—I take it you mean by that that the company would give no guarantee that the New Zealand purchaser would be saved the whole amount of the freight as between England and New Zealand. It is not proposed to give that guarantee.

31. As a matter of fact, would not the company make the London prices, plus freight and other charges, their prices to the public?—They might or they might not; I cannot say. That is a business matter. But that again is a point where the Government could, by their contract, afford a considerable measure of protection to the New Zealand customer. Supposing the New Zealand ordinary customer were not sufficiently protected by the contract, and supposing he had to pay the full English price, plus freight, in New Zealand, the company thereby making an enormous profit, Parliament could always overcome that difficulty by altering its Customs tariff. That would soon bring the company to their bearings if they attempted what you suggest.

32. That would still leave the freight and other charges than tariff charges?—Yes.

33. You will admit that this subsidy, if given by the Government, would make the concern a monopoly as far as the production of iron in New Zealand is concerned?—Yes, but I do not think there is anything in that, because there certainly is not room for two concerns.

34. The point is that there could be no competition from within New Zealand?—That is undoubted.

35. Is it a fair thing to ask—do not answer if you think it is unfair—whether the terms of the Parapara lease have been complied with?—I am not in a position to say, because the Ethelburga people have not had to comply with them. The Parapara Company had to comply with them. But Mr. Smythe has informed the Committee that they have been complied with.

36. Are the company prepared to hand over all their freeholds and offices in other towns in which they may establish them?—In other towns than Parapara?

37. Yes?—That would be very unfair. I should hardly think so. Supposing, for instance, they purchased a piece of land in Wellington on which to erect offices: they might erect a building and let portions of it. It would be very unfair to ask the company to hand that over.

38. It would be part of the going concern, would it not?—Yes, but it might not be paid for out of the £650,000. That is a matter which could easily be adjusted under the contract, too. If it were paid for out of the £650,000 capital, then it should be handed over.

39. It is suggested, is it not, that the company would expend a sum greatly in excess of £650,000?—The company are advised that £650,000 would be sufficient to enable them to establish their undertaking in New Zealand.

40. So there is a possibility, to say the least, that they will not expend more than that in forty years?—They do not anticipate having to spend more than that—they may have to do it—for the purpose of establishing their works; but they will have to keep their plant in good order, and so on. That would come out of revenue, no doubt.

41. *Mr. G. M. Thomson.*] You are the representative of the Ethelburga Syndicate?—I am not a business representative: I am simply acting professionally.

42. You have no power to commit them to anything?—No, certainly not.

43. I was going to lead up to this question: would the syndicate be prepared to supply all the public bodies of New Zealand—Road Boards, Harbour Boards, Corporations, County Councils—at the same rate as they supplied the Government?—I should hardly think that would be a fair thing to ask them to do. It might be fair to ask them to make some concessions.

44. Five per cent. on the cost of production?—I should think the manufacturer outside New Zealand at present makes more than that. May I say that that is a matter which I have no doubt the syndicate would be quite prepared to discuss with the Government; but up to the present time it would have been no use for a representative of this syndicate to come out to New Zealand to discuss the matter, because he could have done no good up to this stage. He may be able to do some good if this Committee reports favourably.

45. That would be a matter then for negotiation?—True.

46. I have worked these proposals out, and I make out the following: The syndicate stands, first, to get 5 per cent. on the total capital expended during the first five years; secondly, 3·64 per cent. on the total capital for the remaining thirty-five years (this is based on 1·36 per cent. for sinking fund); thirdly, 5 per cent. profit on all iron sold to the Government; fourthly, all the profit they could make in the open market; and, fifthly, the redemption of the entire capital at the end of forty years. Do you consider these terms unduly favourable to the syndicate?—No. In the first place, you must eliminate the redemption of their entire capital at the end of forty years, because that is already included in the first, second, and third items. Striking that out, I do not think it is too much to ask, because the company, if it were not for the foreign markets, could not start this business at all, and the company have to take the whole risk.

47. That leads up to another point. Looking at those proposals, do you consider the company are running much risk?—I consider the company are running the same risk as any firm or person that establishes any undertaking. We know what estimates are, and we know how favourable propositions sometimes look to the investor on paper, and we know how often the result shows that the investor would have done better if he had invested his money in something else.

48. But he is covered in this case?—No, that is a misconception, I think.

49. He is covered to the extent of £650,000?—No, he is not. He is only covered if the proposition is successful.

50. If he can comply with the conditions?—No, if he can make the business successful; because these people would not—nor would anybody—hand over £650,000 to a Government merely to get 5 per cent. on their capital for forty years, and then not be repaid the capital—that is, as a business undertaking.

51. There is a great deal more than 5 per cent. involved then?—Not as a guarantee. There is nothing more involved than 5 per cent. on their capital. There is, if the undertaking is successful apart from that 5 per cent.

52. You do not consider it unduly favourable?—As a business proposition, I should not think so.

53. 65,000 tons is the minimum specified in the Bill?—Yes.

54. You say that that was put in by the draftsman?—Yes, it was not put in on behalf of the syndicate. It was put in by the draftsman of the Bill, which was drafted in one of the Government Departments.

55. *Hon. Mr. McKenzie.*] Is it put in with the syndicate's knowledge and consent?—It is consented to, no doubt, because the syndicate hope, if they enter into this contract, to have a very much bigger output than 65,000 tons.

56. Do you know whether the company are aware that it is in the Bill? Have they had a copy of that sent to them?—I have not had any answer—I doubt if I should have had time. Anyhow, I hardly think the syndicate would object to that. I do not see why they should.

57. *Mr. G. M. Thomson.*] You mean that the syndicate would have to produce a great deal more iron than that?—To make the proposition pay. I understand so.

58. Are you aware that the easily available supply of iron-ore will soon be exhausted?—Outside of New Zealand?

59. Yes. The world is faced with an iron famine much sooner than a coal famine. That is the conclusion to be drawn from statements made at the last International Geological Congress, held, I think, at Stockholm last year?—I have read that statement; I have seen it in reports.

60. *Dr. J. M. Bell*, in his own report here, made the following statement: "The world's supply of high-grade iron-ore is rapidly decreasing owing to the enormous annual production

of iron necessitated by modern methods of construction. It has been estimated by very good authorities that at the present rate of iron-consumption, within fifty years the world's visible supply of ore now considered sufficiently high-grade to be employed for manufacture will be exhausted. In view of these considerations the value of the immense deposits of iron-ore at Parapara cannot be doubted, and the day does not seem far distant when this great store of mineral wealth will be utilized." Do you consider it a wise thing for this country to start to deplete and export our iron in view of the fact that in twenty or perhaps fifty years these deposits will be of enormous value?—Yes, I think so. In the first place, the establishment of the iron industry in New Zealand at the present time—especially having regard to what you have read—would be the very best thing for New Zealand. It would help, as nothing else would help, to increase the population of this country. It would give a fillip to all sorts of industries. And if, apart from these deposits, the world's supply of iron-ore is likely to give out in about fifty years, that would suit the Government very well, I should think, and the people of New Zealand—or, rather, the Bill would—because just about that time they would be able to take over this concern in going order, and they could use the material from the deposits for New Zealand, or they could export it, just as might seem most advantageous.

61. Meanwhile we are depleting our coal very rapidly too?—No doubt that is so. At the same time the mere fact of our holding on for fifty years is not adding to the world's supply.

62. We are conserving a material which will be very much more valuable in future?—In forty years, on the present estimates, we shall not have used up such a large proportion of the iron-ores available in New Zealand, and we shall have this business then available to the people of this country as one of the finest assets that the people could wish for.

63. *Mr. Nosworthy.*] I understand you to say it is possible to read the 1898 Act to imply that the holders of these leases have them in perpetuity?—I was speaking only of the Cadman lease.

64. That is the main lease, is it not?—The Onakaka lease is 900 acres, and the Cadman lease is 920. I know nothing of the relative values of the two properties.

65. It seems from that that there is a possibility that the holders of that lease at the present time have this Dominion by the wool, so to speak: it cannot do anything. If they like to pay the present rent for twenty years they still have a monopoly and can shut anybody else out?—There is a good deal in what you say there so far as the Cadman lease of 920 acres is concerned. It means this: that if the present lessees of that property comply with the conditions—and they are not very onerous for such a big thing—at the end of forty years they will have the valuable property which, under our proposals, the Dominion would then have. But, as Mr. Thomson says, the reserves will have been depleted to some extent.

66. The point is this: if they have the right and they like to comply with the conditions, say, for fifty years, and iron becomes very dear in the meantime, they still hold the concession—the country has not got it?—That is so.

67. They have a monopoly, and they can hold on, and after the lapse of years decide to work the thing?—Yes, except that the Government have the right to take the Parapara undertaking on paying compensation; but, of course, the compensation would probably be very large.

68. Are the Committee to understand that at the end of forty-two years, if the construction is put upon the lease that you say may be put upon it, the Government cannot then take it?—Only on paying compensation. There is the right to take it on paying compensation at any time.

Mr. Blow: It says that the Government shall not exercise that power within twenty-eight years.

Witness: It appears to me to be any time. However, Mr. Nosworthy's question applies only, I think, to a period after twenty-eight years.

69. *Mr. Nosworthy.*] At the end of forty-two years the Government, at the rate of £32,500 a year, would have paid £1,365,000: is not that about it?—No. Under this Bill the period is forty years, not forty-two. That makes it £1,300,000.

70. As far as I can see, the present position is this: whether this company comes to an arrangement with the Government or otherwise, it has absolutely got control of the iron-deposits in Golden Bay, whether it likes to work them or not?—No. There is another property of 900 acres belonging to the Onakaka Company.

71. But it is fair to assume that the company would not be negotiating unless they were satisfied these deposits were about the best of the lot?—Possibly the Parapara people think they have the best property, but I can express no opinion upon that; and I would rather not in any case.

72. It seems to me that the present company, in the position they are in, have the right—that is, in the event of the Government not assisting them to develop the iron-ore now—to conserve it until such time as they choose to develop it?—No, they have got to do a certain amount of work.

73. Nothing on the scale that we have been led to believe?—No.

74. They have got to keep moving, and that is practically all?—That is right.

Hon. Mr. McKenzie: May I explain? There is a condition in the existing lease that the company must work the deposits after the lease has been in existence for a certain time. They must have so many men employed each year—a gradually increasing number. What they have been doing so far is to get a reduction of the number of men employed on the ground.

Witness: Mr. Smythe put in yesterday, I think, a list of the expenditure.

75. *Mr. Nosworthy.*] From what I can see the position of the proposed company—the Ethelburga Company—is not at all hopeless: they have only got to hold on for ten or twelve years, and if there is a great improvement in the iron industry it may be worth their while to come in and start without receiving any assistance from the Government at all?—That is so, no doubt, if they could still acquire the Parapara properties, or perhaps the Onakaka as well. I do not

know whether this observation meets the questions put by Mr. Nosworthy, but may I say that, speaking only of the Parapara Company, they have a lease now for a term of forty-two years, and they have certainly a right to another forty-two years, and possibly a perpetual right of renewal. The effect of this Bill would be that that lease would be surrendered and a forty-years term would be substituted. That is practically the effect of the Bill.

76. *Mr. Skerrett.*] I understand that this Bill presupposes the formation of a powerful company to work the iron-deposits?—Yes.

77. That company to acquire, in some shape or form, the Parapara property, and also the Onakaka property?—That is the desire.

78. Is the proposal of the Bill conditional upon the acquisition both of the Parapara and the Onakaka estates by the proposed company?—Not necessarily. I explained the position when you were not here. We had options over both properties last year. They expired. At the present time we have only the option over Parapara. We are prepared to reinstate the previous option over Onakaka if the Onakaka people will, but so far they have not seen their way to do so. The Ethelburga people would not, I think, as at present advised, be prepared to start this business unless they could combine the two properties.

79. In answer to the Chairman you quite candidly admitted that if this Bill went through and a company were formed under it, it would practically give to that company a monopoly of the iron industry of this country?—Yes.

80. So that if the company are authorized to proceed under the Bill, acquiring only one of the properties—whether it be Parapara or Onakaka—they will have a great advantage over the owner of the property which is left out?—Certainly; but I may say at once that the Ethelburga Syndicate hope that the two will combine.

81. I should like to ask one or two questions about the capital of the proposed company. I do not know whether you have a knowledge of it or not?—I can give you some information, but perhaps not all.

82. The original proposal was that the company to work these deposits was to have a paid-up capital of £350,000?—Yes.

83. Which was to consist of paid-up shares?—Yes.

84. And a capital of £500,000, to be found by debentures?—Now £650,000; but I do not know that the whole of that is to be raised by debentures, and I do not know that the £350,000 paid-up capital connotes what apparently is in your mind.

85. Ought we not to have some exact information on that point if you cannot give it to us?—It cannot be given to you at present, and it is not so very relevant at present, because what we want to ascertain now is whether or not the Committee and Parliament think that proposals of this kind are worth going into. If they are, then it is still, of course, for the Government to be satisfied on all points.

86. Nevertheless are you aware that the original proposal was for a company having a capital of £350,000 and finding a capital of £500,000 by cumulative debentures bearing 4 per cent. interest? I am reading from the agreement?—Yes, originally that was so.

87. Is it not a fact that a substantial part of the £350,000 of paid-up shares was to go to promoters of the company in England?—I do not know that, but I should think it extremely probable. You would not get a company of this sort formed otherwise.

88. You do not propose to give to the Committee any definite information as to the amount of the paid-up capital which is to go to the English underwriters?—I am not in a position to do that. I have not the information, or I should give it.

89. Apparently under the original scheme it was proposed that £100,000 also of the debenture capital was to go elsewhere, because the recital which I have reads as follows: "And whereas it is proposed that the capital of the company shall be £350,000, divided into 350,000 shares of £1 each, and that the company shall create a series of £500,000 cumulative 4-per-cent. first-mortgage debentures, and that the company shall, in payment of all expenses, including underwriting, brokerage, and the remuneration of the syndicate, have a capital of £400,000 at least available for the purposes of purchasing plant and machinery, the purchase price of the property herein and all other property, the erection of ironworks, and the general expenses of the company"?—You have there the words "at least." Further than that, I may tell you this: that at the time that agreement was entered into the syndicate at Home was advised by its experts that £500,000 would be all that was required. It has since been advised that there should be a sum of £650,000 available.

90. At any rate, the original scheme appears to have contemplated the finding of £500,000 by way of debentures, and the application of only £400,000 of that capital to working-expenses?—Oh, no; you must read the words "at least."

91. At any rate, they were not bound to apply more than £400,000 of the debenture capital to the working-expenses of the company?—Not under that option agreement of the 4th August, 1911.

92. I understand that the present proposal is to increase the mortgage debenture capital to £650,000?—I believe so.

93. Retaining the fully-paid-up shares at the original figure?—I think so.

94. You have no information to give to the Committee as to what profit the promoters of the company are to take in the capital of the company?—No. I have no doubt that all that information would be given to the Government afterwards.

95. I understand it is not suggested to insert, nor does your company desire, any provisions in the Bill which would coerce the Onakaka people into disposing of their leasehold estate to your company?—No, nor has any attack of any sort been made on the Onakaka people.

96. I notice—it is a pure matter of detail—that in the Bill the output has been referred to as the minimum output—65,000 tons, is it not?—That means the minimum output to secure the total bonus.

97. The minimum output to secure a royalty?—No, to secure the total royalty.

98. To secure the royalty of 10s. per ton?—10s. per ton.

99. Clause 3, subclause (c), says, “Provided that if a lesser amount is produced in any one year than sixty-five thousand tons, the contribution of thirty-two thousand five hundred pounds shall be diminished by ten shillings for each ton short of that quantity.” Whatever quantity the company produce they get a bonus in respect of it?—Yes; but that is not the Ethelburga Company’s proposal—it was drafted by a Government officer.

The Chairman (to Mr. Skerrett): You were quoting from a former agreement. I shall be glad if you will put that in.

Mr. Skerrett: With pleasure. [Document put in.]

100. *Mr. Craigie* (to witness).] At the end of forty years if the Government take this concern over they will have no goodwill to pay?—Not a penny.

101. This 5 per cent. on the outlay of £650,000 is to be paid on condition that 65,000 tons of good saleable iron is produced?—Yes; but if less than 65,000 tons is produced the subsidy is to be diminished proportionately.

102. The Government, though they can get all their requirements at 5 per cent. on prime cost, need not take the rails, &c., unless they like?—No.

103. Supposing the company erected these works and spent the full amount of the money, and found, after two or three years, that they would not pay, and they had to abandon them: would the Government have any liability?—I do not think the Government would have any liability. The Government would not have to pay the £32,500, because they have not to pay anything unless iron is being turned out.

104. Would that mean, if the works stood idle and the furnaces were out, that the leases would go on and anybody else would be kept out from the ore?—No, I should think not, because it would be quite proper to provide in a contract that if the works were abandoned, or if they remained idle for longer than some reasonable time, the Government should have some rights in the matter. That is a matter for negotiation.

105. The Government would have to be protected in a Bill?—Or in the contract.

106. Within twenty-eight years the Government have a right to acquire the works if they so wish?—After the expiration of twenty years the Government could acquire the works, but on payment of compensation, to be assessed.

107. Is there any basis for that being arrived at?—In default of agreement between the parties, by three Judges sitting as a Compensation Court.

108. *Hon. Mr. McKenzie*.] In reply to Mr. Skerrett you said that if this Bill goes through it will give this company a monopoly of the iron and steel industry of this country?—Yes, I think that would be the effect.

109. Would not that be controlled by the price in London?—Yes; but what Mr. Skerrett meant, I think, was rather such an advantage as to prevent competition by the establishment of other works in New Zealand.

110. But if any other company could supply iron at London prices, less freights and charges, they would come into competition then, would they not?—They would come into competition; but if the company entered into a contract under this Bill it would have advantages—there is no doubt about that.

111. Were the terms and conditions under last year’s proposals quite different from the terms and conditions proposed this year?—Quite different.

112. Is there any reason why provision could not be made in the Bill or the contract that, after the works have been erected for five years, the output shall not be less than the minimum of 65,000 tons a year?—That could, of course, be provided. That would be a matter of negotiation.

113. Do you think it should be provided that there should be a minimum output before any subsidy would become payable?—I do not see why it should be, because obviously it would be to the advantage of the company to have as big an output as possible. There might be circumstances over which they had very little control, or perhaps no control, which might diminish their output for some particular year or years.

114. Well, then, suppose they increased it for the next year?—That is the present Bill, you see.

115. Mr. Thomson asked you if this syndicate could form a ring to control prices. To form a ring, would it not be necessary for them to corner the iron and steel manufacturing industry of Great Britain and Australia?—I think I pointed that out, though not quite in those words.

116. But they could not control prices without doing so?—Oh, no; and Parliament is quite strong enough to prevent that.

117. Do you see any reasonable objection to provision being made, in the contract or in the Bill, by which the Government would be able to resume the concern at any time, instead of after twenty years, by paying compensation?—I do not think that that would be quite fair, because for the first few years it is quite likely that a business of this kind would be carried on at a loss; and, after all, the establishment of works of this kind as a payable proposition is a gradual process.

118. Would not that come into consideration when assessing the compensation?—Personally I do not think it would be fair. I can imagine circumstances where compensation could not possibly be adequate.

119. In the event of Parliament passing an Act based on the draft Bill submitted by the Ethelburga Company, do you think the company will be prepared to accept the terms and proceed with the works within a reasonable time—say, within twelve months or so?—The answer to that may depend on whether or not the Onakaka people will come in.

120. Suppose they do not come in: suppose they stick out for an unreasonable price?—I am not in a position to answer that, and I do not know that it is quite fair to the Onakaka people that I should go into that aspect of the matter now.

121. Would the Ethelburga Company, then, be prepared to allow the terms to be accepted by the Onakaka Company to be left to arbitration?—I cannot answer that.

122. I mean, as between the Onakaka and Parapara people?—Oh, well, the Ethelburga Syndicate does not mind. It is prepared to give a certain consideration which was agreed to last year. Possibly one party or the other may think its property is worth more.

123. You are looking at the matter from the Ethelburga Company's point of view, and I from the point of view of the country. You admit that it is in the best interests of the country to establish the iron and steel industry?—We think so.

124. If Parliament considers that to be in the interests of the country, do you think it should allow the Onakaka Company to stand in the way by asking an unreasonable price, and so prevent the establishment of the industry?—We must not forget that the Onakaka people have a lease and they have certain rights, and those rights cannot be taken away from them unreasonably.

125. If they would not come in at a reasonable price or submit their case to arbitration, would not the country be justified in giving a subsidy to the Ethelburga Company without considering them?—I quite agree with that, and it is possible, for all I know, that the Ethelburga people, in those circumstances, might be quite satisfied to go on with the Parapara property alone; but I cannot bind them to that.

126. Do you think the Government would be prepared to consider any proposals submitted by any company if they were not fair and reasonable to the people of the country?—No, I certainly do not. I have admitted throughout that the onus is upon us to show that our proposals are reasonable from the country's point of view.

127. Mr. Thomson referred to Dr. Bell's report in which he said that the iron-ore deposits of the world are likely to become exhausted in about fifty years: do you think there is anything in that theory?—I cannot answer that.

128. Do you think that the proprietors of the iron-ore deposits of the world would be selling at present prices if they anticipated anything of the kind?—I should hardly think they hold the same view. They would be doing something more to conserve their deposits, I should think.

129. Do you know the working-conditions of the present Parapara lease?—I have them here. I read them to the Committee.

130. When I was Minister of Mines I sent you notice when you applied for a reduction in the number of men to be employed?—You did not send the notice to me.

131. To the company?—The Parapara Company. I do not know anything about the Parapara Company. I have not been acting for them.

132. So you cannot say whether the Mines Department informed you that that would be the last concession you would get?—I do not know if any concessions were made. They were not made to us. We are not the holders of the property. They would have been made to the Parapara Company.

133. Do you know whether the Parapara Company applied to the Warden once a year for a reduction in the number of men required to be working?—Mr. Smythe would have to answer that—I cannot.

134. *The Chairman.*] Do you know who the representative of the Parapara Company in New Zealand is?—It is a New Zealand company. Mr. Smythe can tell you all about it. Mr. Hepworth is the secretary, I understand, in Christchurch.

135. *Hon. Mr. McKenzie.*] What you call the Parapara lease is really a mineral license?—Yes.

136. Is it not a legal condition of all mineral licenses that they must either be worked or become forfeited?—No doubt that is so. I do not know that you and I would agree as to what is meant by the term "worked."

137. It stipulates in the lease?—Yes, there are stipulations in the lease: there are conditions.

138. *Mr. Sidey.*] I understand that this Ethelburga Syndicate is not a company in existence?—Oh, yes, it is. It is the Ethelburga Syndicate (Limited), and it has interests in different parts of the world. It has acquired the option over Parapara, and its idea, if these proposals are accepted and the Bill passes, is to form a subsidiary company, but a very large company, for the express purpose of working the New Zealand business. It would be a separate company.

139. Is the syndicate interested in other iron-manufacturing works?—Not directly, I suppose.

Mr. Witheford: No; they have a number of big ironmasters associated with them, but they have no ironworks of their own.

140. *Mr. Sidey.*] How did the company come to enter into negotiations in connection with Parapara?—Mr. Witheford was in London, and he introduced the property to them.

141. Have they had agents out here at all?—I think not; but they have had the opportunity of seeing Dr. Bell's reports and numerous other reports, and I should think, as Dr. Bell has been in London now for a year or so, that in all probability they would have seen him personally. I know they have had considerable material before them, all of which has been considered by their expert advisers.

142. When you say "material," you do not mean samples of ore?—I do not know about that.

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."

164. They are prepared to definitely covenant to supply those articles?—The whole Bill contemplates the establishment of iron and steel works, not merely works for producing pig iron.

165. Supposing that the clause providing for the Government taking over the works at the end of the forty years was eliminated, would the company then surrender its claim for a subsidy? Suppose we say that we do not want your works at the end of forty years?—I cannot answer that. You must understand that but for that provision in the Bill the term of the company's operations would be very much longer, and as to part of the property it might be perpetual, and in that case you could never nationalize the industry except upon payment of full compensation.

166. But you have told us rather fully of the terrors that follow upon nationalization. Supposing you have deterred us and we say, "You keep the control of the work in perpetuity": would you not then surrender your application for a subsidy?—Nationalization under existing conditions, I endeavoured to explain, is a very different thing from acquisition by the Government of this property at a particular point of time, without paying anything at all, after the industry is established. As to whether the company would be prepared to establish the industry without subsidy if that provision for taking over is eliminated, I am not able to answer that; but I think they would not, because you cannot find £650,000 for any industry, particularly in this part of the world, without some inducement.

167. *Mr. Skerrett.*] I understand that you do not, on behalf of the company, suggest the insertion in the Bill of any compulsory pre-emption clauses over the Onakaka lease in favour of the proposed company?—We have not suggested that.

168. And you do not suggest it?—No, I do not suggest it.

169. *Hon. Mr. McKenzie.*] Is it not a fact that the whole proposals contained in that draft Bill are tentative, and are to be used merely as a basis for negotiations?—Yes. I have no doubt that if the principle which we are seeking for is affirmed, then we shall be prepared to negotiate; but these are the terms which we suggest.

170. The terms in the Bill are the basis on which you are prepared to negotiate?—Yes.

171. Before anything could be finally and definitely fixed, Parliament would have to pass a Bill?—Yes.

172. Approving of the terms that the Government would accept?—Not necessarily. Parliament would have to pass an empowering Bill such as this, or in some terms. That would be one way of doing it. If that were done, then the terms of the contract would have to be settled between the Government and the company. There is another way of doing it, and that is this: that the Government should first of all agree upon a draft contract, and that that draft contract should be embodied in an Act of Parliament.

173. In getting a Bill to authorize the Government to enter into a contract, without any details at all except what would appear on the face of the contract itself, do you not think Parliament would scrutinize that Bill very carefully before it adopted proposals such as these?—Certainly; but I should think that Parliament would pay a good deal of attention to the report of a Committee which had inquired into the matter.

174. Any Bill of that kind would be referred to a Special Committee such as this to examine carefully and report on?—Yes, unless this Committee were able to say they agree with the main principles of the Bill, and in that case it would not be necessary to refer the Bill again to a Committee.

175. It is quite competent for this Committee to make a report of the terms that they consider fair for the country to accept?—Yes.

WEDNESDAY, 30TH OCTOBER, 1912.

JOSEPH HOWARD WITHEFORD examined. (No. 9.)

1. *Mr. Myers.*] You live in Auckland?—Yes.

2. But for some years past, until early in this year, you lived in London?—Yes, seven years.

3. During that time you were engaged in endeavouring to attract the attention of financiers in London to the iron industry in New Zealand?—Yes, the whole time.

4. Whom were you representing in London at the outset?—At the outset, at the request of the then Premier of New Zealand, the late Mr. Seddon, I undertook to try to get capital in order to assist the Cadman Syndicate.

5. And I think you represented the Cadman Syndicate as it existed at that time?—Yes.

6. Did you, during the time you were in London, continue in your endeavours to attract capital?—Yes.

7. Both before and after Sir Alfred Cadman's death?—Yes.

8. Did you also become attorney for Mr. Turnbull, the gentleman in whose name the Onakaka title stood?—Yes, that is so.

9. About what time did you become his representative in London?—I think it was in 1909 that Mr. R. D. D. McLean wrote and asked me if I would undertake that business.

10. Did you continue as their representative, as well as the representative of the owners of the Cadman lease, until late in last year, at all events?—Well, I represented the Cadman Syndicate up to the time I had the money guaranteed for them, and afterwards there was some question raised and things were somewhat hung up; it was after that that the Onakaka people sent me a power of attorney and particulars, and desired me to sell their property at £30,000.

11. Until the end of last year you represented in London the owners of the Cadman lease?—Yes.

12. You also, from 1909 or thereabouts until towards the end of last year, represented Mr. Turnbull in London?—Yes.

13. I think from time to time you did attract English capitalists?—Three times I had the whole capital arranged to put the works up.

14. But difficulties arose on each occasion at this end?—Yes.

15. Did you during the early part of last year become acquainted with the Ethelburga Syndicate?—Yes. It was some time in 1910 that I first became acquainted with them.

16. Did you in August of 1911 succeed in completing an agreement between the Ethelburga Syndicate and Mr. Turnbull whereby the Ethelburga Syndicate acquired an option over the Onakaka rights until the end of last year?—Yes, that is so.

17. Did you also in September of last year succeed in completing an agreement between the Ethelburga Syndicate and the owners of the Cadman lease and Taranaki rights for an option over their rights?—Yes; I managed their business, but the Parapara attorneys signed the documents.

18. That option also expired at the end of December?—Subject to the Ethelburga Syndicate being satisfied with the legislation. If they were not satisfied and could not go on they could retire.

19. You mean that the Ethelburga Syndicate were only prepared to exercise the options if satisfactory legislation was passed?—That is so.

20. That legislation was not passed last year?—No, but they were informed by the High Commissioner that satisfactory legislation was being considered, and would be ratified by the next Parliament. That is why they sent me out.

21. It is a fact, is it not, that this year the Parapara Company have reinstated their option of last year?—Yes.

22. Up to the present time the Onakaka Company have not reinstated their option?—I have not heard that they have done so. Mr. McLean was going to communicate. He is in favour of it.

23. Do you know whether the Ethelburga Syndicate are prepared to enter into an agreement with the Onakaka Company on the same terms as the agreement of last year?—Yes, those are the terms on which they are prepared to carry the business through.

24. You heard me state in my address to the Committee yesterday that the Ethelburga Syndicate are an English company composed of British shareholders: are you able to say that that is correct?—Yes.

25. Is it a well-known concern in London?—Very well known; one of the leading financial groups in London.

26. In 1905, when you went Home, did you obtain from the then Premier, or any one representing the Government, any letter as to what the Government would be prepared to do? I am referring to a letter from Mr. Reeves?—That was given me after I reached London under instructions from the Premier.

27. Have you a copy of that letter here?—Yes. [Copy of letter produced.]

28. May I read it:—

“Westminster Chambers, 13 Victoria Street, London S.W., 27th September, 1905.

“J. H. Witheford, Esq., M.H.R., Grand Hotel, Trafalgar Square, W.C.

“SIR,—Referring to mineral lease issued to the Public Trustee as executor under the will of the late Sir A. J. Cadman, under the Mining Act Amendment Act, 1902, and the Mining Act, 1899, over 920 acres in the Waitapu Survey District, in the Provincial District of Nelson, in New Zealand, I have the honour to inform you that on a company being established by you on behalf of Sir A. J. Cadman's executors and trustees for producing iron or steel in the Colony of New Zealand from lands comprised within the said lease, and from other leases held, or to be held, by the parties you represent, at an initial cost of not less than two hundred thousand pounds (£200,000), my Government will be prepared to place an order for 75,000 tons of manufactured iron and steel suitable for railway and bridge construction, at the rate of, say, 4,500 tons a year, on the fulfilment of the following conditions and stipulations:—

“(a.) That the iron and steel are manufactured from magnetic or titaniferous iron-sand or iron-ore, which, together with all material, fuel, and fluxes, are products of New Zealand.

“(b.) That the iron and steel rails are delivered at a price not exceeding the prices at which similar classes and descriptions of iron and steel rails can be procured in the English market, with cost of freight to the colony added thereto.

“(c.) That any iron or steel rails which may be offered to the Government will be examined and tested by an officer to be appointed for that purpose, who will be required to give a certificate that the iron or steel rails, as the case may be, are of good marketable quality, and such officer will be authorized to make such inquiries as he may consider necessary to enable him to give a certificate that the whole of the material used in the manufacture of the iron or of the steel rails is entirely the product of the colony.

“(d.) No undertaking can be given that more than the total quantities of iron or steel rails than stated above will be taken at the specified rate per annum.

“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 iron-sand 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 Bishops-gate, 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 get its iron and steel at cost price, plus 5 per cent.

“(c.) Arrangements will be made to use State mines coal and coke, if price and quality are satisfactory.

“(d.) At the end of forty years the company to hand over to the Dominion Government the whole plant and all the machinery erected by them free of any charges; or

“(e.) Under certain equitable conditions, at the end of twenty years.

“(f.) The direct benefit to the Dominion is in the expenditure of the £650,000 of English capital in the country.

“(g.) The consequent increased employment of labour, skilled and unskilled.

“(h.) The enormous consumption of coal, &c.

“(i.) In carrying out the scheme the investors would probably pay in royalty to the State during the period of continuance not less than £150,000.

“About 25,000,000 tons of coal would be used during this period, and probably not less than fifty millions sterling of new wealth would be produced from the raw material.

“Though the above estimates are merely approximate, there is no doubt that they would be more than realized. The great thing to do is to get the big works started without further delay by people who can carry this great project through. The Ethelburga scheme is worthy of the Dominion's highest approval and support. It is on the true lines of the greatest good to the Dominion's industries and workers.

“I remain, &c.,

“J. H. WITHEFORD.”

Witness: There is one other short letter that I addressed to the Premier. [Letter handed in, and read by the clerk, as follows.]

“Hotel Cecil, Wellington, 13th October, 1912.

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

“DEAR MR. MASSEY,—The iron industry essential to industrial progress: I believe that your friends fully realize that it is of the utmost importance to New Zealand to secure the early establishment of modern up-to-date iron and steel works while there is not only the capital, but also the equally important outside markets available for the surplus production inevitable from the output of the large economical plant to be erected. A large output is necessary for cheap production in order to compete successfully in foreign markets against existing steel trusts, and to supply Government at the low cost proposed, which will probably be a saving yearly equal to the amount of the proposed subsidy, so that it may fairly be claimed that by the saving effected, the large capital expenditure, and money kept in the Dominion, the investors first earn for the State the subsidy which they in turn receive, and which has already been promised in another form outside the provisions of the proposed Iron Industry Bill.

“A cable has just been received from London suggesting that something definite should be done. I would respectfully support the suggestion made, that it might be of service in facilitating arrangements for securing capital and markets and the location of the works in New Zealand if the Committee report—(1) On the affirmation of the principle of outside capital being acceptable; (2) that Government be empowered to make arrangements substantially in terms embodied in the Bill (presented to you on 10th July), which was drafted and revised by your predecessors and members of your party. This will assure practically a unanimous vote if you introduce the Bill. The people of the Dominion desire the introduction of fresh capital to open new avenues of industry; relieving taxpayers; benefiting tradesmen and workers; and infusing new life and activity into the mineral districts of New Zealand; increasing the exports of the country's products, and putting a stop to the great loss yearly caused by sending so much money abroad for iron and steel goods which can be made here. The Governments of other British Dominions bordering on the Pacific support their iron industries by far greater subsidies than it is proposed New Zealand shall contribute. New Zealand further benefits by getting possession in forty years of the plant and properties without further payment, obtaining thereby an asset exceeding in value the sum total contributed by the State.

“With best wishes, &c.,

“J. H. WITHEFORD.”

Witness: The reason why I drew attention to the matter was this: I had no interest whatever in the iron-deposits of New Zealand, but having sat in Parliament for five years and heard from year to year dissatisfaction expressed because nothing was done to develop these resources, and Mr. Seddon having sent word that he would like me to take the matter in hand, I, after receiving a request from Sir Alfred Cadman's syndicate to go to England and get the capital, thought “Well, I will do it, and I shall be doing a great thing to promote New Zealand's prosperity.”

30. *Mr. Blair.*] Was there a proposition that the capital of this company should be £350,000 in fully-paid shares?—The proposition was that a company should be formed with a capital of £350,000.

31. In fully-paid shares?—I could not tell you as to the whole, though yours were.

32. Can you suggest that any of those shares were to be contributing shares?—I cannot tell you. The action of your Onakaka people has prevented the business coming to maturity and the prospectus being printed, which would have shown this.

33. You cannot help the Committee in that respect—as to whether these are or are not to be fully-paid shares?—I can only show the Committee the exact position of the matter outside that, and that your Onakaka people, who have caused so much delay, were getting a grossly disproportionate number of the paid-up shares that you are talking about.

34. We were getting 35,000 of 350,000?—One-tenth; yet you were only putting up £4,000 or £5,000 in cash.

35. The Onakaka people were to get 35,000, and the Parapara people 100,000: that would leave 215,000 fully-paid shares, assuming they were fully paid. I want you to explain to the Committee whether or not your company is being overwatered, which may have a possible effect upon the profitable carrying-on of the work?—Absolutely not. You are on the wrong track altogether. I have had considerable experience in financial matters in London, and I consider that the proposals of the Ethelburga Syndicate are very moderate. The Onakaka people are getting £7 in shares for every £1 they have put up. The Parapara people have paid about twice or three times as much in development-work as the Onakaka people, and they have done a great service to New Zealand, because they have proved the existence at depth of enormous bodies of ore on their lease, which will be a valuable asset to this country. The Onakaka people, as far as I know, have not done so; I cannot find out that they have been driving tunnels and doing the work that the Parapara people have. I say the Parapara people were entitled to receive for their interests and rights a larger proportion of the shares than the Onakaka. The Onakaka people have spent not more than £5,000, and they get 35,000 shares. The Parapara people have spent £40,000, and they get 100,000 shares. The people in London are going to put up £650,000, and what do they get? If they got the same proportion as even the Parapara people they would get 2,000,000 shares; and all there is for them to work upon is this 350,000 shares, of which 35,000 go to Onakaka and 100,000 to Parapara. You must take into consideration the enormous risk these London people are running, and the thousands they have spent already in various ways and expert advice of the most eminent iron and steel authorities in Europe. Yet they are begrudged a possible amount like this, that does not represent anything like the proportionate amount which the people here are getting.

36. Assuming you are getting £350,000 in fully-paid shares and £100,000 of the debenture-money: do you still consider that this company is not being somewhat overloaded?—That is not a correct assumption. The statement of the Ethelburga Syndicate was that they would spend £650,000 on plant alone, and experts say they will have to spend another £200,000.

37. You say they are not getting an unfair proportion if they get 215,000 fully-paid £1 shares and £100,000 of the debenture-money?—I consider the terms are wonderfully favourable to the Dominion. It is only because they have markets in South America and can dispose of the steel rails and other surplus products that they will look at the proposition.

38. *Hon. Mr. Fraser.*] If the Onakaka people are to get 35,000 paid-up shares, that assumes they do not pay anything for them—they get the shares fully paid up given to them?—I think that is it.

39. One hundred thousand paid-up shares go to the Parapara people?—Yes.

40. And 215,000 to the Ethelburga Company. Are they all paid-up shares that are given to those people?—I cannot answer that.

41. I suppose you know something about the initiation of this company, do you not?—Yes.

42. Who is it intended shall find the capital if the whole £350,000 is paid away in paid-up shares and nobody subscribes anything?—Before I left London the general manager of the company told me that they had arranged for the whole of the required capital. He mentioned how it was arranged.

43. You mean for the £650,000?—Yes.

44. How was it arranged—by debentures?—Yes. What allocation they make in the division of the shares I cannot tell.

45. How many debentures are they going to raise?—They have £650,000 provided.

46. Upon what security do they raise those debentures?—The security would be the industry—the plant and the capital.

47. You tell us that 100,000 paid-up shares are to be given to the Parapara Company; 35,000 are to go to the Onakaka people: then there are 215,000 paid-up shares also. That means that the whole £350,000 capital of the company consists simply of paid-up shares, on which not one shilling has been paid. Is that the case or not?—I must refer you to the lawyer.

Mr. Myers: All these questions were put to me yesterday. I do not know, and neither does Mr. Witheford; and why he does not say at once that he does not know I cannot understand. The position is this: 100,000 paid-up shares go to the Parapara Company—

Hon. Mr. Fraser: Which means no capital.

Mr. Myers: Except the properties. The consideration given for those shares is the properties. The value of those properties I went fully into yesterday before the Committee. Then, 35,000 shares go to Onakaka, for which the properties would be transferred. That accounts for 135,000 shares. As to the other 215,000 shares, I have no knowledge whatever as to whether they are paid-up shares or whether they are contributing shares, or how many are of the one class or how many of the other, and neither has Mr. Witheford.

Hon. Mr. Fraser: And there is nobody here who can tell us?

Mr. Myers: No, sir. But when I was asked the questions yesterday I respectfully submitted that all these questions might be relevant at a certain stage, but they do not very much affect the matter at this stage, although if the Committee make a favourable report and suggest that an Empowering Bill be passed into law, all these questions would have, no doubt, to be carefully considered by the Government. What I say is that we cannot carry that aspect of the matter any further now, and all the questions in the world cannot obtain the information from Mr. Witheford any more than they could from me, because neither of us has the information.

48. *The Chairman.*] Mr. Witheford, have you anything material to add to your evidence?—I would like to say that on account of the Ethelburga people I had the assurance of the High Commissioner in London that legislation had been arranged which would satisfy and enable the Ethelburga Syndicate to go on with the business, and this letter was sent from the New Zealand Government and a copy sent to me, viz.: "Westminster Chambers, 13 Victoria Street, London

S.W., 3rd November, 1911.—J. H. Witheford, Esq., Grand Hotel, Trafalgar Square, W.C.—Dear Sir,—Parapara and Onakaka iron-ore mining properties: I am directed by the High Commissioner to state for your information that he has received the following cablegram from his Government: 'Parapara iron-ore legislation introduced, but has to stand over for consideration of Government recess with a view to ratification next session. Inform all concerned.' I am, &c., C. WRAY PALLISER, Secretary to the Department." I put that in because the views of the Ethelburga Syndicate were that they should now come to an arrangement with the New Zealand Government, and having arranged for the money they thought the best thing I could do was to come out and get everything fixed up. I have nothing further to say except this: that the Dominion at the present time would be very greatly benefited by the establishment of these works, and as the people at Home are prepared to arrange with the Government to erect them, I think it is very desirable in the interest of the Dominion that the Government should do it.

The Chairman: Mr. Skerrett put in an exhibit between the Ethelburga Company and the Parapara Company.

Mr. Myers: This is the agreement, sir, dated the 7th September, 1911. I have already said that this has been reinstated; I have not a spare copy of the reinstatement agreement. I do not think it is necessary, because it is really a reinstatement agreement with variations of a character which do not affect the questions before the Committee—I mean as to conditions between water-races, and so on.

49. *Hon. Mr. McKenzie.*] What about the agreement between Onakaka and Parapara?—There is no agreement between them; there is just one between the Parapara and Ethelburga Syndicate and one between Turnbull and the Ethelburga Syndicate.

50. The Onakaka must have withdrawn from the arrangement of last year?—The time lapsed; the Parapara agreement is reinstated, but the Onakaka is not; the Ethelburga people are willing to reinstate it, but the Onakaka people are not.

51. *Mr. Myers.*] Mr. Witheford, it has already been made clear that so far as the difference between the 135,000 shares, that come as consideration for the properties, and the 350,000 shares is concerned, you have no knowledge as to whether they are paid-up or contributing?—No.

52. Similarly, in establishing a company of this kind do you know that there are brokerages and other expenses in England apart from expenses in New Zealand?—Yes.

53. Do you know how much of the money which is raised on debentures is likely to be required, or have you no information on the matter at all?—I understand the whole is going into this plant.

54. You have no information on the point?—No, not beyond what is contained in their memorandum.

JOSEPH SMYTHE recalled. (No. 10.)

1. *The Chairman.*] I understand, Mr. Smythe, you wish to correct your evidence on minor points. Your original statement read, "At high tide there are 2 ft. or 3 ft. of water on the bar. The depth of the inlet—it is full up of tailings now—runs down to 4 ft."?—I stated that there were 10 ft. or 12 ft. of water at the mouth of the inlet at high water, and I stated it was possible to get 40 ft. of water in the inlet.

2. You said tremendous quantities of coal will be required to open up their leases?—Enormous quantities of coal will be required to turn the ore into pig iron, rails, bars, &c.

3. *Hon. Mr. McKenzie.*] The rise and fall of the tide at Parapara is about 14 ft.?—Yes.

4. Do you understand the bar to be at the inlet?—About a mile and a half outside.

5. I think you said in a statement the payments for the Parapara included the payment for the Parapara leases?—Yes.

6. What was the total amount?—£35,486; there has been over £5,000 spent above that, making a total of over £40,000.

The Chairman: We will now call Mr. East.

ARCHIBALD WILLIAM BLAIR, Barrister and Solicitor, examined. (No. 11.)

Witness: I will address the Committee for Mr. East on behalf of the Onakaka Syndicate. They, the Onakaka people, give this matter, so far as the question of monetary assistance to the iron industry is concerned, their most cordial support. All that they ask is that the offer be made general and that it be not left to one particular company, so that any company which is able to come along with reasonable proposals to the Government may be able to take advantage of the benefits suggested by this particular legislation. It was to that phase of the matter that the questions I put to Mr. Witheford were directed, because it did occur to us as important that possibly the question as to whether the company was or was not overloaded with what were watered shares might or might not have a serious effect upon the ultimate success of the company. The giving of a bonus to an iron industry would assist that industry, but if undue watering took place in the shares of the company with which the Government contracted, then the bonus which was intended to assist the industry might be taken advantage of simply to assist those persons who were finding the capital nominally for carrying on this iron business, and enable them to exploit the public. It was to that particular phase of the matter that our questions were particularly directed. Mr. Witheford says he knows nothing and cannot give the Committee any assistance as to how much in cash or paid-up shares is going into the pockets of those interested, and it is suggested by us that is a matter of great importance and a matter as to which the Committee should have been supplied with information before it would be in a position to say

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.

The Chairman: Mr. Myers, this agreement of yours relates to the old agreements. Would it be possible to put in the agreement relating to the present arrangement?

Mr. Myers: I said there were no material alterations made in the old one. I will put it in, Mr. Chairman. [Agreement handed in.]

22. *Mr. Sidey.*] Mr. Blair, what do you mean by this: that the country ought to offer as good terms to any others who may come forward?—The reason I mentioned it was because Mr. Myers said in his opening to the Committee yesterday that there was only room for one concern in New Zealand, and I take it to be that that is the Ethelburga Syndicate and no other; and it really means, therefore, so far as the Onakaka people are concerned, that they must either come into the Ethelburga at whatever terms they want or stay out in the cold—because they are not going to get 10s. per ton on their output throughout the period: the Ethelburga people only propose that anything be given to that company.

23. In what direction do you suggest the State should protect the other?—It could be protected by providing that any company which is prepared to make what the Government considers the most advantageous bargain should be enabled to take advantage of it, and if necessary even more than one company if another one is prepared to do it.

24. You mean we should invite tenders, letting it be known that we are prepared to offer certain terms?—There certainly would not be more than two people—only the Parapara and Onakaka people.

25. I am not quite clear as to how you suggest the State should place its proposals so as to put these companies in the position of competing with one another for terms?—If the Government is prepared to offer similar terms asked for to another company which will be prepared to undertake the initiation of the iron industry—then, if we can offer a better proposition than the Ethelburga people, it is suggested that we should get a hearing upon that matter, and that the Government should not keep in view one particular company only, but any company which is prepared to commence and carry on the iron industry. The Bill does not refer to any particular company, and the whole matter that is before the Committee consists of the suggestion offered by the Ethelburga Syndicate. The Bill in its present form defines—“The lessees” means the company or persons who, under the provisions of the Act, contract with the Government.” The Bill in its present form is all right.

26. Have you any suggestion as to the modification of the terms of this Bill in any way?—The position is that there are definite figures and definite sums stated which possibly might not suit another individual case, and I am not prepared to point to any particular section which might require amendment; but the Bill, I suggest, should be looked at with a view to making it of general application, and not of particular application, to the Ethelburga Company.

27. Meantime you are not prepared to suggest any specific amendments to any of the clauses of the Bill?—I am not so familiar with the matter as my partner, and am merely carrying out instructions with regard to it.

28. *Hon. Mr. McKenzie.*] Has the Onakaka Syndicate made any offer to the Government for the erection of iron and steel manufacturing works up to the present?—No.

29. Do you know of any other company that has done so, outside of the Ethelburga Syndicate?—If the same offer is made to us as the offer contained in that proposal, we will not have the slightest difficulty in taking advantage of it.

30. You say your company has made an offer?—Our company only completed its lease within the last month or so.

31. Is there anything in that Bill to prevent your company making an offer now?—No. What we would like the Committee to keep in view is the possibility of their company not being the only Richmond in the field.

32. As far as you know there is no other proposal before the Government at the present time, and consequently not before this Committee?—That is so, sir.

The Chairman: Mr. Myers, I understand you will put in a copy of the agreement as between the Parapara Ore Company (Limited), the Christchurch Mining Company (Limited), and the Ethelburga Syndicate?

Mr. Myers: I may say that the option will expire shortly, but I understand from the Parapara people that there will be no difficulty in extending it. [Agreement handed in.]

M. MYERS recalled. (No. 12.)

Witness handed in a copy of an agreement, dated the 10th June, 1912, between the Parapara Iron Ore Company (Limited), (1st part), the Christchurch Mines Development Company (Limited), (2nd part), and the Ethelburga Syndicate (Limited), (3rd part), extending the agreement dated the 7th September, 1911, copy of which he had already handed in.

H. J. H. BLOW examined. (No. 13.)

1. *The Chairman.*] What is your name?—Horatio John Hooper Blow.

2. What are you?—Under-Secretary of the Departments of Mines and Public Works. I may say that I have written out what I have to say *re* the Ethelburga petition. My contention in reference to this matter is that the business will be sufficiently profitable without any State assistance. It has been given in evidence before the Committee that the circumstances in connection with this venture are much more favourable than in connection with a similar venture now being started in New South Wales, and the latter venture is being undertaken practically

without State aid. It is true that the New South Wales Government has agreed to resume a short piece of unused railway in the interests of the company; to dredge a river-channel for a certain distance; and to reclaim a certain quantity of land for the company; but the company is to pay a fair rental for the land, and interest on the cost of the work to be carried out, so that practically the Government is not assisting financially at all. Yet this company is undertaking an expenditure variously estimated at from £1,000,000 to £3,000,000, and is relying on the returns from the trade to give a dividend to the shareholders. Not only is private enterprise embarking this very large amount of capital in an iron undertaking, but in addition to this a State Ironworks Bill has recently passed the New South Wales Legislature. The main features of this proposal, which involves an expenditure of from £1,000,000 to £1,500,000, are that a Commissioner is to be appointed at a salary of £2,000 per annum for the purpose of constructing or establishing iron and steel works, and carrying on the same as a State enterprise. The Commissioner is authorized to mine for ores and minerals, including coal and limestone; to charter or purchase ships and carry goods and passengers thereon; to construct railways and tramways and conduct traffic thereon; to dispose of to any other Government Department coal, coke, and limestone; and to enter into contracts in relation to the above or any other matters necessary for carrying on such business. Evidently, therefore, the New South Wales Government and the New South Wales Legislature are of opinion that the industry can be carried on successfully as a State enterprise even in the face of direct competition by a powerful local company; and why cannot the same thing be done in New Zealand? That the circumstances of the New Zealand venture are much more favourable than the Australian company's one is clear. Under the latter scheme the ore has to be mined at Iron Knob and Iron Monarch, over forty miles from Port Augusta (South Australia). The ore therefore has first to be brought to Port Augusta for shipment, and conveyed thence by sea to Newcastle (New South Wales), a distance of fifteen hundred miles; whereas in New Zealand the ore can be mined in close proximity to the blast furnace, the maximum distance for conveyance, even if the Onakaka lease is availed of, being only five or six miles. At Parapara the works can be erected on quite inexpensive land, and slag and waste (of which there will be a large quantity) can be deposited on inexpensive and waste land; whereas at Newcastle it will all have to be conveyed away to a distance, or else expensive land must be acquired to deposit it on. The extent of the deposit is also enormously in favour of the New Zealand venture. The deposit at Iron Knob extends over a distance of about a quarter of a mile, and the deposit at Iron Monarch is embraced in an area of about 50 acres, whereas the Parapara deposit extends over five miles. The total quantity of ore available at Iron Knob and Iron Monarch, and other places in the vicinity, is estimated at about 20,000,000 tons, whereas the Parapara-Washbourn deposit was estimated by one of the witnesses examined by the Committee (Mr. Smythe) at about 250,000,000 tons, and the Onakaka deposit at about the same amount, or a total of about 500,000,000 tons. What the expense of getting the ore to the furnace will be in the Australian Company's venture is not known, but the expense of delivering ore to Messrs. Hoskins's furnace at Lithgow is 7s. per ton, and their ore has to travel a much less distance than would be the case with the new Australian venture. I think, therefore, we may put down the cost of delivering the ore at the furnaces at 10s. per ton at the least. In New Zealand the ore could easily be delivered at the furnaces at about 3s. per ton. It is true that coal and coke in New Zealand may probably cost more than in New South Wales, and the local market is also more limited, but all the other considerations seem to be in favour of the New Zealand project. If, therefore, it is good business on the part of the Broken Hill Proprietary to embark from £1,000,000 to £3,000,000 of capital in their venture, without any State subsidy whatever, it would surely be good business for the New Zealand company to venture £650,000 in putting down a suitable plant, without receiving State financial assistance. Moreover, the Onakaka Company is willing to develop its lease without any Government assistance, and in face of this it would be unreasonable to substantially subsidize an opposing company. I presume the promoters of the company have looked, or will look, into the question of the chemical composition of the limestone at Parapara, so as to satisfy themselves that it contains the requisite proportion of magnesia. The New Zealand market is more limited than the Australian one, but is sufficient to keep a small plant going. I personally mentioned the matter to Mr. Hoskins when in New South Wales two years ago, and Mr. Hoskins stated in reply that the importations of iron into New Zealand are sufficient to justify the establishment of smelting-works in the Dominion. Moreover, the local demand in New Zealand would be greater than the output of Mr. Hoskins's own furnaces at Lithgow, which only put out about 800 tons per week, or about 40,000 tons per annum, whereas the New Zealand demand runs into about 140,000 tons a year, and will largely increase in the future. To enable the company to deal with the whole of the New Zealand trade, and to make the venture of much practical use to the Government, it will be necessary for them to put down a converter plant for the production of steel and to establish rolling-mills. The Government is not a large user of pig iron, so that if the venture did not go further than the manufacture of pig it would be of no great benefit to the Government, but if the iron is converted into steel, and if steel rails and fish-plates are rolled, and also rods, bars, angles, plates, joists, and girders for use in bridge-building, the Government would be fairly large purchasers, provided that price and quality are both satisfactory. The Committee has nothing very specific before it as to what the company proposes to manufacture. We are told that the total capital expenditure which they propose is £650,000, but as the Bill provides that money expended in wages or salaries, in the opening-up of coal-mines in New Zealand for the supply of coal or coke to be used exclusively for smelting purposes in connection with the ironworks, in the formation of tram-lines for railways, in the erection of furnaces for smelting iron-ores, in the acquisition of land and other rights under the provisions of the Act, in the construction of roads, tramways, electric-power lines or fittings,

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

yours for Tasmania, and I strongly advised them to turn their attention to the manufacture of steel and the smelting of local ores. I do not think you will get much capital on this side. I think that if the New Zealand Government want to develop electric smelting they will have to make a start themselves, and they will be perfectly justified in doing so, for they would, if they work on proper lines, not only create a new home industry, but one which would pay dividends. It is difficult to obtain capital on this side for such undertakings, because the very people to whom one has to appeal are usually interested in similar concerns on this side. Our old carbide furnaces—i.e., the type which we replaced by the latest pattern—have been used for smelting iron-ore in a small work adjoining our carbide-factory, and the results have been so successful that a Norwegian company with £55,000 capital has been formed to smelt iron-ore on a large scale. The ore used is of a much lower grade than the magnetic iron-sands of New Zealand."

Financial aspect of proposals: The Chairman has asked me to say a few words as to the financial aspect of the syndicate's proposals. I am not very sure as to the manner in which the Chairman wished me to deal with the matter, but the following few notes may be useful to the Committee:—

STATEMENT SHOWING THE CAPITAL EXPENDITURE PROPOSED BY THE SYNDICATE, AND THE SUBSIDY THEREON TO BE PAID BY THE GOVERNMENT.

	Capital Expenditure by Syndicate. £	Subsidy payable by Government. £
First year	175,000	8,750
Second year	175,000	17,500
Third year	100,000	22,500
Fourth year	100,000	27,500
Fifth year	100,000	32,500
Total	650,000	108,750
Sixth to fortieth year, at £32,500 per annum	...	1,137,500
Total	£1,246,250

If, instead of paying these instalments to the syndicate, we invested the money at 4 per cent. compound interest, we should have at the end of the term a sum of £2,962,864. This, therefore, is really the amount we should be paying for the handing-over of the syndicate's property, to cost originally £650,000, to the State. This is certainly a huge sum to pay. If any payment is to be made at all, I suggest that the Committee should consider whether a bounty such as is paid in New South Wales and Canada would not be better than the bonus proposed in the draft Bill. A bounty of so-much per ton on all ironwork manufactured from New Zealand ores could be paid to any person, company, or syndicate who complied with the conditions prescribed, and not merely to one company or syndicate to the exclusion of all other competitors. This would remove the ground of complaint of the Onakaka lessees, and any other persons who may, either now or in the future, be similarly situated. The Committee should also see that no one—especially persons residing outside the Dominion—is allowed to enrich himself unduly by exploiting the country's industries. The information furnished yesterday by Mr. Myers, in reply to Mr. Skerrett's questions, as to the arrangements projected for the flotation of the proposed company, seems to indicate that instead of the syndicate taking all the risks, as suggested by Mr. Myers, they really take no risk at all, but at once pass on their full liability to the proposed company, in which the members of the syndicate and the vendors of the properties apparently receive the huge premium of £350,000 worth of fully-paid-up shares. If any such arrangement was contemplated the Committee will doubtless take steps to prevent its being carried into effect. I submit a draft of the amendments which I think should be made in the Bill, which I will put in and attach to my evidence.

3. *Mr. Myers.*] Mr. Blow, you seem from your memo. to favour nationalization of the iron industry?—I think there is much to be said in favour of nationalization.

4. Are we to understand that is your own personal view or a matter of Government policy?—All that I have said is personal.

5. You say that this business will be profitable without legislative assistance?—Without monetary assistance.

6. When you express that view are you speaking of a business which will have only New Zealand markets available for its product or of a business which will have foreign markets as well?—I have stated it would be difficult to export manufactured steelwork, but I think the company could export pig iron.

7. As to the ability of the company to export articles other than pig iron, that is a matter which requires careful going into by experts, does it not?—Yes.

8. And in that respect that would be the risk of the company which undertook this business?—Yes, if they found the trade was unremunerative they would not care to follow it up.

9. You have said that the total consumption of iron and steel in this country at the present time is about 140,000 tons per annum?—Yes.

10. That is, iron and steel of all kinds?—Yes.

11. Do you suggest that the New Zealand market for 140,000 tons of all kinds would be remunerative to a company which was establishing works in New Zealand?—I think so. I believe the Lithgow works were a commercial success, and their output is much less.

12. Do you think it would pay a company to establish works of the magnitude in New Zealand as to be capable of turning out all kinds of iron and steel if the consumption were only 140,000 tons per annum?—Not all kinds.

13. Then it would not be profitable with a local market only to establish works to satisfy all the New Zealand demands for iron and steel?—The whole of that 140,000 tons would not be manufactured here.

14. How much?—I should say, about half of it.

15. You are not an expert in this business?—No.

16. Do you suggest that it would pay them to establish works in New Zealand which would have only a visible market to the extent of 70,000-odd tons per annum?—Yes, your syndicate only bind themselves to about 65,000 tons per annum.

17. Those are not their figures. They would not come here for an output of 65,000 tons or anything like that. If the iron industry were nationalized do you think the New Zealand Government could find foreign markets for iron and steel?—Certainly for pig iron.

18. For steel?—I do not think it would pay to export manufactured steel.

19. Do you think the Government could be reasonably expected to find £650,000 or thereabouts at the present time for the establishment of the iron and steel industry?—I do not think the Government finds any difficulty with regard to its finance.

20. Do you think the people of this country would allow the Government to borrow £650,000 for the purpose of starting a business which it has no knowledge of and being simply an experiment?—I think they would have everything properly put before them.

21. You have said in New South Wales the industry has been undertaken without State aid?—Yes.

22. Do you not know that a sum of £190,000 is being paid by the State—by the Legislature of New South Wales—during the first two years to establish this industry?—I do not know that that is correct.

23. Are you able to dispute the statement that £190,000 is being provided to develop this industry in two years?—I have seen no reference to it.

24. Was there a bounty or a subsidy given to the Lithgow people?—They got a bounty.

25. If it is suggested that a bounty of 2s. 6d. per ton was given to the Lithgow people you are not able to contradict that?—No, I know they get a bounty.

26. Do you know of the establishment of another industry to which State aid has been given, where at the end of a fixed period the whole industry and the goodwill of it has been handed over to the State without compensation?—I do not know that I do.

27. Is not, therefore, this proposal of the Ethelburga Company somewhat unique in that respect?—Yes, probably it is; but then I think we pay for it very heavily.

28. Have you looked into the Parapara lease since I made my address yesterday?—No.

29. You heard what I said yesterday with regard to that?—Yes.

30. I suppose you will agree that there is a very strong reason for saying that this is a lease in perpetuity?—It certainly is renewable for one term up to forty-two years.

31. Without expressing any opinion I suppose you will admit—being used to documents of this kind—that there is some foundation, at all events, for the argument that it is a lease in perpetuity?—I am sorry to say that I think there is some foundation for it.

32. If therefore the owners of that lease established the iron industry, and at the end of forty years surrendered their lease in perpetuity—or their lease whatever it might be—and also handed over their works and the goodwill of their business, are they not handing over something of very considerable value to the Government?—Yes, but it is hardly worth three millions, I think.

33. Now, the idea is that £32,500 is to be paid annually?—That is the total.

34. Do you not see that the Government will in all probability save a very great outlay of money yearly on its purchases of iron and steel?—I am afraid I am not very optimistic on that point.

35. Assuming that the company is able to produce iron and steel as cheaply as it can be done in England, would not the Government be saving a very considerable sum yearly on its purchases?—I grant your premises, but I do not think they are correct.

36. That is a matter for experts on costs?—It is a matter for an expert, but is also one on which a layman might hold an opinion.

37. Still, assuming what I suggest to you, and that the Government requirements during the next two years come up to, say, 35,000 tons per annum, would not the Government save at least 10s. per ton?—Except on pig iron I do not think the Government would save that.

38. That would mean a saving of £17,500 per annum?—Yes.

39. Would not that reduce very much this payment of nearly £3,000,000 that you say the State would be paying under this industry?—It would, but your figures are doubtful, whereas I think my figures are unassailable.

40. Still, can you not see that if the company is unable to turn out its iron and steel as cheaply as it can be done in England, the company must necessarily be a failure?—That is not so, because it has the handicap of fourteen thousand miles of sea freight in its favour.

41. But unless the New Zealand demand is sufficient to keep the works going profitably would not the company be a failure?—I think the New Zealand demand is sufficient to keep them going.

42. Would you mind telling me what the cost of coke is in Westport—is it £1 15s. per ton?—I do not know; it ought not to be so dear.

43. You heard Mr. Blair say to-day that the Onakaka people had made no proposals or offers to the Government?—Yes.

44. Will you please say what is the justification for your statement, which you have read out, that the Onakaka people are willing to establish works under their lease without the assistance of the Government?—At the time the Onakaka people were asking to have their lease issued that statement was made personally to me.

45. Do you know whether the Onakaka people tried to form a company?—No.
46. Or whether they have succeeded in their efforts?—I do not know.
47. Do you think, knowing something, as you must do, of New Zealand conditions, that it would be possible to raise in this country, say, a couple of hundred thousand pounds for the development of the iron industry?—On terms such as you propose I think there would be a fair chance.
48. Without some form of subsidy or bounty do you think the investors in this country would put down £200,000 in cash to form a company to develop the iron industry in New Zealand?—I cannot answer that question.
49. The New Zealand demand for iron and steel is not comparable with the Australian demand?—No, the Australian demand is much larger.
50. So that works in Australia have necessarily a much bigger market within their own boundaries?—Oh, yes; that is one great advantage they have over the New-Zealanders.
51. You make the suggestion that a State bounty should be given to New Zealand?—Yes, I think a bounty of some kind would probably be necessary.
52. Would you suggest that in the event of the State giving a bounty the State should also require, after a certain time, that the undertaking should be handed over to the State without compensation?—Personally I do not attach great importance to that. I thought it would be much better to avoid the subsidy even at the cost of not having the enterprise handed over.
53. You attach very little importance to handing over all the enterprise to the State?—I attach considerable importance to it, but would like to avoid the spending of that three millions of money.
54. You are not paying three millions of money: it is £32,500 per annum?—That money is worth it, with the interest.
55. Is it not your suggestion that nearly three millions of money would be paid during forty years without the State getting any collateral advantages?—No, I did not say that.
56. You will admit that there are some collateral advantages which ought to be taken into consideration?—There are collateral advantages.
57. Is it, then, a fair thing to say that nearly three millions would be paid for this concern?—I have given the computation, which is self-evident.
58. You say that the Ethelburga Syndicate would take no risks. Do you not see the debenture-holders would be taking considerable risks?—They take some risk.
59. Supposing the works were a failure and had to be abandoned, and the £32,500 per annum ceased to become payable, would not the debenture-holders run the risk of losing the whole money?—If I were a financier in London I might possibly think so, but not as a New-Zealander knowing all the conditions.
60. There is the possibility?—Yes.
61. You said the only product exportable at a profit is pig iron?—I said I had grave doubts as to whether they could export manufactured steel.
62. Have you any idea as to the comparative proportions of profit on (a) pig iron and (b) manufactured steel?—I think the profit on pig iron should be large.
63. Would you say the profit on pig iron is greater than the profit on manufactured steel?—Yes.
64. Would you be surprised to know that the profit on manufactured steel is three times as great as it is on pig iron?—I am speaking of pig iron and manufactured steel?—We are talking of two totally different things.
65. Do you know—leaving Parapara out of the question—that the profit to the manufacturer of steel is probably three times as great as the profit on pig iron?—That is probably correct in England.
66. Why should that not be so at Parapara if the works are large enough?—Because at Parapara you can produce pig iron at a much less cost than in England, but I am doubtful if you can produce manufactured steel at any cost under the imported article.
67. Is your opinion on that question of any real value: you have no expert knowledge?—I have had forty years' experience of the Public Works Department, and I have been over twenty-one years at the head of it, and I think my opinion is of some value.
68. If an English company, acting upon the advice of people whom it believes to be competent experts, is prepared to put its money into New Zealand and run the risk?—I think the enterprise ought to be started.
69. You limit your experience to pig iron: you say the enterprise should consist of the manufacture of pig iron and not steel, irrespective of whether the markets can be secured or not?—Even if the Government ran the works I think an effort would be made to cultivate an export trade, but I am afraid the profit would be rather small.
70. You said in your statement that it would be necessary for the quality of the manufactured article to be maintained?—Yes.
71. Do you know that the Ethelburga Syndicate is quite prepared, and has always been, to give by the proposed contract to the Government the right to appoint a Resident Engineer to supervise manufactured products which have been manufactured by the company?—Yes; but the Lithgow contract contained that provision, and yet the Commissioner reported that the quality of some of the steel was thoroughly bad.
72. Is there any provision there which binds the Government to take their steel?—I do not think they were bound.
73. Was the Government bound by contract?—They were not bound to take the whole output of the works or any stated quantity, but as a matter of fact they take practically the whole of the output of the works.

74. You calculate that this £32,500 per annum if put out at interest on a 4-per-cent. basis would amount to nearly three millions in forty years?—Yes.

75. And you say, therefore, that you are paying nearly three millions of money for £650,000?—For a plant which originally cost that.

76. You have already said that you are not taking any collateral advantages into consideration: have you worked out what this £650,000 expended at the outset would produce at compound interest in forty years?—I have not worked that out.

[At this stage Mr. Blow handed in to the Committee an exhibit showing the steamer distances between New Zealand and Great Britain; between New Zealand and South Africa, India, and Argentina; and between Great Britain and the same countries. He also handed into the Committee a copy of the Parapara mineral lease, a copy of the Onakaka mineral lease, and Mr. Washbourn's lease.]

The Chairman: Mr. Myers, have you seen this Bill as amended by Mr. Blow?

Mr. Myers: In clause 3 Mr. Blow makes an addition: "The contract or contracts shall be in such form and contain such provisions and covenants as the Minister may consider necessary and may approve, and in particular shall include the following terms and conditions." I do not know that exception can be taken to that. But Mr. Blow then proceeds, in section 3, subsection (c), to want to insist that of the 65,000 tons upon which bonuses are to be paid at least half will consist of steel. In the same clause he also adds, "Provided, lastly, that no contribution whatever shall be payable in any year during which the total output of iron and steel is less than 50,000 tons." Something may happen in a particular year, a strike or any unforeseen occurrence, which may practically close down the works for a considerable portion of the year. In such an event, so long as the company has kept the works going as long as it could, I certainly think it should not be prevented from receiving its proportion or part of the subsidy.

Mr. Sidey: Mr. Myers, if such a condition were attached so as to provide for special contingencies such as you suggest, would the company be agreeable to very considerably increase the suggested output over and above 65,000 tons? The company, if it were not successful, could contract its works simply to qualify for the subsidy and confine its business to local markets.

Mr. Myers: I should think the company would be perfectly willing to discuss a matter of that kind. I do not think there would be any difficulty on that score. Mr. Blow's alterations do not go far enough: if they are put in to protect the State something further should be put in to protect the company. In subsection (d) Mr. Blow puts in, "if and when required by the Minister." I see no objection to that. Then Mr. Blow adds these words at the end of subsection (d): "such cost price and added percentage in no case to exceed the landed cost price of similar goods imported from Great Britain." This is the difficulty about that point. The words used by Mr. Blow, "landed cost price of similar goods imported from Great Britain," mean practically the same thing as wholesale London price; the insertion of those words would mean the price at which the New Zealand Government could buy similar goods on the London market. There is nothing to provide protection for the company; any large English or other manufacturers of those products might consider it advisable in their own interests, in order to do away with the new industry established in New Zealand, to undercut. There could be no doubt before long the competition of the newly established industry in the Dominion would cause European and American manufacturers to use every effort to crush it, and it would undoubtedly be in their interests to offer their products at prices far below those quoted to purchasers in order to ruin the industry in New Zealand. I am afraid the words which Mr. Blow has added might have that effect.

Witness: You would suggest "wholesale prices in London"?

Mr. Myers: I suggest it is better to leave it as drawn, that the New Zealand Government shall have the right to purchase at cost price, plus 5 per cent. If the Dominion Government finds it can buy more cheaply it is open for it to do so. If the Act compels us to sell at prices not greater than London prices there is a direct incentive to these foreign and British manufacturers to dump and undercut us.

Hon. Mr. McKenzie: The London prices will not be based on the prices the New Zealand Government purchases at in London; they will be based on the recognized market prices in competition.

Mr. Myers: That is a different matter. The words "such cost price and added percentage in no case to exceed the landed cost price of similar goods imported from Great Britain"—that means this: that we must charge no more than the Government could land the goods at in New Zealand.

The Chairman: You object to the local prices being taken as the standard?

Mr. Myers: We would object to the price at which the New Zealand Government could purchase in London, because the people in foreign parts shipping to London and knowing of this Bill would say, "Well, we will be prepared to sell to the New Zealand Government in London at such prices as will crush the New Zealand industry."

Mr. Sidey: Would you accept the current prices?

Mr. Myers: I think that would be very much fairer.

The Chairman: The Government is not being obliged to buy; it need not do so.

Mr. Myers: It is quite competent for the Government to say it should buy at prices not exceeding the prices they can buy at in England, and it would be for the Ethelburga people to deal with that. Subsection (e)—"A right on the part of the Minister to cancel the contract at any time for breach or non-performance": that would mean that for the smallest breach, a trivial breach, of the contract the Minister would have the power to cancel, and that would be monstrous.

Hon. Mr. McKenzie: The Minister must have the power for any serious breach as well.

Mr. Myers: I cannot draft a clause in an important matter of this kind to meet the case. The proposal contained here is, on the face of it, quite unfair. Then the same observations as I have made with regard to subsection (d) apply to the words "and shall not be renewable," added by Mr. Blow to subsection (c) of section 4. Then there are some other amendments which I need not discuss until we arrive at section 6. Mr. Blow strikes out "Provided that in the event of the Court decreeing that such lease shall be forfeited the lessees shall have the right to appeal from such judgment to the Privy Council: Provided further that in lieu of declaring such lease to be forfeited the Court may impose on the lessee a penalty not exceeding £1,000 for any breach of the terms of such lease. (b.) Any judgment imposing a penalty in lieu of forfeiture shall be final and conclusive." Well, sir, I think, in a matter of this kind, the striking-out of this provision is quite unfair. Why that should be struck out I cannot understand. No English investor would invest money in a concern of this kind if he thought that he had not the right of appeal to the Home tribunal. Surely, sir, our Court of Appeal may be trusted. The forfeiture of a lease of this kind would involve disastrous results to the company, and the Bill as drafted gives the Court of Appeal the right to say that if a breach was not serious as to merit forfeiture the Court may in lieu of forfeiture impose a penalty up to £1,000. I have no objection to the £1,000 being increased. I think that this is a very sane proviso, and the same power exists in many of the titles under the amending Act. So long as the Court of Appeal has power to impose a fine up to £1,000 I should have thought that would have been sufficient. If it is a more serious breach the Court could forfeit it altogether.

Hon. Mr. McKenzie: The Court of Appeal might award £500?

Mr. Myers: Mr. Blow says the Court of Appeal might make it £5. We must trust the Court of Appeal, and if they impose a fine of £5 only the inference in their opinion is that that is sufficient. You could make it a daily penalty. I do not think the other amendments require any particular comment, because no doubt we shall have the opportunity of considering the draft Bill when it is brought forward.

77. *Mr. Sidey.* Mr. Blow, you expressed the opinion that it would be a profitable thing for the State to manufacture pig iron?—I think so.

78. For the production of pig iron only?—No, I would not say that—I think we should produce steel and put down a rolling-mill; I do not think we could make large profits on the rolled steel, but think we could produce it at a not excessive cost, and pig iron at much less than we can import it for.

79. That would be for our own requirements only?—Why should we not sell?

80. Do you think we could export pig iron?—Yes.

81. What do you think would be the cost of establishing a plant such as you suggest?—We have no experience, but are working from information obtained from outside sources. The Broken Hill Proprietary are spending not less than £1,000,000, and the New South Wales Government has authority to expend from £1,000,000 to £1,500,000. £650,000 would be quite a minimum, but the syndicate say that £650,000 is sufficient.

82. Do you think the State should establish the industry on the same footing as a private company?—We have parted with our leases. If those leases were surrendered I think it would be good business for the State to develop them.

83. Do you suggest we could enter into competition in foreign countries?—If we found that we could export to foreign countries advantageously I think we should do so.

84. Do you think it would pay the State to establish a plant purely for local supplies?—I think so, but I see no reason why we should not do an export trade if we can do it profitably.

85. Supposing you established the plant for local supply, when you take into account that the State would not then pay any subsidy it would then be that much better off, would it not, as compared with the establishment of a private company?—Yes.

86. Has your Department gone into the thing closely at all?—No.

87. No figures and no data have been worked up?—No proposals have been made to establish anything like that by the Government.

88. *Mr. Wilkinson.* In regard to the Parapara and the Onakaka leases, were they not granted under the assumption that works would be established there, Mr. Blow?—Yes; there is a condition in the leases by which they must employ so many men.

89. Are those conditions being adhered to?—It is too soon to say with regard to Onakaka, and I am not sure as regards Parapara.

90. Do you know whether they are keeping to the conditions?—I have no actual information as regards Parapara lately.

91. In regard to the capital of the company, does it not appear to you that the whole of the capital would be found by the debenture-holders only?—That is so. I understand that £350,000 are all paid-up shares, and that the working capital is to be provided by the debenture-holders.

92. Therefore, who takes the risk?—The debenture-holders.

93. Therefore the Parapara people would simply receive shares and some capital?—Yes.

94. *Mr. Sidey.* Supposing the plant is established for local supplies only, will the capital required in that case be still as much as £650,000?—Yes, if you are going to put down a steel plant and rolling-mills.

95. Do you suggest it as worth while putting down a plant for pig iron only?—I think it would be quite worth while, but should certainly like to see a steel plant also.

96. What would it cost to put down a plant for pig iron?—Probably much less.

97. *Hon. Mr. McKenzie.* Your opinion is, Mr. Blow, that this work can be started without any State aid?—If they can do it in Australia, where conditions are not so favourable, you can make a do of it here.

98. Is it not a fact that the local market in Australia would be four times as great as that of New Zealand, and that would counterbalance any other conditions?—I do not think that is quite so important as having to bring the ore fifteen hundred miles by sea and forty-one miles by rail.

99. You said that coal and coke can be got cheaper than in New Zealand: where were you referring to?—To Newcastle.

100. Are you aware that coke is being made within three miles of Parapara, and made there for many years?—I am not aware of it, but do not think there would be sufficient coal available to keep the works going on a large scale.

101. You said that the £650,000 can easily be got rid of without rolling-mills at all?—I made that statement to emphasize the fact that the syndicate has left the Committee entirely in the dark as to what they propose to do. I was told there was no information available.

102. Is it not your opinion that the Bill submitted by the Government is for negotiation?—I understood that the Bill was to be passed on the lines of this draft.

103. That is, providing the Government will accept it?—It cannot be passed without the consent of the Government.

104. In the first part of your statement you say that this company can be carried on profitably without State aid, and then in another part of your statement you doubt whether we could compete with outside markets. Would it not be to the interests of the people of this country to compete in any part of the Southern Hemisphere?—But the circumstances are against you; the labour conditions would not compare with the labour conditions in Sweden and Belgium.

105. The conditions you say are more favourable here than in Australia, taking them as a whole?—Yes, taking them as a whole.

106. To compete in outside markets do you think that this company would require State aid?—To enable it to compete successfully in outside markets in the matter of manufactured steel I think it would require State aid.

107. You place emphasis on the suggestion that it should be started as a State enterprise. Do you think State-controlled enterprises can compete with private enterprises of this nature?—I think the State coal-mines are holding their own.

108. Do you pay any dividends like the Westport Coal Company?—Does the Westport-Stockton pay a dividend?

109. Do you think it has been their (the Government's) experience that a commercial enterprise of this kind can be run as cheaply by the State as under private control?—I believe there is a popular impression against the State control of industries, but it usually depends upon the people in charge of them. I think if I had control I could run it as cheaply as a commercial man could.

110. You mean, if you had complete control, without pressure being brought to bear by members of Parliament?—That does not count so much as some people think.

111. In reply to Mr. Myers you expressed the opinion that the lease is a lease in perpetuity?—I said the lease was renewable.

112. That provision does not apply to Onakaka: does it apply to Parapara?—It clearly states the Parapara lease is renewable.

113. That would be subject to the lease being continuously worked?—Yes.

114. Will you explain whether instructions have been sent to the Parapara Company that if they do not take the necessary steps to have their lease in proper working-order the term will be cancelled?—Yes.

115. They apply to the Warden once a year for protection?—Those appeals were made to the Warden without the knowledge of the Department. It is not fair to the Department. The Warden has certain powers without the consent of the Minister.

116. Do you know how long the Parapara lease has been in existence?—It bears date the 15th August, 1905.

117. When was the lease granted to Sir Alfred Cadman?—In 1905. It was granted to the Public Trustee as his executor.

118. Do you know how long they have held that ground?—No.

119. I should say, approximately, about fourteen years. Do you think, as a matter of public policy, they should either work or abandon the lease?—I do.

120. In calculating the amount that the company would be paid by way of subsidy and compound interest you did not take into consideration any collateral advantages, did you?—I think there are considerable collateral advantages.

121. Have you ever gone into the question of the number of men it would take to produce 150,000 tons annually?—No; I can tell you how many it takes at Lithgow, and their output. At the furnaces the number of men employed is 108, in addition to which they have men many miles away, who mine their ore and limestone.

122. You said that the iron-ore can be produced at Parapara at 3s. per ton?—Delivered at the furnace at about that price.

123. What kind of coal would they use—Westport?—Westport or Seddonville small. It would cost 9s. or 10s. f.o.b.

124. What class of coal could be produced at 9s.? It requires 2 tons of coal to produce a ton of iron; it would cost three times as much to produce the coal as to produce the iron?—Yes.

125. You give us 108 men at the furnace. I say that would probably represent one-tenth of the total employment?—I think the proportion would not be nearly so large. I should say one-third.

126. Assuming that coal costs 9s. and this ore costs 3s. to mine—one-third of the expense?—What about the furnace, the puddling of the iron, and the supervision of the mills?

127. What would you consider the population of New Zealand would be in forty years at the present rate of increase?—I should say about two millions and a half.

128. If we import 140,000 tons now you would multiply that by $2\frac{1}{2}$ for our consumption in forty years' time?—Yes, more than that.

129. In forty years' time how many people will be employed in connection with those works, including their dependants: would you consider ten thousand a fair estimate?—That is including all the men employed in mining and manufacture and their dependants. I should think that estimate would not be far from it.

130. In making your calculations of the amount we paid, you did not consider the collateral advantages?—I considered them.

131. What would be the value of ten thousand people to the Customs?—About £3 per head—£30,000 per annum.

132. Assuming that we get this iron at 5 per cent., what would you save on the Government requirements?—On manufactured steel we would save very little. On pig iron we would save considerably.

133. Why not on manufactured steel?—The cost of production would probably be more than at Home.

134. Assuming provision is made for this company to sell to the Government at London prices, plus 5 per cent., would you make considerable saving then?—About half the freight.

135. About £1 per ton?—About half that.

136. Would it be a fair assumption that the collateral advantages would more than counter-balance the subsidy that we paid?—That is rather a big question. I do not know.

137. You admit the country would gain £30,000 through the Customs?—That is at the end of forty years' time.

138. Coming to private consumers and iron-manufacturers generally, would the establishment of these works be of very great benefit to the industries of the country generally?—Unless they are going to supply at a lower price than they can buy for now I do not see where the advantage comes in.

139. Assuming that they could sell at the same price, would there be no considerable advantage then?—There would be an advantage in the matter of prompt delivery.

140. And exchanges and commission, insurance, &c.?—Yes.

141. Would it not be a very great advantage if local pig iron could be supplied for local works?—But I do not think the company would be willing to supply the ordinary consumer at cost plus 5 per cent.

142. Do you know whether many of the articles manufactured from cast iron can be produced in New Zealand? It runs into a large amount of money?—Yes, I believe so, such as the manufacture of water-pipes, &c.

143. Did you see the report of the deputation which interviewed me from the Ironmasters' Association in connection with this matter?—Yes.

144. Do you know whether they were unanimous in the opinion that they would receive very great advantage from the establishment of these works?—I think they were, and I think they are unanimous now, but I think it is a unanimity based on want of knowledge. Some of them import iron and steel now at less than it can, in my opinion, be produced for in New Zealand.

145. Do you not think they ought to know?—Certainly, as astute men they ought to know.

146. In connection with the bounties, supposing the Crown gave a bounty instead of a subsidy, do you think we should then get works established?—I think we would. There is a talk of utilizing the ironsands on the Onehunga beach, and also outside the late Sir A. J. Cadman's lease.

147. Where would they find their knowledge?—From the same place that the Parapara people find their knowledge.

148. What amount of bounty would you recommend, Mr. Blow?—I think about 10s. per ton.

149. Do you think that 10s. per ton would be sufficient encouragement for any one to invest a large amount of capital in establishing ironworks?—It is doubtful. The question is whether Parliament would see its way to grant a further amount.

150. Are you aware that the Government was prepared to give a bounty of £1 per ton up to 175,000 tons a few years ago? Did you consider £1 a ton too much at that time?—My opinion was not asked.

151. Do you think 10s. per ton would be sufficient now to encourage any one to establish ironworks?—I am very doubtful.

152. When you recommended a bounty you really had not considered the question?—I had not considered the amount of the bounty, but I think the bounty would be a better system.

153. You say that there is a probability of the iron-deposits being worked out in less than forty years?—I did not say "probably"; I said "possibly."

Mr. Myers: Mr. Chairman, before the Committee adjourns I would like to say that the Bill does not make provision for the plant and machinery required being allowed to enter free of Customs duty. That was part of the suggestion of the Ethelburga Syndicate, and, of course, it is in the interests of all parties.

THURSDAY, 31ST OCTOBER, 1912

H. J. H. BLOW recalled. (No. 14.)

1. *Hon. Mr. McKenzie.*] When we adjourned yesterday I was asking Mr. Blow if he had made any estimate of the amount of bounty which he considered necessary to give to any company or ironworks of sufficient capacity to make it payable. What bounty, per ton, would you consider enough for works of that nature and which would be likely to be required?—I do not think any bounty would be needed in the matter of pig iron.

2. I am not asking you about pig iron. Take manufactured steel—steel rails: take what would be suitable for bridge-work?—I think on such work as that they would probably need a bounty of 10s. per ton.

3. You are aware the Government offered the bounty before?—I do not think I am aware of it.

4. You remember £5,000 was an offer made by the late Hon. R. J. Seddon?—I believe there were some such proposals. I have forgotten the details.

Hon. Mr. McKenzie. There is an analysis here, Mr. Chairman, that was made in England about seventeen years ago of Parapara iron-ore, limestone, and hæmatite paint, and the copy belongs to the Mines Department. Could we put this in as evidence?

The Chairman. Yes.

Witness. It is a departmental paper, No. C.-10A, 1895. It is a report forwarded by the Agent-General on the iron-ore, limestone, and hæmatite paints of the Collingwood district.

[The exhibit was handed in to the Committee as evidence.]

5. *Hon. Mr. McKenzie.*] Will you look at the analysis, or the remarks made on the Parapara iron as compared with the Northamptonshire iron, Mr. Blow? The New Zealand ore is decidedly superior to the Northamptonshire ore on account of its freedom from phosphorus?—In this analysis there was merely a trace of phosphorus, against 3·17 in one and 1·03 in another in the Northamptonshire analysis.

6. There is a percentage of 3·51, too, I think?—Yes. But the analysis does not quite agree with Dr. Bell's analysis.

7. With regard to nationalization?—I said I was in favour of nationalization, but unless we can resume these leases there is not much chance of nationalization.

8. *The Chairman.*] We were talking of the cost of a furnace for pig iron: can you give the Committee any information as to that?—I said yesterday, I think, if the output of the works was limited to pig iron the cost of the works would really be about half what they would be for a complete plant. I said I had no complete information on that point—I thought about half. I meant not only the furnace but a complete equipment for putting out the iron.

9. *Hon. Mr. McKenzie.*] Do you propose rolling-mills for the manufacture of wire, &c.?—Not wire; I propose rails, bars, rods, and angles.

10. *The Chairman.*] What would the blast furnace cost?—It would run from £50,000 to £70,000.

11. And its possible output would be?—About 200 tons per day.

12. Between 50,000 and 60,000 tons per year?—Yes.

13. If it can be proved that the Parapara Company has not complied with the terms of its lease, can the lease be cancelled?—Yes, I think so.

14. *Mr. G. M. Thomson.*] Does not that lease cover the lease of the Taranaki ironsand?—No.

15. *The Chairman.*] In reference to the three millions which you suggested the Government would have paid by the end of forty years, taking compound interest at 4 per cent., do you mean that the Government would at the end of forty years on that basis have paid £3,000,000 for the direct and collateral advantages accruing from the Ethelburga Syndicate's works?—No, sir, they would not pay that amount. If, instead of paying instalments to the syndicate as proposed, they put that money by, the instalments, plus 4 per cent. compound interest, would amount to nearly £3,000,000 in forty years.

16. So that we would in forty years' time have practically paid three millions for whatever advantages the Ethelburga Syndicate offers?—Yes.

17. *Mr. Veitch.*] During your examination by Mr. McKenzie, Mr. Blow, you arrived at an assumption, by a guess, of the population of New Zealand in a given time. In forty years you thought it would amount to two millions and a half?—Yes.

18. From that you estimated the number of men likely to be wanted in New Zealand in connection with the industry?—Mr. McKenzie said two and a half times the amount of iron would be used.

19. From that the given number of men would be employed in the works?—Yes.

20. And from that an estimate was taken of the benefit the country would derive in Customs taxation from the number of men employed in the works and its development. Assuming the estimate of two millions and a half was correct, no doubt the following assumptions would be correct?—Yes.

21. Can you tell us how you arrived at the two millions and a half?—It was just a guess.

22. Assuming that two millions and a half is only a guess and may be correct, we cannot place much reliance on the ultimate deductions?—I do not place much reliance on them myself.

23. *Hon. Mr. McKenzie.*] Your computation would be based on the statistical progress made in this country in the forty years?—On our present rate of increase.

24. *Mr. Myers.*] Mr. Blow, you expressed to the Chairman the opinion that the Parapara lease might be liable to forfeiture: is that so?—Yes.

25. And I suppose it might not?—It might not.

26. I suppose that that is partly a question of law?—It is very largely a question of law.

27. Very well, then, "very largely a question of law," which depends upon whether the conditions are complied with, and if so to what extent there has been non-compliance?—Yes.

28. On that subject you have very little information?—I think I have more than you think.

29. The company have had protection from time to time?—It has had protection.

30. However, you feel confident to express no opinion as to whether the lease could be cancelled or not at the present time?—I would rather not. It is a matter for consideration at the present time.

31. *Hon. Mr. McKenzie.*] Do you know the opinion of the Crown Law Office on the question of whether the lease could be forfeited or not?—Yes, I think I do.

A. D. BAYFIELD. (No. 15.)

The Chairman: Mr. A. D. Bayfield, who holds an option over the Patea Harbour Board's foreshore and river reserves, has written and sent in his statement to the Committee. I will read it:—

"Wellington, 31st October, 1912.

"A. S. Malcolm, Esq., M.P., Chairman, and members of the Iron and Steel Industries Committee, Wellington.

"SIR AND GENTLEMEN,—Acting on the suggestion of your Chairman I respectfully beg, in the absence of my not being able to be personally examined, to submit the following statement bearing upon the important question of the development of the iron and steel industry in this country. First I must inform you that I hold from the Patea Harbour Board an option over their foreshore and river reserves, and also over certain private interests, and that for the past two years have been engaged in the problem of how best to bring the ironsands of the North Island to commercial account. My object in wishing to get my views before your Committee must not have the semblance of in any way being opposed to the Parapara Iron Syndicate, but distinctly with the view of asking that in any proposed inducement that may be given by the Government recognition shall be given to the fact that the ores of Parapara and the sands of the North Island offer two distinct and separate propositions for the economic development of the proposed industry. In the Bill brought down last session four classes of production were provided for to participate in bonus consideration, the largest portion being in favour of ordinary pig iron; and I would respectfully ask that greater consideration be given to quality of product, for the reason that the sands are capable of production of articles that the ores are not. The establishing of the presence of vanadium in the sands is a very important factor (see page 48 of Geological Bulletin No. 14, footnote). I join in what I believe to be a general view—viz., that it is reasonable to ask the Government to give a substantial inducement to any one who may be inclined to risk the establishing of works in the Dominion to bring the iron and steel industry to a successful issue—and I differ from those who think that a profitable business cannot be done. The foregoing really embraces the most important points on which my evidence, if given, would rest.

"I am, &c.,

"A. D. BAYFIELD."

APPENDIX.

EXHIBIT A.

REPORT FROM G. H. ALLAN, MANAGER PARAPARA COMPANY.

SIR,—

Collingwood, 4th October, 1912.

I have much pleasure in stating that the result of development-work carried on at Parapara recently in testing the nature and extent of the iron-deposits below the surface have been of a most gratifying character, having conclusively proved that a solid ore-body lives for several hundred feet from surface to lowest levels driven. Tunnels driven some 375 ft. on Washbourn's block at a vertical depth of 200 ft. from the surface carried the same class of solid iron-ore met with on the surface, and also in the series of tunnels put in on a 100 ft. higher level. This and the solid iron left underfoot in the lowest level affords the required evidence of a colossal iron-deposit at Parapara of almost an inexhaustible extent, fully justifying the Government's acceptance of the proposals to provide the capital required to establish iron and steel works in the Dominion. Supplies of raw material for future generations may evidently be provided from these immense latent resources, not likely to be exhausted for several hundred years to come.

There are altogether nearly 2,000 ft. of underground levels, ranging from 100 ft. to 200 ft. (vertical) below the surface, practically all exposing solid ore-body, every foot of which had to be extracted by explosives. On the Cadman lease, in addition to the tunnels, open faces of ore have been exposed more than 250 ft. below the top surface indications, thus showing that here also the quantity of ore is most considerable. The removal of overburden between these two points—which are about half a mile apart—shows the continuity of the iron.

It is therefore patent that the anticipations that a large body of ore existed below the surface have been more than realized by recent work.

In the light of the basis of former calculations of experts (which were based chiefly on available or visible ore-deposits on the surface several years ago), and making ample allowances for waste portions of areas, it is safe to assert that development-work of the past two years has increased the ascertained extent of ore-body on the properties to very much greater proportions than hitherto known—equal probably to four times the quantity formerly estimated. Thus, on the Washbourn Block, the estimate of iron-ore in sight is about 80,000,000 tons (eighty millions); and on the Cadman area (over 900 acres), judging by the knowledge gained by close inspection and the more extensive development-works carried out, an estimate of not less than 165,000,000 tons (one hundred and sixty-five millions) of ore would not be an unreasonable one, and I am prepared to substantially demonstrate that fact.

I have had an intimate connection with the whole iron-areas of Parapara extending over nine years.

In conclusion, I may say that in my opinion there is no possibility of the deposits of Parapara becoming exhausted in forty years, as erroneously stated by those who are ignorant of their extent. An annual consumption of 400,000 tons for two hundred years would not exhaust the supply already proved to exist within the area of the Cadman leases.

Yours faithfully,

G. H. ALLAN,

Manager, Parapara Iron-ore Company (Limited).

J. H. Witheford, Agent for Ethelburga Syndicate.

EXHIBIT B.

REPORT BY HARLEY E. HOOPER, A.S.A.S.M., A.I.M.M., ON THE PROPERTY OF THE PARAPARA IRON COMPANY (LIMITED).

DEAR SIR,—

Reefton, 10th May, 1910.

At the invitation of one of your directors I visited your properties early in April of this year. In forwarding you a few notes thereon I should like to classify the deposits under the three headings of—Ore, Flux, and Fuel.

Iron-ore.

In this immense deposit the three main requirements of quantity, quality, and ready accessibility are thoroughly well met. The enormity of the first beggars description, and can only be slightly comprehended after two or three days energetic traversing over the leases. Taking the deposit at only fifty feet (50 ft.) deep (an extremely conservative estimate), there are something like fifty millions (50,000,000) tons of ore in sight, available for opencut work or quarrying. Of the superior quality there can be no question after the great number of samples taken

and analysed by the Government Geological Survey. Taking the average iron value at about 50 per cent. (which has practically been proven), it is decidedly higher in grade than the majority of American and European deposits at present being smelted.

I would strongly advise diverting the present expenditure—that is, that not employed in removing the overburden—into driving a few low-level adits to prove the deposit at depth, and more so to open up that portion of the ore-body which is not contaminated by surface debris (enclosed quartzite, &c.), and thus show what I believe would be an even better general grade of ore than is at present exposed.

With the limited time at my disposal I saw that I could not do justice to the deposit by taking a few samples, and, being thoroughly satisfied that the previous favourable reports were not in the least exaggerated, I turned my attention to the other two necessities for the treatment of the ore.

Limestone.

There are very large deposits of subcrystalline bluish limestone practically within a stone-throw of the iron-ore deposits, but these carry a considerable amount of insoluble micaceous gangue, as the following typical analysis will show:—

	Per Cent.
Lime	44.2
Carbon-dioxide	34.7
Micaceous gangue	17.8
Ferric oxide (Fe_2O_3)	1.4
Alumina (Al_2O_3)	0.8

The gangue would be decidedly prejudicial to the smelting, but the deposits are large enough to allow of selection and use of the better portions only.

About a mile to the west of the western end of the Washbourn Block, on a portion of the property known as Riley's, are some immense detached blocks of a practically pure calcite. A typical sample taken from a number of blocks returned on analysis—

	Per Cent.
Lime	55.64
Carbon-dioxide	43.72
Silica	0.25
Ferric oxide	0.24
Alumina	0.15

These boulders are particularly homogeneous, and I was assured on reliable authority that they were detached from a large deposit farther up the ridge. Their appearance certainly confirmed this, and lack of time only prevented my further investigations. I cannot speak too highly of this grade of limestone, and it would be considered absolute perfection for iron or any other smelting requiring a lime flux.

An adjacent deposit of amorphous limestone returned:—

	Per Cent.
Lime	37.00
Carbon-dioxide	29.07
Gangue	28.45
Ferric oxide	1.82
Alumina	0.43

This is distinct from the purer variety, and could easily be left separate in the quarrying.

Coal.

I visited the Oti Mataura coal-workings, up the Aorere River, and found the main drive extending about 120 ft. into the hill. The most typical section was exhibited about 75 ft. in from the mouth, and this I examined, sampled, and analysed, with the following result:—

OTI MATAURA COAL-SEAM.

Scale, 1 in.

ANALYSIS.

	Ash.	Fixed Carbon.	Volatile Hydrocarbons.	Water.	Coke.	Sulphur.
12 in. coal and black clay						
16 in. good coal ..	5.3	55.0	37.2	2.45	60.3	0.496
7 in. yellow stone band						
4 in. splint coal ..						
7 in. good coal ..	6.0	52.8	39.5	1.60	58.8	0.510
5 in. black stony coal						
9 in. good coal ..	8.4	52.6	37.4	1.55	61.0	0.521
11 in. black stone ..						
27 in. good coal ..	7.8	53.8	36.9	1.45	61.6	0.603

(Sampled 75 ft. in drive.)

Commenting on this seam: We have a total width of 58 in. of good coal with the following characteristics:—

Ash: The amount of this is very moderate in each case, and would mean about 12 per cent. in the coke produced. Of the two cokes used in iron blast-furnace smelting at Lithgow, N.S.W., one carried 17·2 per cent. and the other 18·3 per cent. of ash. The Mataura ash carries a fair amount of iron in itself, so that it is partially self-fluxing.

Coke: The coke made experimentally was coherent, of a good silvery-grey colour and a bright lustre. The quality could be much improved and the coke made thoroughly hard by washing the coal. The coke percentage was high.

Water: This is decidedly low, and classes the coal as well suited for coke-making. It is a great improvement on the majority of New Zealand coals. As a boiler-fuel, too, it would be excellent.

Sulphur: This is low enough not to interfere seriously with the coke for iron blast smelting. The coal must be considered a low sulphur coal compared with fuel used for a similar purpose in other parts of the world, and very low in comparison to the west coast of New Zealand coals.

It will be noticed that this seam is much banded, and only portions have been analysed. The others decidedly merit further investigation, but, as at the time I had only made provision for taking a few samples, accordingly I took what were obviously good coal-bands.

The character of this seam and most of the adjacent ones demands the installation of a coal-washing plant prior to coking. This would give a fourfold advantage, allowing more of the seam to be mined, giving a more coherent coke fitted to stand the weight of the column in the blast furnace, eliminating much ash and sulphur. Washing is done in America for from 3 to 5 cents per ton. The coal should be lowered by means of an aerial ropeway to a suitable site on the flat for a washery and coking plant, and the coke then railed to the blast-furnace site, a distance of about six miles.

About five other seams in this neighbourhood showed promising outcrops, and the vegetation and debris should be cleared from them immediately, their positions accurately located and correlated one with another, and each sampled and analysed in section in a similar manner to that shown.

Successful iron blast-furnace smelting demands the best of materials only, and the composition and constitution of those which will probably be used should be accurately known previous to starting. There are considerable quantities of the finest silica sand I have ever met with in the vicinity of the iron-ore. This carries 99·4 per cent. silica, and would be necessary for making the refractory materials in furnace-construction. Fireclay could probably be found near the coal-seam.

In conclusion, I would say that the primary necessities are here for a big industrial enterprise, and, given judicious management, reasonable labour, and a ready market, it should be a particularly prosperous undertaking.

Yours, &c.,

HARLEY E. HOOPER, A.S.A.S.M., A.I.M.M.

The Chairman of Directors, Parapara Iron Company (Limited), Christchurch.

EXHIBIT C.
QUANTITIES AND VALUES OF IRON AND STEEL IMPORTED FOR FIVE YEARS.

Item.	1911.		1910.		1909.		1908.		1907.		Remarks.
	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	
Iron and steel angles ..	£ 13,089	Tons. 1,726	£ 9,716	Tons. 1,368	£ 7,413	Tons. 1,039	£ 14,720	Tons. 1,858	£ 5,912	Tons. 669	Average value, £7 12s. 9d. per ton Freight, £1 1s. 3d.
Bar, bolt, and rod ..	215,557	27,389	161,009	20,297	146,448	17,896	195,983	22,669	199,017	21,791	Average value, £8 per ton. Freight, £1 1s. 3d.
Hoop ..	2,629	218	22,117	2,503	23,305	2,543	25,006	2,647	24,184	2,383	Freight, £1 1s. 3d.
Pig.. ..	42,485	10,031	42,003	10,107	39,244	9,767	47,985	11,283	45,566	9,723	Average value, £4 5s. per ton. Freight, £1 6s. 3d.
Pipes and fittings ..	264,830	{ 7,820 } { 20,147 }	204,241	19,889	155,790	15,824	209,404	16,875	188,159	17,743	Average value, £7 11s. 5d. per ton.
Rails ..	163,221	21,564	141,274	21,322	138,001	19,911	128,063	17,420	136,331	17,988	
Sheets and plates ..	62,511	7,113	60,249	7,147	70,072	8,460	73,244	7,822	77,944	7,948	
Sheet, galvanized corrugated ..	308,782	19,962	274,192	17,790	220,647	13,503	222,978	13,588	291,085	15,735	
Sheet, galvanized plain ..	80,941	5,248	53,144	3,352	54,869	3,274	61,201	3,547	70,329	3,945	
Wire, barb ..	62,081	4,975	60,988	4,861	38,873	3,208	53,463	4,106	47,939	3,629	
Wire, plain ..	129,129	12,935	118,150	11,819	83,149	8,737	125,767	12,008	116,204	10,940	
Machines and machinery, agri- cultural ..	108,096	..	123,279	..	112,231	..	138,733	..	103,397	..	
Ploughs and harrows ..	10,292	..	8,801	..	7,437	..	9,599	..	9,501	..	Average tonnage per annum for five years, 1907-1911 = 124,251 tons.
Machinery, dairying ..	52,404	..	68,286	..	41,983	..	35,386	..	49,487	..	
Engines, gas and oil ..	129,545	..	89,978	..	69,839	..	98,924	..	110,132	..	
Boilers ..	8,613	..	7,361	..	6,474	..	12,207	..	8,777	..	
Mining ..	41,707	..	32,275	..	37,409	..	32,216	..	35,216	..	
Engines, traction and portable..	24,027	..	28,783	..	19,951	..	27,151	..	29,360	..	

VALUE OF TOTAL IMPORTS IN AGRICULTURAL MACHINERY, HARDWARE, RAILS, RAILWAY-BOLTS, IRON AND STEEL, PIG IRON, WIRE AND MACHINERY, NAILS, RAILWAY PLANT, ETC.

	£
1903	2,364,628
1904	2,657,448
1905	2,361,042
1906	2,923,632
1907	3,159,394

Total for five years, £13,466,144. Average, £2,693,229 per annum.

Total maximum subsidy for forty years	£1,300,000
Total saving as per statement for forty years	£5,000,000

The cost of Parāpara pig iron being £2 10s. per ton, the ironfounders could make here half of what is now imported. This would mean the employment of 10,000 mechanics in our factories. These represent 40,000 souls. At Customs value this means to New Zealand £124,833; at trade value, £1,488,333 per annum.

On the same basis the Government save on their yearly purchase £50,000, besides receiving £7,500 per annum on royalties on 100,000 tons iron and steel—£57,500; manufacturers would save about £100,000: total, £157,500. Maximum subsidy, £32,500. Balance in favour of the Dominion, £125,000.

PUBLIC WORKS CONTRACT, 1912-1915

	Per Ton.
	£ s. d.
Iron bars, N.C.	11 0 0
„ N.C.B.	11 10 0
„ N.Z.	11 0 0
Iron sheets, 11/20 G.	13 10 0
„ 22/26 G.	14 0 0
Iron plates	13 10 0
Iron angles and tees, N.C.B.	13 10 0
Iron angles, R. H. Crown, &c.	13 0 0
Iron hoop	10 18 0
„ galvanized	17 0 0
Steel plates	13 0 0
„ sheets	13 0 0

COST OF PRODUCTION OF STEEL CASTINGS, ETC.

The following estimates of cost of production are taken from the reports of the following: T. Scott Anderson, A.M.I.C.E., M.I.E.E., Sheffield, England; Dr. J. M. Bell, New Zealand; Professor Park, and H. F. Chamberlain.

On an output of 240,000 tons rails, pig iron, bar iron, sheets, wire, steel, steel castings, pipes, &c. :—

	Per Ton.
	£ s. d.
Steel castings	13 0 0
Tool and drill steel	14 0 0
Pig iron	{ 1 9 3 to 2 2 0
Fencing-wire	6 0 0
Railway material	10 0 0
Galvanized corrugated sheets	10 5 0
Steel sheets and plates	7 0 0
Bolt, bar, and rod iron	6 0 0
Steel billets	6 0 0
Cast-iron pipes and fittings, &c.	4 10 0
Special wire	7 10 0
Malleable castings	5 0 0
Iron and steel, various	7 0 0
Rails	5 0 0
Galvanized sheets not corrugated, and corrugated sheets not galvanized	9 0 0

QUANTITIES AND VALUES OF IRON IMPORTED FOR FIVE YEARS.

Item.	Quantity im- ported, 1907-1911.	Imported Cost at New Zealand Ports, including Freight.	Parapara Costs as per preceding.	Cost to the Govern- ment at Parapara Prices, plus 5 per Cent.
	Tons.	£	Per Ton. £ s. d.	£
Angles, iron and steel	6,600	50,850	6 0 0	41,958
Bar, rod, and bolt iron	110,042	918,014	6 0 0	693,265
Hoop iron	10,294	97,241	6 0 0	71,052
Pig iron	50,911	217,277	2 0 0	106,913
Pipes and fittings	97,298	1,022,524	4 10 0	459,628
Rails	98,204	708,890	5 0 0	515,530
Sheets and plates	38,490	344,020	7 0 0	269,430
Sheets, galvanized corrugated ..	80,578	1,317,684	10 5 0	846,069
Sheets, galvanized plain	19,366	320,484	10 5 0	208,427
Wire, barb	20,779	263,324	8 0 0	174,543
Wire, plain	56,439	572,399	6 0 0	355,566
	589,061	5,832,707	..	3,742,381
Add freight to Parapara to equal imported costs at 12s. 6d. per ton to main ports in New Zealand	368,164
				£4,110,545

Credit balance in favour of New Zealand on five years' purchases, £1,722,162.

To produce the above Parapara would pay in wages at least £1,871,195, which would mean the employment of 3,000 hands per annum with four dependants = 12,000 persons. At Customs and trade value each person is worth £40 6s. 7d. \times 12,000 = £483,950 \times five years = £2,419,750. Add credit balance as above, £1,722,162—£4,141,912. Deduct duty on pipes and galvanized sheets for five years, £241,331. Credit balance in five years, £3,900,581.

EXHIBIT D.

AGREEMENT BETWEEN THE PARAPARA COMPANY AND THE ETHELBURGA SYNDICATE.

AN AGREEMENT made the seventh day of September, one thousand nine hundred and eleven, between the PARAPARA IRON-ORE COMPANY (LIMITED), a company registered in the Dominion of New Zealand, and having its registered office in the City of Christchurch, in the said Dominion (hereinafter called "the vendor"), of the one part, and the ETHELBURGA SYNDICATE (LIMITED), having its registered office at 65 Bishopsgate, in the City of London (hereinafter called "the syndicate"), of the other part.

Whereas the vendor is the proprietor of the mineral property and water-rights short particulars whereof are set forth in the schedule hereto: And whereas a company (hereinafter called "the company") is about to be formed by the syndicate as a company limited by shares under the Companies (Consolidation) Act, 1908, for the purpose (among other objects) of acquiring and working such mineral property and water-rights: And whereas it is proposed that the capital of the company shall be three hundred and fifty thousand pounds, divided into three hundred and fifty thousand shares of one pound each, and that the company shall create and issue a series of five hundred thousand pounds cumulative four-per-cent. first-mortgage debentures, and that the company shall after payment of all expenses, including underwriting, brokerage, and the remuneration of the syndicate, have a sum of four hundred thousand pounds at least available for the purpose of paying the purchase price of the property agreed to be purchased hereunder, and of purchasing plant and machinery and any other property which may be acquired, and of erecting ironworks, and for working capital and the general expenses of the company:

Now it is hereby agreed and declared as follows:—

1. The vendor shall sell and the syndicate shall purchase, subject as hereinafter mentioned, all the lands, minerals, water-rights, and property of the company whatsoever, short particulars of which (so far as the same are known in England and without prejudice to the generality of the conveyance hereby agreed to be made) are as follows:—

(a.) All the lands, minerals, water-rights, and property specified in the first part of the schedule hereto, and all rights and privileges incidental thereto.

(b.) All the property specified in the second part of the said schedule, comprising the whole of the Boulder Lake water-rights and all other rights associated therewith.

2. The consideration for the said sale shall be the sum of one hundred and forty-two thousand five hundred pounds.

3. The said consideration shall be payable as to the sum of forty-two thousand five hundred pounds in cash, and as to the balance of one hundred thousand pounds in fully-paid shares of the nominal value of one hundred thousand pounds in the capital of the company to be duly formed under the Companies (Consolidation) Act, 1908, as aforesaid, for the purpose (*inter alia*) of acquiring and working the said mineral property and water-rights with a nominal capital and debenture capital as aforesaid, and with the sum of four hundred thousand pounds at least available for the purposes aforesaid, and bound by agreement with the syndicate to purchase from the syndicate the said mineral property and water-rights: Provided that nothing contained in this agreement shall prevent the company from raising further capital for development purposes if so authorized by extraordinary resolution of the company.

4. The vendor shall show a good title free from incumbrances to the said mineral property and water-rights specified in the schedule hereto, in accordance with the laws of New Zealand.

5. The said purchase shall be completed on or before the thirty-first day of December, one thousand nine hundred and eleven, and as from such date the syndicate shall pay all rents and sums of money necessary for complying with labour conditions and statutory requirements for protecting the title and all outgoings in respect of the premises hereby agreed to be sold.

6. On completion of the purchase the vendor shall execute a proper transfer or transfers of the said premises to or otherwise procure the same to be vested in the syndicate or to the company or their nominees, as the case may be, and shall give to the syndicate or the company possession of the premises mentioned in the schedule hereto, and do all such other things as shall reasonably be required for giving to the syndicate or the company the full benefit of this agreement, and thereupon the sums of thirty thousand pounds in cash and one hundred thousand pounds in shares forming part of the consideration hereunder shall be paid and satisfied. The balance of the consideration—namely, twelve thousand five hundred pounds—payable in cash, which is the portion of the purchase price allocated as the consideration for the sale of the property mentioned in the second part of the schedule hereto, shall be paid to the vendor on the expiration of one year after the date on which the property hereby agreed to be sold shall have been transferred to and duly vested in the syndicate or its nominees. The races, pipe-lines, bridges, dams, reservoirs, and buildings on and about the properties described in the schedule hereto shall be handed over to the syndicate or its nominees in good order and condition.

7. The syndicate shall appoint or cause the company to appoint an agent in New Zealand for the purpose of investigating the title of the vendor to the premises hereby agreed to be sold, and for the purpose of making all necessary arrangements for the transfer thereof to the syndicate or the company, and of obtaining an official notification from the Government of New Zealand that the title of the vendor is in order should the same be procurable, and with instructions to cable to the bank hereinafter mentioned as soon as a good title shall be shown to the said premises, and that the documents necessary to vest the said premises have been properly executed by the vendor and deposited in escrow in the joint names of such agent and the vendor or his agent, to be released to such agent of the syndicate or the company, as the case may be, as soon as the purchase consideration payable to the vendor shall have been duly paid and satisfied.

8. The said sum of thirty thousand pounds and properly sealed certificates for the fully-paid shares forming part of the consideration hereunder shall be deposited with the Union Bank of Australia (Limited) in London in the joint names of such persons as may be nominated for the purpose by the vendor, or by any two of the attorneys appointed by the vendor under a power of attorney dated the twenty-ninth day of March, one thousand nine hundred and eleven (hereinafter called "the nominated representative"), and the syndicate or the company, as the case may be, at least fourteen days before the day hereby fixed for completion, with instructions on receipt of such cable as aforesaid to deliver the same to the nominated representative or as he shall direct.

9. The syndicate shall pay the costs of and incidental to the preparation of the memorandum and articles of association of the company, and of the registration thereof, and of all capital, duty stamps, fees, and legal expenses incident to the formation of the company, and generally of all the preliminary expenses whatever incurred in relation to the company down to the first general allotment of its shares, or to the time when the directors decide not to proceed to allotment.

10. The sale hereby agreed to be made is subject to an arrangement satisfactory to the syndicate being made with the Government of New Zealand whereby the said Government grants to the syndicate or to the company to be formed certain privileges and an annual subsidy, and for renewals or extensions of certain warrant license and options which the syndicate has conditionally agreed to purchase from one Thomas A. Turnbull, of Nelson, in the Provincial District of Nelson, in the Dominion of New Zealand, mining engineer, being obtained in terms satisfactory to the syndicate, and to the syndicate being satisfied as to the title to the property described in the said schedule and to the terms and conditions on which the same is held.

11. In the event of any financial crisis, panic, war, or other case of *force majeure*, or other event arising during the existence of this agreement which in the opinion of the syndicate would imperil or prejudice the flotation of the company or the issue of its debentures, the syndicate shall be at liberty to cancel the present agreement by notice in writing to the vendor or the attorneys of the vendor addressed to the office of Messieurs Paines, Blyth, and Huxtable, of 14 St. Helen's Place, in the City of London, in which event neither party shall have any claim whatsoever against the other in consequence thereof.

12. Unless before the thirty-first day of December, one thousand nine hundred and eleven, the syndicate shall have notified in writing to the vendor or the attorneys of the vendor, as mentioned in the last preceding clause hereof, that an arrangement satisfactory to the syndicate has been entered into with the Government of New Zealand with respect to the properties referred

to in clause 10 hereof, and that the syndicate is satisfied as to the title to the property described in the said schedule and to the terms and conditions on which the same is held, and the company shall have become entitled to commence business, the vendor or the attorneys of the vendor by notice in writing to the syndicate, or the syndicate by notice in writing to the vendor or the attorneys of the vendor, addressed as mentioned in clause 11 hereof, may cancel this agreement, in which event neither party shall have any claim whatsoever against the other, whether for costs, charges, expenses, or otherwise.

13. This agreement, although in part relating to property in New Zealand, shall be deemed to be an agreement executed and to take effect in England, and shall be construed and operate accordingly.

14. The syndicate or the company shall cause this agreement or some other sufficient agreement to be duly filed with the Registrar of Companies pursuant to section eighty-eight of the Companies (Consolidation) Act, 1908, and also in the case of shares allotted to the vendor's nominees or those of his said attorney shall cause a sufficient contract to be so filed constituting the title of such nominees.

In witness whereof these presents have been signed on behalf of the vendor by Frederick James Savill and Thomas Chapman, the attorneys of the vendor duly authorized in that behalf by a power of attorney given under the seal of the vendor dated the twenty-ninth day of March, one thousand nine hundred and eleven, and the syndicate have caused their common seal to be hereunto affixed the day and year first above written.

The common seal of the Ethelburga Syndicate (Limited) } [L.S.]
was hereunto affixed in the presence of—

FRANCIS M. VOULES, }
W. R. SOUTHEARD, } Directors.
A. R. BENNETT, Acting-Secretary.

Signed, sealed, and delivered on behalf of the Parapara }
Iron-ore Company (Limited) by Frederick James } F. J. SAVILL. [L.S.]
Savill and Thomas Chapman, its duly authorized } THOMAS CHAPMAN. [L.S.]
attorneys, in the presence of—

H. M. COHEN,
14 St. Helen's Place, London E.C., Solicitor.

THE SCHEDULE BEFORE MENTIONED.

Part I.

Freeholds.

1. All that parcel of land containing by admeasurement 4 acres 2 roods 7 perches, more or less, being part of Section 76 on the plan of the District of Parapara, in the Provincial District of Nelson: bounded towards the north-west, 755 links, by a public road; towards the north-east, 600 links, by other part of the said Section 76; towards the south-east, 755 links, by other part of the same Section 76; and towards the south-west, 601 links, by Crown lands: subject to the rights and privileges reserved in favour of one William Thomas Locke Travers, now deceased, his heirs and assigns, in and by a certain deed of conveyance dated the 25th day of November, 1881, registered at Nelson, No. 18358, and made between the said William Thomas Locke Travers of the one part and the New Zealand Hæmatite Paint Company (Limited) of the other part.

2. Also all that strip of land of the width of 100 links situate in Parapara, in the Provincial District of Nelson aforesaid, being part Section No. 71 on the plan of the District of Milnthorpe Suburban, in the said Provincial District: subject to the reservation contained in a certain deed dated the 28th day of January, 1879, made between Grace E. O'Sullivan of the one part and the New Zealand Hæmatite Paint Company (Limited) of the other part, and registered as No. 17047.

3. Also all that the full and free right, liberty, and license to construct and use so much of a certain water-race or lead as runs through all that parcel of land being Section 77 on the plan of the District of Parapara, in the Provincial District of Nelson aforesaid, and also to use a certain tramway through and over sections numbered respectively 76, 75, and 73 on the said plan.

The above are comprised and more particularly described in conveyance registered No. 34823, Nelson Deeds Registry.

Leasehold and other Interests.

4. All that piece or parcel of land containing by admeasurement 56 acres and 36 perches, more or less, and situate in the Provincial District of Nelson, being section numbered 122 on Square 14 and bounded as follows: On the north-eastward, 109 links partly by Section 77 and partly by a public road, 600 links by part of Section 78, 1400 links by Section 76, 226 links by Section 149; on the south-eastward, 2698 links by Section 149; on the south-westward, 1881 links by Crown land; and on the north-westward, 2791 links by Crown land: and all mines, veins, and strata of coal, copper, and other minerals therein appertaining thereto except gold.

The above is held under deed of lease dated the 9th day of August, 1907, for a term of twenty-one years from the 1st July, 1907, at a yearly rent payable in advance on the 1st day of January of £5 12s., subject to the deductions specified in section 19, subsection (4), of the Third Schedule of the Land Act 1877 Amendment Act, 1882, and at a royalty of one-twenty-fifth part of all such coal or other minerals as shall during the continuance of the lease be dug, raised, gotten, or taken from the said parcel of land, excepting on such coal as may be necessarily used by the lessees for carrying on the mining operations specified or implied in the lease. The lease contains a reservation in favour of the Crown to make and use railways, roads, tramways, or other roads or paths over the land, of using, letting, and demising any part or parts of the surface not required by the lessees for the purpose of working the mines and seams of coal, copper,

and other minerals, and also a right of mining for gold on the land, and also a right for the Gold Warden of the district to grant right of passage to, over, and across the land, and to grant to any holder of a miner's right the privilege of entering upon such land for the purpose of cutting and maintaining water-races or tail-races and of leading head-water or tail-water through the same, or for any of the purposes for which such miner's rights shall have been issued.

Taranaki Ironsand Leases.

5. All that portion of the sea-beach in the Provincial District of Taranaki lying above and below high-water mark and seaward of sections and roads from the Tapuae River easterly to the southern boundary-line of section numbered 137 on the official record map of the Omata District. And also all that portion of the sea-beach of the Provincial District of Taranaki aforesaid lying above and below high-water mark and seaward of sections and roads from a point south-west of Hongi Hongi Stream, in the Grey District, and distant therefrom 600 links or thereabouts, easterly of the Waiwakaiho River: excepting nevertheless thereout so much of the said sea-beach as is described in a Proclamation by the Governor of New Zealand given and issued on the 15th day of July, 1901, and published in the *New Zealand Gazette* of 1901, Volume i, page 1498, and thereby proclaimed as taken for railway purposes.

6. All those portions of the sea-beach in the Provincial District of Taranaki aforesaid, estimated to contain in all 62 acres, more or less, being those portions of the land comprised in certificate of title, Volume 33, folio 279, and Volume 45, folio 145, shown on the plans annexed to the lease thereof and therein respectively marked Pt. "A" and Pt. "L."

7. And also all that piece of land containing 5 acres, more or less, being part of section numbered 811 on the official record map of the Grey District, Block IV, Paritutu Survey District: bounded towards the east by the Hongi Hongi Lagoon; towards the south-east by section numbered 744A, Grey District, 1000 links; towards the west by other part of the said section numbered 811; and towards the north by a private roadway giving access to the said piece of land from the Moturoa—New Plymouth Railway Reserve: together with a right of way and passage over that other part of the said Section No. 811 which extends from the part above described to the public road or railway reserve leading from the Town of New Plymouth to the breakwater, and has a width of 1 chain along the western bank of the said Hongi Hongi Stream. The above leasehold property is comprised and described in deed of lease, registered No. 28201, Taranaki Register, dated the 30th day of April, 1902, from the New Plymouth Harbour Board. The term is for fifteen years from the 25th January, 1902. The lease also contains a license in favour of the lessee during the term, for the purpose of getting, carrying away, and manufacturing products from ironsand and ironstone, to enter upon the demised lands and to occupy such parts thereof as may be necessary for getting and carrying away and manufacturing all ironsand and ironstone thereon or therein; and also to open, dig, sink, drive, make, and work any piles, &c., upon the demised premises, and to win, raise, carry away, and use ironsand, ironstone, limestone, or other stone or clay or earth which may be on the demised premises, and to erect such buildings, &c., as shall be necessary or convenient for such purposes, and to take, remove, ship, and export from the Provincial District of Taranaki ironsand or ironstone in their crude state or otherwise.

The two last described parcels of land above, containing respectively 62 acres and 5 acres, are under the Land Transfer Act, and are also comprised in a memorandum of lease bearing date the same date as the above, and registered in the Land Registry Office at New Plymouth as No. 5617 from the New Plymouth Harbour Board. The rent payable under the lease is £1 per annum, payable yearly on the 25th April in each year; and also a royalty of 6d. per ton of ironsand or ironstone removed, or which shall be manufactured into iron or steel or other products of iron; and also in addition 6d. per ton of iron or steel, &c., manufactured from any ironsand or ironstone on or in demised premises. Royalty to be payable quarterly, and minimum royalty to be £25 a quarter.

8. All that piece of land situate in the Provincial District of Taranaki containing 45 acres, more or less, being parts of the sections numbered 811 (20 acres 2 roods 16 perches) on the public map of the Grey District, and 137 (24 acres 1 rood 24 perches) on the public map of the Omata District, both in Block IV, Paritutu Survey District: bounded towards the north by other parts of the said section, 330 links, 180.1 links, 181.8 links, 556.2 links, 191.3 links, 2175.9 links, 139.6 links; towards the south by other parts of the said section, 2960 links, 300 links, 100 links, 750 links, 100 links, and 3550 links; and towards the west by high-water mark: together with a right of way and passage over those parts of the said sections numbered 811 marked — road and coloured brown on the plan drawn on the said lease, which land is part of the land comprised in certificate of title, Volume 45, folio 145. The above land is held under a memorandum of lease, dated the 30th April, 1902, from the New Plymouth Harbour Board. The term is fifteen years from the 25th January, 1902, at a yearly rental of £1, payable half-yearly, 25th July and January in each year.

9. All that piece of land situate in the District of Milnthorpe Suburban containing 10 acres, more or less, being part of the land included in certificate of title, Volume 1a, folio 183, Nelson, and being part of section numbered 63 on the plan of the said district.

The above land is held under a memorandum of lease No. 483, dated the 26th day of October, 1908, from H. P. and A. J. Washbourn. The term is for forty-two years from the 21st May, 1908, at the yearly rent of one peppercorn for the first five years of the said term, and £10 per annum for the remaining thirty-seven years thereof.

10. All that piece of land situated in the Karamea Mining District, being Sections 2, Block I, and 3, Block II, Waitapu Survey District, Provincial District of Nelson, containing a net area of 920 acres: commencing at a point on the south boundary of Section 1, 804.7 links from peg II, and bounded on the north by Section 1, 2542.3 links; by Section 122, 1267.7,

1880·9, 2697·6, 226·3 links; by Sections 76, 74, and 72, 2100 links: thence in a southerly direction and bounded on the east by Section 69, 2600 links; by Section 68, 2732 links; by Section 67, 2500 links; by Section 99, 1979·9 links; and by Crown lands, 13370·3 links: thence in a westerly direction and bounded on the south by road reserve and Crown lands, 103·8, 82·7, and 2521·6 links: thence in a northerly direction and bounded on the west by Crown lands, 13336·6, 4333·8, and 4008·7 links, to commencing-point: excepting therefrom the public road; Tukurua Stream; Parapara Company's race reservation, 30 links wide; and dam-sites containing 24 acres, as shown on plan.

The above is comprised in a license under the Mining Act Amendment Act, 1902, and the Mining Act, 1898, dated the 15th day of August, 1905, from the Warden of the Karamea District, being a license to occupy the above land for the purpose of mining for iron-ore for a term of forty-two years from date of license, with a right of renewal provided for in section 138 of the Mining Act, 1898. Rent, £115 per annum, payable half-yearly in advance, and royalty of one-twenty-fifth of iron-ore raised, to be taken to be 6s. 3d. per ton.

11. A license under the Mining Act to construct, maintain, and use for a period of twenty-one years from the 6th February, 1907, a tramway over part of road reserve commencing opposite the south-east peg of Section 77 on Square 14, Block I, Waitapu Survey District, thence north-east generally to high-water mark of Golden Bay; approximate length being 108½ chains, and approximate area 7 acres 3 roods 30 perches.

The above is comprised in a license under the above Act registered number 2/07, entered in Register, Volume 6, folio 247, Mining Register, Collingwood.

12. All that the water-race, with right to divert four heads of water from the Parapara River, the race being one mile and a half long, commencing at Glengyle in the Parapara, and terminating in the Parapara, held under license under the seal of the Warden's Court, Karamea District, and hand of Wilson Heaps, Esquire, Warden of the said Court, and dated at Collingwood, in the said district, the 10th day of October, 1900. Registered at Collingwood, No. 77/00, and entered in Register, Volume 5, folio 70, the 24th day of October, 1900.

13. All pipe-lines, pipes, tools, buildings, plant, and chattels of every description on or about the before-mentioned properties.

Part II.

Boulder Lake Property.

1. All that license for special alluvial claim dated the 17th February, 1910, registered as No. 5/10 in the Warden's Office at Collingwood, of all that area of land in the Karamea Mining District containing by admeasurement 10 acres, situate at Quartz Ranges, in the Aorere Survey District, being Section No. of Block XIV on the public map of the said district.

2. All that license for water-race registered as No. 502 in the Warden's Office at Collingwood, in Register, Volume 3, folio 219, commencing at a point at Doctor's Creek, Quartz Ranges, about 1 chain above Skit Creek, and terminating at William Ree's claim at bottom end of Red Spur. Length of race, 80 chains or thereabouts. Course, north and south.

3. All that license for water-race registered as No. 525 in the Warden's Office at Collingwood, in Register, Volume 3, folio 269, commencing at a point at the dam of the Collingwood Goldfields (Limited), in the Boulder River, two miles below the Boulder Lake, and terminating at their special claims at Quartz Ranges. Length of race, four miles and a half or thereabouts. Course, westerly.

4. All that license for water-race registered as No. 2818 in the Warden's Office at Collingwood, in Register, Volume 3, folio 351, commencing at a point at the dam of the Collingwood Goldfields (Limited), in the Boulder River, two miles below the Boulder Lake, and terminating at their special claim at Quartz Ranges. Length of race, four miles and a half or thereabouts. Course, westerly.

5. All that license for water-race registered as No. 2106 in the Warden's Office at Collingwood, in Register, Volume 3, folio 137, commencing at a point at the outlet of Boulder Lake, and terminating at Ziman's special claim, Quartz Ranges. Length of race, six miles or thereabouts. Course, westerly, following the spur of Boulder River.

6. All that license for water-race registered as No. 523 in the Warden's Office at Collingwood, in Register, Volume 3, folio 267, commencing at a point in the Boulder River at its junction with Rodger's Creek, and terminating at Golding's application for special claim near the Big Boulder. Length of race, 40 chains or thereabouts. Course, south to north.

7. All that certificate of registration for dam and reservoir registered as No. 60075 in the Warden's Office at Collingwood, in Register, Volume 3, folio 138, situate at Boulder Lake, near Mount Olympus. Length and width of area, one mile by half a mile.

8. All that certificate of registration for dam and reservoir registered as No. 80516 in the Warden's Office at Collingwood, in Register, Volume 3, folio 269, situate at Boulder River, two miles below the lake. Length and breadth of area, 75 ft. by 66 ft.

9. All that certificate of registration for tramway registered as No. 80568 in the Warden's Office at Collingwood, in Register, Volume 3, folio 281, commencing at a point in the Lower Island, Aorere River, near Quartz Ranges, and extending in a southerly direction and terminating at the Quartz Ranges on the special claim of the Collingwood Goldfields (Limited). Length, about four miles.

Plant, &c., at Quartz Ranges and Boulder Lake.

10. Pipe-line, pipes, giant nozzles, branches, joints, valves, gauges, winches, peltons, iron and wooden ripples, boxes, wire rope, tools, buildings, plant, and chattels of every kind in and about the above-described properties.

11. All water and other rights comprised in and associated with what is commonly known as the Boulder Lake property.

EXHIBIT E.

EXTENSION OF AGREEMENT BETWEEN THE PARAPARA COMPANY, THE CHRISTCHURCH MINES DEVELOPMENT COMPANY, AND THE ETHELBURGA SYNDICATE.

AN AGREEMENT made the tenth day of June, one thousand nine hundred and twelve, between the PARAPARA IRON-ORE COMPANY (LIMITED), a company incorporated in the Dominion of New Zealand, and having its registered office in the City of Christchurch, in the said Dominion (hereinafter called "the Parapara Company"), of the first part, the CHRISTCHURCH MINES DEVELOPMENT COMPANY (LIMITED), a company incorporated in the Dominion of New Zealand, and having its registered office in the City of Christchurch (hereinafter called "the Development Company"), of the second part, and the ETHELBURGA SYNDICATE (LIMITED), a company incorporated in Great Britain, and having its registered office in the City of London (hereinafter called "the syndicate"), of the third part.

Whereas an agreement was made on the seventh day of September, one thousand nine hundred and eleven, between the Parapara Company and syndicate for the sale and purchase of the mineral property and water-rights therein described or referred to, the said sale being agreed to be made subject to an arrangement satisfactory to the syndicate being made with the Government of New Zealand and to certain other conditions as set out in clause 10 of the said agreement: And whereas the said agreement lapsed or became determined through not being completed on or before the thirty-first day of December, one thousand nine hundred and eleven: And whereas the Development Company which has been recently formed holds an option from the Parapara Company for the purchase of the said mineral property and water-rights: And whereas it has been arranged between the parties that certain rights shall be conferred upon the syndicate and certain arrangements made between the parties as hereinafter appearing:

Now it is hereby agreed, in consideration of the sum of one shilling paid to the Parapara Company and the like sum paid to the Development Company by the syndicate (the receipt of which sums is hereby acknowledged by the Parapara Company and the Development Company respectively), and for the further considerations hereinafter appearing, that the parties do hereby agree as follows, that is to say:—

1. The syndicate shall have the right to purchase the said mineral property and water-rights, and all the lands, minerals, property, and assets referred to in the said agreement of the seventh day of September, one thousand nine hundred and eleven, and in the schedules thereto, if the syndicate shall elect to enter into a binding contract to purchase on or before the first day of November, one thousand nine hundred and twelve; and if such binding contract is entered into the purchase shall be completed on or before the thirty-first day of December, one thousand nine hundred and twelve.

2. Except as hereinafter mentioned, the said sale shall be upon and subject to the terms and conditions contained and set out in the said agreement of the seventh day of September, one thousand nine hundred and eleven.

3. The said sale is subject to an arrangement being made satisfactory to the syndicate as provided for in clause 10 of the said agreement of the seventh day of September, one thousand nine hundred and eleven, and to the performance of the other conditions referred to in the said clause 10, and to the syndicate being able to obtain from Thomas A. Turnbull, or other the present owner or owners of the rights relating to the Onakaka property, an agreement renewing and extending until the times and in the manner provided by clause 1 hereof the period for the purchase by the syndicate of the said rights relating to the Onakaka property. But it is hereby agreed and declared that the syndicate may at its option waive any of the matters provided for in the said clause.

4. Except as herein modified or varied, and except that (subject to the preceding provisions of this agreement) all references to the thirty-first day of December, one thousand nine hundred and eleven, in the said agreement of the seventh day of September, one thousand nine hundred and eleven, shall be read as the thirty-first day of December, one thousand nine hundred and twelve, all the provisions of the said agreement of the seventh day of September, one thousand nine hundred and eleven, are deemed to be included and incorporated herein.

5. Nothing herein contained or implied shall bind or be deemed to bind the syndicate to purchase any of the said properties or rights. It is clearly understood that unless an arrangement as mentioned in clause 10 of the said agreement is made satisfactory to the syndicate, and unless the syndicate is satisfied as to the other matters mentioned in the said clause and in clause 3 of this agreement, the syndicate will not exercise the option hereby granted.

6. The last paragraph of clause 6 of the agreement of the seventh day of September, one thousand nine hundred and eleven, dealing with the order and condition of the races, pipe-lines, bridges, dams, reservoirs, and buildings, is hereby deleted, and in the place thereof it is hereby agreed that there shall be no warranty of condition of the said races, pipe-lines, bridges, dams, reservoirs, and buildings, and the same shall be at the risk of the syndicate: Provided always that the Parapara Company shall use ordinary care in the preservation of the same.

7. The following provision is hereby substituted for clause 8 of the said agreement of the seventh day of September, one thousand nine hundred and eleven:—

The said sum of thirty thousand pounds and properly sealed certificates for the fully-paid shares forming part of the consideration hereunder shall be deposited with the Union Bank of Australia (Limited) in London in the joint names of such persons as may be nominated for the purpose by the Parapara Company and the Development Company and of the syndicate or the company, as the case may be, at least fourteen days before the day hereby fixed for completion, with instructions on receipt of such cablegram as aforesaid to deliver the same to the person so nominated by the Parapara Company and the Development Company as aforesaid.

8. The Parapara Company and the Development Company shall and will execute any such other agreement or instrument (if any) as may be required by the syndicate or its solicitors to carry into effect the purposes of this agreement, and in the event of the said sale being completed the Parapara Company and the Development Company shall and will procure good and valid titles in favour of the syndicate or its nominee to all the mineral property, water-rights, and other assets comprised or included in the said agreement of the seventh day of September, one thousand nine hundred and eleven, or in the schedules thereto.

In witness whereof the parties hereto have executed this agreement the day and year first above written.

The common seal of the Parapara Iron-ore Company (Limited) was hereto } [SEAL.]
affixed in the presence of—

D. RUTHERFORD,
D. D. MACFARLANE, } Directors.
R. HEYWOOD, Secretary.

The common seal of the Christchurch Mines Development Company } [SEAL.]
(Limited) was hereto affixed in the presence of—

D. RUTHERFORD,
D. D. MACFARLANE, } Directors.
R. HEYWOOD, Secretary.

EXHIBIT F.

AGREEMENT BETWEEN THOMAS A. TURNBULL AND THE ETHELBURGA SYNDICATE.

AN AGREEMENT made the fourth day of August, one thousand nine hundred and eleven, between THOMAS A. TURNBULL, of Nelson, in the Provincial District of Nelson, in the Dominion of New Zealand, mining engineer (hereinafter called "the vendor"), of the one part, and the ETHELBURGA SYNDICATE (LIMITED), having its registered office at 65 Bishopsgate, in the City of London (hereinafter called "the syndicate"), of the other part.

Whereas the vendor is the proprietor of the mineral prospecting warrant and licence for water-race short particulars whereof are set forth in the First Schedule hereto: And whereas the vendor is also entitled to the benefit of the options specified in the Second Schedule hereto, subject to payment of the considerations and to the performance of the conditions upon which the same are exercisable: And whereas a company (hereinafter called "the company") is about to be formed by the syndicate as a company limited by shares under the Companies (Consolidation) Act, 1908, for the purpose (among other objects) of acquiring and working such mineral prospecting warrant and premises and acquiring such options: And whereas it is proposed that the capital of the company shall be three hundred and fifty thousand pounds, divided into three hundred and fifty thousand shares of one pound each, and that the company shall create and issue a series of five hundred thousand pound cumulative four-per-cent. first-mortgage debentures, and that the company shall after payment of all expenses, including underwriting, brokerage, and the remuneration of the syndicate, have a sum of four hundred thousand pounds at least available for the purpose of purchasing plant and machinery, the purchase price of the property hereunder and any other property which may be acquired, the erection of ironworks, and for working capital and the general expenses of the company:

Now it is hereby agreed and declared as follows:—

1. The vendor shall sell and the syndicate shall purchase, subject as hereinafter mentioned:—

(a.) The mineral prospecting warrant, licence, and premises specified in the First Schedule hereto, and any extension thereof, and all rights and privileges incidental thereto, and all other licences, leases, and rights (if any) held by the vendor relating to the Onakaka property in connection with iron-ore rights, subject to the syndicate paying the rents and royalties payable in respect thereof, and performing and observing the labour and other terms and conditions in respect thereof in accordance with the laws and mining regulations of New Zealand.

(b.) The right to exercise (so far as the vendor is able to confer the same) the options specified in the agreements mentioned in the Second Schedule hereto, subject to the syndicate paying the moneys and performing and observing the other terms and conditions of the said agreements and keeping the vendor indemnified therefrom.

2. The consideration for the said sale shall be the sum of fifty thousand pounds.

3. If before the thirty-first day of December, one thousand nine hundred and eleven, the syndicate shall have resold the said mineral prospecting warrant, licence, rights, options, and premises to a company duly formed under the Companies (Consolidation) Act, 1908, as aforesaid for the purpose (*inter alia*) of acquiring and working the said mineral prospecting warrant, licence, rights, and premises, with a nominal capital and debenture capital as aforesaid, and with the sum of four hundred thousand pounds at least available for the purposes aforesaid, and bound by agreement with the syndicate to purchase from the syndicate the said mineral prospecting

warrant, rights, and premises, the syndicate shall have the option of satisfying any part of the balance of the purchase-money not exceeding thirty-five thousand pounds by procuring the allotment or transfer to the vendor or his attorney, or their respective nominees, of fully-paid-up shares in such company to be treated as of par value: Provided that nothing herein contained shall prevent the company from raising further capital for development purposes.

4. The vendor shall show a good title free from encumbrances to the said mineral prospecting warrant, rights, and premises specified in the First Schedule hereto in accordance with the laws of New Zealand.

5. The mineral prospecting warrant and licence specified in the First Schedule hereto, and also the two option agreements specified in the Second Schedule hereto, or copies of such respective documents, have prior to the execution of this agreement been produced to the solicitors of the syndicate, and the syndicate shall be deemed to purchase with full notice of their contents.

6. The said purchase shall be completed on or before the thirty-first day of December, one thousand nine hundred and eleven, and as from the date thereof the syndicate shall pay all rents and sums of money necessary for complying with labour conditions and statutory requirements for protecting the title and all outgoings in respect of the premises hereby agreed to be sold.

7. On completion of the purchase the vendor shall execute a proper transfer or transfers of the said premises to the syndicate or to the company or their nominees, as the case may be, and shall give to the syndicate or the company possession of the premises mentioned in the First Schedule hereto, and do all such other things as shall reasonably be required for giving to the syndicate or the company the full benefit of this agreement, and thereupon the cash or, as the case may be, the cash and shares forming the consideration hereunder shall be paid and satisfied.

8. The syndicate shall appoint, or cause the company to appoint, an agent in New Zealand for the purpose of investigating the title of the vendor to the premises hereby agreed to be sold, and for the purpose of making all necessary arrangements for the transfer thereof to the syndicate or the company, and of obtaining an official notification from the Government of New Zealand that the title of the vendor is in order, should the same be procurable, and with instructions to cable to the bank hereinafter mentioned as soon as a good title shall be shown to the said premises, and that the documents necessary to vest the said premises have been properly executed by the vendor and deposited in escrow in the joint names of such agent and the vendor or his agent, to be released to such agent of the syndicate or the company, as the case may be, as soon as the purchase consideration payable to the vendor shall have been duly paid and satisfied.

9. The cash or, as the case may be, the cash and properly sealed certificates of the fully-paid shares forming part of the consideration hereunder shall be deposited with the Union Bank of Australia (Limited) in London in the joint names of Joseph Howard Witheford, as attorney for the vendor and the syndicate or the company, as the case may be, at least fourteen days before the day hereby fixed for completion, with instructions on receipt of such cable as aforesaid to deliver the same to the said Joseph Howard Witheford or as he shall direct.

10. The syndicate shall pay the costs of and incidental to the preparation of the memorandum and articles of association and of the registration thereof and of all capital, duty stamps, fees, and legal expenses incident to the formation of the company, and generally of all the preliminary expenses whatever incurred in relation to the company down to the first general allotment of shares or to the time when the directors decide not to proceed to allotment.

11. This agreement is subject to an arrangement satisfactory to the syndicate being made with the Government of New Zealand whereby the said Government grants to the syndicate or to the company to be formed certain privileges and an annual subsidy, and for renewals or extensions of the said warrant, licence, and options being obtained in terms satisfactory to the syndicate.

12. In the event of any financial crisis, panic, war, or other case of *force majeure*, or other event arising during the existence of this agreement which in the opinion of the syndicate would imperil or prejudice the flotation of the company or the issue of its debentures, the syndicate shall be at liberty to cancel present agreement by notice in writing to the vendor or his attorney Joseph Howard Witheford, in which event neither party shall have any claim whatsoever against the other in consequence thereof.

13. Unless before the thirty-first day of December, one thousand nine hundred and eleven, the syndicate shall have notified in writing to the said Joseph Howard Witheford that an arrangement satisfactory to the syndicate has been entered into with the Government of New Zealand as aforesaid, and the company shall have become entitled to commence business, the vendor or his attorney, the said Joseph Howard Witheford, by notice in writing to the syndicate, or the syndicate by notice in writing to the said Joseph Howard Witheford, may cancel this agreement, in which event neither party shall have any claim whatsoever against the other in consequence thereof.

14. This agreement, although in part relating to property in New Zealand, shall be deemed to be an agreement executed and to take effect in England, and shall be construed and operate accordingly.

15. The syndicate or the company shall cause this agreement or some other sufficient agreement to be duly filed with the Registrar of Companies pursuant to section 88 of the Companies (Consolidation) Act, 1908, and also in the case of shares allotted to the vendor's nominees or those of his said attorney shall cause a sufficient contract to be so filed constituting the title of such nominees.

In witness whereof the said Joseph Howard Witheford, by virtue of a power of attorney under the hand and seal of the vendor dated the twenty-eighth day of July, one thousand nine hundred and nine, hath hereunto set the hand of the vendor, and the syndicate have caused their common seal to be hereunto affixed the day and year first above written.

Mineral Prospecting Warrant, dated the 2nd October, 1906, and registered as No. 22/06, for a term of five years from that date over the land following, namely: 900 acres, more or less, at Onakaka, in the Waitapu Survey District, being a block of 60 chains in width, bounded by the Onakaka River and Cadman's lease on the north, with sides of 160 chains each running south and comprising the iron-ore deposits south of Cadman's lease, but excepting out of the hereinbefore-described area the land comprised in licenses numbered 23/03 and 16/04 respectively, held by the Hidden Treasure Gold-mining Company (Limited), which said area has been duly marked out and is shown in the amended sketch-plan deposited in the Warden's Office at Collingwood on the 6th day of October, 1906.

THE SECOND SCHEDULE ABOVE REFERRED TO.

Agreement dated 29th July, 1909, made between Richard Scadden of the one part and Thomas A. Turnbull of the other part, granting an option to purchase right-of-way, 1 chain wide, for tram-line and road through Sections 95 and 16, Block II, Waitapu; also an option to purchase all land not exceeding 50 acres in area necessary for erection of furnaces and other works, &c., at £5 per acre; also provision as to said Richard Scadden not selling his lands or any part thereof without first offering same to said Thomas A. Turnbull at a price not exceeding £35 per acre. Purchase price of right-of-way, £300.

Agreement dated 29th July, 1909, made between William Scadden of the one part and Thomas A. Turnbull, granting an option to purchase alternative rights-of-way (each 1 chain wide) to foreshore through Sections 98 and 99, therein particularly described; also right to purchase all land to east of No. 2 route upon terms therein mentioned. Purchase price of No. 1 right-of-way, £500; purchase price of No. 2 right-of-way, £600.

ALBERT PAM,
W. R. SOUTHEARD, } Directors.
THOS. C. STEUART, Secretary.

K. AEKINS, } Clerks to Messrs. Chapman, Skerrett,
L. ALEXANDER, } Wylie, and Tripp, Solicitors, Wel-
 } lington.

TABLES SHOWING STEAMER DISTANCES BETWEEN NEW ZEALAND AND GREAT BRITAIN; BETWEEN
NEW ZEALAND AND SOUTH AFRICA, INDIA, AND ARGENTINA; AND BETWEEN GREAT BRITAIN AND
SAME COUNTRIES.

	Miles.
New Zealand (Wellington) <i>via</i> Cape Horn to London	12,216
" " " Liverpool	12,131
London to New Zealand (Wellington) <i>via</i> Cape of Good Hope	13,350

Country.	Distance from New Zealand (Wellington).	Distance from Great Britain (London).
South Africa—	Miles.	Miles.
Cape Town	7,030	6,196
Durban	6,100	7,200
India—		
Calcutta	7,100	7,973
Bombay	7,900	6,570
Argentina (Monte Video) ..	6,241	6,200

MINERAL LEASE AT PARAPARA.

(Laid on the Table of the House of Representatives by Leave.)

Lease.

PURSUANT to the Mining Act Amendment Act, 1902, and the Mining Act, 1898, and all other powers me thereunto enabling, I, the undersigned Harry Eyre Kenny, Esq., Warden of the Karama Mining District, do hereby grant to the Public Trustee, as being the executor and

trustee of the will of Sir Alfred Cadman, K.C.M.G., of Auckland, settler (deceased), his executors, administrators, and assigns (hereinafter, with his executors, administrators, and assigns, called "the lessee") this mineral lease, authorizing the lessee to occupy the parcel of Crown land situated in the said mining district, containing by admeasurement 920 acres, more or less, as the same is described in the schedule hereto (hereinafter called "the demised land") for the purpose of mining for iron-ore (otherwise known as "hæmatite") upon the terms and conditions following, that is to say:—

1. The sum of one thousand pounds (£1,000), already deposited by the lessee out of the funds in his hands as such executor and trustee as aforesaid with the Public Trustee in connection with the application for this lease, shall be held by him as security for the lessee's due compliance with the terms of this lease, and such sum of one thousand pounds (£1,000) shall be absolutely forfeited to His Majesty the King if the lessee does not expend the sum of one thousand pounds (£1,000) during the first year of the term hereby granted, as provided by clause 10 hereof; but the lessee, if he duly comply with the terms hereof, shall be entitled on application to the Public Trustee to a return of the same (without interest) by instalments of not less than two hundred and fifty pounds (£250), each instalment being payable only on the certificate of an Inspector of Mines that since payment of the previous instalment (if any) the lessee has expended during the second year of the said term, in work or material on the demised land, not less than twice the amount of the instalment applied for.

2. This lease is granted for a term of forty-two (42) years (hereinafter called "the said term") commencing on the date hereof: Provided always that the lessee shall have such right of renewal as is provided for in section 138 of the Mining Act, 1898.

3. Without in any way limiting or affecting any other rights or powers of the Crown or the Warden, there is hereby reserved to His Majesty and his successors the full and free right from time to time, and at any time during the said term, to lay off, construct, and maintain roads, railways, and tramways on, through, or over any part of the demised land, and to appropriate and fence off, or otherwise demark such portion of the demised land as is required for the purposes of such roads, railways, and tramways: Provided that the rights hereby reserved shall be so exercised as not to interfere with the lessee's mining operations or works on the demised land. And as often as any question arises as to whether any specified exercise or proposed exercise of such rights does or may so interfere, the question shall be referred to the Warden, whose decision shall be final, subject, however, to the same right of appeal as is provided by the Mining Act, 1898, and its amendments in the case of proceedings before the Warden or the Warden's Court.

4. The rent payable by the lessee during the said term shall be the yearly rent of one hundred and fifteen pounds (£115), being at the rate of two shillings and sixpence (2s. 6d.) for every acre or fraction of an acre of the demised land, all payments in respect thereof having been duly made up to the thirty-first day of December, one thousand nine hundred and five, and the subsequent payments be made by equal half-yearly instalments of fifty-seven pounds ten shillings (£57 10s.) in advance, computed from the said thirty-first day of December, one thousand nine hundred and five.

5. The lessee shall pay a royalty of one-twenty-fifth of the value at the pit's mouth of all iron-ore raised pursuant to this lease.

6. For the purpose of estimating the amount of royalty payable hereunder, the value of the iron-ore so raised shall be deemed to be six shillings and threepence (6s. 3d.) per ton at the pit's mouth.

7. The said royalty shall be due and payable on the same days and for the same periods as the said instalments of rent accruing after the date hereof: Provided that the first such payment of royalty shall be due and payable on the thirty-first day of December, one thousand nine hundred and five, and be in respect of the royalty for the period elapsing between the date of this lease and the said thirty-first day of December: And provided further that all sums paid in respect of royalty for any period shall, to the extent of the rent payable for the same period, be deemed to be in or towards satisfaction of such rent.

8. On the thirty-first day of December, one thousand nine hundred and six, and at half-yearly intervals thereafter during the said term, the lessee shall make to the Receiver of Gold Revenue at Collingwood true and accurate returns of all iron-ore raised during the preceding half-year pursuant to this lease.

9. The lessee shall, within six months after the date of this lease, commence and thereafter during the term of the lease continually prosecute mining operations on the demised land for iron-ore as aforesaid, and for that purpose shall (except as aforesaid) at all times during the first two years of the term keep employed upon or in connection with the demised land and his said mining operations thereon at least one workman for every full area of fifty acres or less therein contained, and thereafter during the term at least two workmen for every such area, provided as follows:—

(a.) For the purpose of compliance with the aforesaid labour conditions there shall be included all work done in the construction or erection of machinery or in preparations indispensable to the actual commencement of mining operations, whether such work is done on or in connection with the demised land or on or in connection with any other land situate in the same mining district or on the sea-coast thereof, and used for the purposes of facilitating mining operations on the demised land.

(b.) To the extent of one-half of the number of workmen which should otherwise be employed the expenditure of capital pursuant to clause 10 hereof or otherwise shall be equivalent to the employment of workmen in the proportion of one man for every thousand pounds of capital which, to the satisfaction of the Warden, has been expended by the lessee in plant or permanent works for the purpose of the said mining operations.

10. The lessee shall expend in work to be done in the construction or erection of machinery, or in preparations indispensable to the actual commencement of mining operations on the demised land, such work to be done either on the demised land or (so long as such work is done in connection with such mining operations on the demised land) on land adjacent to the demised land, the sum of not less than one thousand pounds (£1,000) in all during the first year of the said term, four thousand pounds (£4,000) during the second year of the said term, and five thousand pounds (£5,000) during each succeeding year of the said term until the sum of fifty thousand pounds (£50,000) in all shall have been so expended.

11. For the purpose of producing and treating iron, but for no other purpose, the lessee shall be at liberty to take and use such portion of the limestone on the demised land as may be necessary for the production and treatment of iron by the lessee.

12. The lessee shall at all times during the said term duly carry out and observe all the terms and conditions of this lease, and all such provisions of the Mining Act, 1898, and the amendments thereof, and the regulations respectively thereunder, as are applicable to this lease and the lessee, or to mineral licenses and the licensees thereof.

13. All the provisions of the Mining Act, 1898, its amendments, and the regulations made thereunder applicable to mineral licenses, including all provisions and regulations for securing payment of the said rent and royalty, for insuring the regular, proper, and efficient carrying-on of mining operations on the demised land, for the inspection of all mines and workings therein and thereon, for the forfeiture or abandonment of this lease and for the protection of mining privileges, and for the assignment of the interest of the lessee herein shall, so far as the same are not inconsistent with the express provisions of this lease, or of section 2 of the Mining Act Amendment Act, 1902, be deemed to form part of this lease and to be incorporated therein.

14. Notwithstanding anything herein contained, or any right, Act, or law to the contrary, the Governor at any time during the said term, or any renewal thereof, on giving to the lessee at least six months' previous notice in writing of his intention so to do, may purchase from the lessee all his right, title, estate, and interest in the demised land and in this lease, and in all other lands situated in the said mining district or on the sea-coast thereof, and used in connection with the lessee's mining operations on the demised land, and all the lessee's plant, machinery, appliances, and other property used in or in connection with such mining operations at a fair value, to be ascertained in case of dispute in the manner following:—

- (a.) The amount of the purchase-money to be paid to the lessee shall be determined by arbitration under and in accordance with the provisions of the Arbitration Act, 1890, and these presents shall be deemed to be a submission within the meaning of that Act: Provided that the reference shall be to two arbitrators, one to be appointed by each party, and an umpire appointed by the arbitrators before entering upon the reference.
- (b.) In ascertaining such fair value the arbitration shall proceed on the same principle as to items and amount as if the property purchased were land taken for a public work under the Public Works Act, 1894.
- (c.) If in the course of the arbitration proceedings any question shall arise as to the right of the lessee to claim in respect of any head of damage, such question shall be determined by the Supreme Court of New Zealand upon a special case stated for the opinion of the Court.

15. If the lessee shall desire an extension of the period of six months within which mining operations are to be commenced, as provided by clause 9 hereof, he may at any time during the said period deposit with the Public Trustee the sum of one thousand pounds (£1,000) in addition to the sum of one thousand pounds (£1,000) referred to in clause 1 hereof, and thereupon the said period shall be deemed to be extended so that such operations may be commenced at any time within twelve months from the date of this lease, and all the provisions of clause 1 hereof shall extend and apply to such additional sum of one thousand pounds (£1,000).

16. Nothing in this lease shall operate or be construed to entitle the lessee to mine for gold or (except as provided by clause 11 hereof) for any metal or mineral other than iron-ore.

17. This lease shall be deemed to be granted under and subject to the provisions of section 2 of the Mining Act Amendment Act, 1902.

THE SCHEDULE ABOVE REFERRED TO.

In witness whereof I, Harry Eyre Kenny, as such Warden as aforesaid, have hereunto subscribed my name and affixed the seal of the Warden's Court at Collingwood, this fifteenth day of August, one thousand nine hundred and five.

In witness of my being bound as lessee by the terms and conditions of the foregoing lease, I, the Public Trustee, as such executor and trustee as aforesaid, have hereunto subscribed my name this fifteenth day of August, one thousand nine hundred and five.

Signed by the said J. W. Poynton, the Public Trustee, and sealed with the seal of his office in the presence of A. A. K. Duncan, Chief Clerk, Public Trust Office.

I, James McGowan, Minister of Mines, under and by virtue of subsection 2 of section 2 of the Mining Act Amendment Act, 1902, do hereby consent to the foregoing lease.

In witness whereof I have hereunto set my hand this twelfth day of August, one thousand nine hundred and five.

JAMES MCGOWAN.

EXHIBIT I.

ONAKAKA MINERAL LEASE.

THIS DEED, made the fourteenth day of September, one thousand nine hundred and twelve, between His Majesty KING GEORGE THE FIFTH (who with his heirs and successors is hereinafter referred to as "the lessor"), of the one part, and THOMAS A. TURNBULL, of the City of Nelson, in the Dominion of New Zealand, mining engineer (who with his executors, administrators, and assigns is hereinafter referred to as "the lessee"), of the other part.

Whereas the lessee hath, in accordance with the provisions of the Mining Act, 1908, made application to the Warden of the Karamea Mining District sitting at Collingwood for a mineral lease of the land hereinafter described, authorizing the lessee to occupy the parcel of Crown land situate in the said mining district, containing by admeasurement eight hundred and seventy acres (870), more or less, subject to the provisions of the said Act, for the term, at the rent and royalty, and upon and subject to the covenants and conditions hereinafter contained and implied:

Now this deed witnesseth that in consideration of the rent and royalties and other payments hereinafter respectively reserved, and of the covenants and conditions hereinafter contained and implied, and on the part of the lessee to be paid, observed, and performed, the lessor doth hereby demise and lease unto the lessee all that parcel of Crown land situate in the said mining district, containing eight hundred and seventy acres (870), more or less, as the same is more particularly delineated and described in the schedule hereto and plan indorsed hereon, and on the said plan in outline edged with a red colour, together with the appurtenances thereunto belonging or appertaining, and all and singular the iron-ore (otherwise known as limonite and hæmatite) already found and discovered, and which shall or may at any time hereafter during the term hereby granted be opened, found, and discovered in, under, or upon the said parcel of land, and all by-products (if any) which may be derived or won in the process of the treatment of such iron-ore, together with full and free liberty, power, and authority for the lessee to dig, sink, drive, erect, make, and take such mines, pits, shafts, levels, trenches, soughs, drifts, leats, water-gates, roads, engines, machinery, and other works, furnaces, pit-room, heap-room, and storeroom in, under, or upon the said parcel of land or any part thereof as the lessee shall think proper, or as may be necessary or expedient for searching, for getting, storing, and carrying away the iron-ore in or from the mines and ore-bodies on or under the said parcel of land, and from the pits and shafts which shall be made by the lessee therein, and for avoiding and carrying off water and foul air therefrom, and also to take, lead, and carry away with trains, tramways, carts, wagons, and other ways and means all the iron-ore raised and got out of the said mines, and also in and upon the said parcel of land to make, fix, and place such roads, railways, tramways, wagonways, viaducts, and bridges and other ways as occasion shall require, and also to make, erect, and build upon the said parcel of land or any part thereof, and to remove and pull down and on the same or any part or parts of the said parcel of land to re-erect and rebuild all such engines, machinery, furnaces, gins, whimseys, houses, stables, buildings, sheds, walls, and other erections as shall from time to time be necessary or convenient for the working of all or any of the said ore-bodies under or upon the said parcel of land, or for getting or procuring the ore therefrom or therein, or for converting the same into iron or steel, or for winning and obtaining the by-products thereof, or for laying up or stacking any such ore, iron, or steel, or by-products, or for more effectually exercising all or any of the liberties, powers, and authorities hereby granted; and for all or any of the purposes aforesaid, but for no other purpose—

- (a.) To fell, cut, and use any suitable timber which may be growing or lying upon the said parcel of land, and for such purposes to erect and maintain thereon saw-mills or sawpits, planing-sheds, and other necessary buildings and the relative machinery thereto.
- (b.) To dig and get brick earth and clay and manufacture the same into bricks and tiles, and to erect and maintain upon the said parcel of land all suitable and necessary buildings and machinery for such purposes.
- (c.) To quarry and get stone, sand, gravel, or other building or road material from the said parcel of land, and use the same for the purposes of the operations of the lessee.
- (d.) To keep and depasture upon the said parcel of land horses, cattle, sheep, and other animals for the purpose of carrying on the operations of the lessee, or for affording physical sustenance to the lessee and persons employed by him, and for such purposes to plant, sow, and grow crops upon the said parcel of land.
- (e.) To have, use, possess, and enjoy all such other liberties, rights, privileges, powers, and authorities which are incident to or usual in connection with a lease of land or a lease of a mining property, and which are not inconsistent with the provisions of the Mining Act, 1908, or exclusive of any liberties, rights, privileges, powers, and authorities expressly hereby granted.

To hold, use, and exercise and enjoy the said parcel of land, ore-bodies, liberties, powers, and authorities, and all and singular other the premises hereby granted and demised, or expressed or intended so to be, unto the lessee, subject to the reservations, exceptions, and conditions expressed in the Mining Act, 1908, with respect to mineral leases, and subject also to the conditions and stipulations herein contained or implied:—

(1.) The sum of eight hundred and seventy pounds (£870) already deposited by the lessee with the Warden of the Karamea Mining District (hereinafter with his successors called "the Warden") in connection with the application for this lease shall be held by the Minister of Mines as security for the lessee's due compliance with the terms of this lease, and such sum of eight hundred and seventy pounds (£870) or any portion thereof which shall not have been refunded to the lessee as hereinafter provided shall be liable to be absolutely forfeited to the lessor under the circumstances and in manner hereinafter provided.

(2.) This lease is granted for a term of sixty-three years (hereinafter called "the said term"), commencing from the date hereof.

(3.) Without in any way limiting or affecting any other rights or powers of the lessor or the Warden, there is hereby reserved to the lessor the full and free right from time to time and at any time during the said term to lay off, construct, and maintain roads, railways, and tramways on, through, and over any part of the demised land, and to appropriate and fence off or otherwise demark such portion of the demised land as is required for the purposes of such roads, railways, and tramways: Provided that the rights hereby reserved shall be so exercised as not to interfere with the lessee's mining operations or works on the demised land, and as often as any question arises as to whether any specified exercise or proposed exercise of such rights does or may so interfere the question shall be referred to the Warden, whose decision shall be final, subject to the same right of appeal as is provided by the Mining Act, 1908, and its amendments in the case of proceedings before the Warden of the Warden's Court.

(4.) The rent payable by the lessee during the said term shall be the yearly rental of one hundred and eight pounds fifteen shillings (£108 15s.), being at the rate of two shillings and sixpence (2s. 6d.) for every acre or fraction of an acre of the demised land, such rental to be paid by equal half-yearly payments of fifty-four pounds seven shillings and sixpence (£54 7s. 6d.) in advance on the thirtieth day of June and the thirty-first day of December in each and every year, and the first payment thereof is to be the apportioned part of a half-yearly payment as from the day of the date hereof to the thirty-first day of December, one thousand nine hundred and twelve.

(5.) The lessee shall pay a royalty of one-twenty-fifth of the value at the pit's mouth of all iron-ore raised pursuant to this lease.

(6.) For the purpose of estimating the amount of royalty payable hereunder the value of the iron-ore so raised shall be deemed to be six shillings and threepence (6s. 3d.) per ton at the pit's mouth.

(7.) The said royalty shall be due and payable on the same days and for the same periods as the said instalments of rent accruing hereunder, provided that each payment of royalty shall be due and payable on a half-yearly day hereby appointed for payment of rent and shall be in respect of the value ascertained as aforesaid of the iron-ore raised during the half-year or portion of a half-year then expiring, and provided further that the provision for payment of such royalty shall be subject to the provision of Regulation No. 16 made under the Mining Act, 1908, that should the said royalty exceed the amount of rent payable under these presents in any one year such rent shall for that year cease.

(8.) On the thirty-first day of December, one thousand nine hundred and twelve, and at half-yearly intervals thereafter during the said term, the lessee shall make to the Receiver of Gold Revenue at Collingwood true and accurate returns of all iron-ore (if any) raised during the preceding half-year pursuant to this lease.

(9.) The lessee shall within six months after the date of this lease commence and thereafter during the term of the lease continuously prosecute mining operations on the demised land for iron-ore as aforesaid, and for that purpose shall (except as aforesaid) at all times during the first two years of the term keep continuously employed upon or in connection with the demised land and his said mining operations thereon at least one workman for every full area of fifty acres or less therein contained, and thereafter during the term at least two workmen for every such area: Provided as follows:—

(a.) For the purpose of compliance with the aforesaid labour conditions there shall be included all work done in the construction or erection of machinery or in preparation indispensable to the actual commencement of mining operations, whether such work is done on or in connection with the demised land, or on or in connection with any other land situate in the same mining district, or on the sea-coast thereof, and used for the purposes of facilitating mining operations on the demised land.

(b.) To the extent of one-half of the number of workmen which should otherwise be employed the expenditure of capital shall be equivalent to the employment of workmen in the proportion of one man for every thousand pounds of capital which shall be expended by the lessee in plant or permanent works for the purpose of the said mining operations.

(c.) Nothing herein shall deprive the lessee of the right to apply to the Warden for temporary exemption from labour conditions, or for the temporary liberty to work with fewer men; and the Warden shall consider each such application on its merits, and may, subject to the consent of the Minister of Mines if by law required, grant or refuse (either wholly or to any partial extent) any such application; and any grant or order made by the Warden in the premises, or any acts or things done or omitted to be done by the lessee under the authority of the Warden, shall not prejudice or affect the validity of these presents.

(10.) For the purpose of producing, smelting, or otherwise, and treating iron or the products of iron, but for no other purpose, the lessee shall be at liberty to take and use such portion of the limestone on the demised land as may be necessary for the production, smelting, and treatment of iron or the products of iron by the lessee, and this liberty shall extend to the production and winning of by-products (if any) derived or won in the process of the treatment of the iron-ore.

(11.) The lessee shall at all times during the said term duly carry out and observe all the terms and conditions of this lease, and all such provisions of the Mining Act, 1908, and the amendments thereof, and the regulations respectively thereunder, as are applicable to this lease and the lessee.

(12.) All the provisions of the Mining Act, 1908, its amendments and regulations, made thereunder applicable to mineral leases, including (but without prejudice to the generality of the aforesaid) all provisions and regulations for securing payment of the said rent and royalty, for ensuring the regular, proper, and efficient carrying-on of mining operations on the demised

land, for the inspection of all mines and workings therein and thereon, or otherwise howsoever shall, so far as the same are not inconsistent with the express provisions of this lease, be deemed to form part of this lease and to be incorporated therein.

(13.) If the lessee desires an extension of the period of six months within which mining operations are to be commenced, as provided in clause 9 hereof, he may at any time during the said period deposit with the Minister of Mines the sum of five hundred pounds (£500), and thereupon the said term shall be deemed to be extended so that such operations may be commenced within twelve months from the date of this lease, and clauses 1 and 9 hereof shall be construed accordingly. Any such deposit shall be added to the said deposit of eight hundred and seventy pounds (£870) already made with the Warden as aforesaid, and the aggregate sum shall be subject to be refunded or forfeited in the same way and under the like circumstances as is hereinafter provided with respect to the said deposit of eight hundred and seventy pounds (£870).

(14.) The said deposit of eight hundred and seventy pounds (£870) already made with the Warden as hereinbefore appearing shall, on the application of the lessee, be refunded to the lessee in one sum or in sums from time to time of not less than fifty pounds (£50) at any one payment, on the production by the lessee of the certificate of an Inspector of Mines showing that moneys at the rate of at least one hundred pounds (£100) for every fifty pounds (£50) applied for as a refund have been expended in the development and working of the lands comprised herein: Provided always that if at any time this lease shall be lawfully cancelled or forfeited owing to the default of the lessee any portion of the said sum of eight hundred and seventy pounds (£870), or of any other deposit made by the lessee in terms of these presents which shall not then have been refunded, or to the refund of which the lessee shall not then have become entitled, shall be absolutely forfeited to the lessor as and by way of liquidated damages.

(15.) This lease shall be deemed to be granted under and subject to the provisions of the Mining Act, 1908.

(16.) Any power to be exercised, or any notice, act, or thing to be given, done, or performed by or on behalf of the lessor shall be sufficiently exercised, given, done, or performed by or on behalf of the lessor by the Warden for the time being at Collingwood on behalf of the lessor, or by any person or persons whom he may from time to time appoint in writing in that behalf as occasion shall require; and any notice to be given to the lessor by the lessee shall be sufficiently given if given to the Warden for the time being at Nelson on behalf of the lessor, or to any person or persons so appointed, or if posted in a registered letter addressed to such Warden or left addressed as aforesaid at the office of such Warden.

(17.) And the lessor doth hereby covenant with the lessee that the lessee duly paying the rents and royalties hereby reserved, and observing and performing the covenants and stipulations on his part herein contained, shall peaceably hold and enjoy the lands, mines, rights, liberties, privileges, powers, and authorities hereby demised and granted during the said term without any interruption by the lessor or any person rightfully claiming through, under, or in trust for him.

(18.) And it is hereby agreed and declared that if and as often as the rent or royalty or any part thereof is in arrear or unpaid for the space of sixty days next after any of the days hereinbefore appointed for the payment thereof, although no formal demand may have been made therefor, or if the lessee shall commit a breach in the observance or performance of any other of the covenants, conditions, or provisions herein contained or implied, it shall be lawful for the lessor or his agent or servant, without prejudice to any other remedy he may have, and notwithstanding that he may not have taken advantage of any previous neglect or default, upon the demised land to re-enter, and thereupon this lease shall be absolutely determined, but without releasing the lessee from the payment of any arrears of rent or from any action or suit for or on account of any preceding default.

In witness whereof these presents have been executed by or on behalf of the parties hereto the day and year first before written.

THE SCHEDULE ABOVE REFERRED TO.

All that block of land in the Land District of Nelson, containing by admeasurement eight hundred and seventy acres (870), more or less, being section marked C23, Block II, on the plan of the Waitapu Survey District: bounded (commencing at the most northern corner of the said section) on the north-east (2061·8 links) partly by a public road and partly by Section 7, Block II, and partly (11509·1 links) by Crown land; on the south-east partly (2573 links) by Section 4, Block IV, and partly (8405·7 links) by Section 5, Block IV; on the south-east (11896 links) by Crown land; on the north-east (1226·5 links) by Section C14, Block II; and again on the north-west (600 links) by Section C14, Block II; on the north-east (2233·5 links) by Section C8, Block II; again on the north-west (1569·6 links and 1134 links) by Section C8, Block II; again on the south-west (1770 links) by Section C8, Block II; and again on the south-east (600 links) by Section C8, Block II; on the south-west (1492·5 links and 413 links) by Section C14, Block II; on the south-east (2041·6 links) by Section C14, Block II; and generally on the west and north (roughly 10000 links) by the River Onakaka and Crown land to the starting-point: as the same is shown on the plan annexed hereto and thereon edged with a pink colour.

Signed by John Poynder Dickson-Poynder, Baron Islington, His Excellency
the Governor of the Dominion of New Zealand, for and on behalf of His
Majesty the King, in the presence of—Arthur Guise, Private Secretary, } ISLINGTON.
Wellington. (L.S.)

Signed by the said Thomas A. Turnbull in the presence of— } THOMAS A. TURNBULL.
James Houlker, Solicitor, Nelson.

I hereby confirm the foregoing lease.

In witness whereof I, James Sim Evans, as such Warden as aforesaid, have hereunto subscribed my name and affixed the seal of the Warden's Court at Collingwood, this 14th day of September, 1912.

J. S. EVANS, Warden.

EXHIBIT J.

A. J. WASHBOURN'S MINERAL LEASE.

THIS DEED, made the day of , in the year of our Lord one thousand nine hundred and seven, between His Most Gracious Majesty EDWARD THE SEVENTH, of the United Kingdom of Great Britain and Ireland King, of the one part, and ARTHUR JOSEPH WASHBOURN, of Collingwood, in the Provincial District of Nelson and Colony of New Zealand, miner, and HENRY PHILLIP WASHBOURN, of the same place, miner, of the other part.

Whereas the said Arthur Joseph Washbourn and Henry Phillip Washbourn are the holders of a mineral lease of the land hereinafter described under the Third Schedule of the Land Act 1877 Amendment Act, 1882, dated the twentieth day of August, one thousand eight hundred and eighty-six, and have applied to the Commissioner of Crown Lands at Nelson for a renewal of the said lease:

Now this deed witnesseth that in consideration of the premises and of the rents, royalties, reservations, covenants, provisos, and agreements in and by this lease contained or implied, or contained in the provisions of the Land Act 1877 Amendment Act, 1882, Third Schedule (under which Act this lease is issued), on the part of the lessees, executors, administrators, and assigns, His Majesty the King doth hereby demise and grant unto the said Arthur Joseph Washbourn and Henry Phillip Washbourn, as tenants in common (hereinafter called "the lessees"), their executors, administrators, and assigns, all that piece or parcel of land containing by admeasurement fifty-six acres and thirty-six perches, more or less, situated in the Provincial District of Nelson, being section numbered 122 on Square 14, and bounded as follows: On the north-eastward (109 links) partly by Section 77 and partly by a public road, (600 links) by part of Section 76, (1400 links) by Section 76, and (226 links) by Section 149; on the south-eastward (2698 links) by Section 149; on the south-westward (1881 links) by Crown land; and on the north-westward (2791 links) by Crown land: as the same is delineated on the plan drawn hereon and coloured pink: and all mines, veins, and strata of coal, copper, and other minerals therein or appertaining thereto except gold, hereby expressly reserved for the term of twenty-one years from the first day of July, one thousand nine hundred and seven, yielding and paying therefor yearly in advance on the first day of January the sum of five pounds twelve shillings for and during each and every year of the said term hereby granted; subject to the deductions specified in section 19, subsection (4), of the Third Schedule of the said Land Act 1877 Amendment Act, 1882; and also yielding and paying the royalty (free of all costs and charges) of one-twenty-fifth part of all such coal or other minerals as shall during the continuance of this lease be dug, raised, gotten, or taken from the said piece or parcel of land, excepting on such coal as may be necessarily used by the said lessees for carrying on the mining operations hereby specified or implied, full, true, and correct accounts of which shall be kept by the said lessees, and faithful copies of the said accounts rendered each and every half-year during the continuance of this lease to the Commissioner of Crown Lands for the Provincial Land District of Nelson for the time being, who shall also have full liberty, either personally or by some one appointed by him in that behalf, to inspect from time to time the books of account kept by the said lessees; excepting and always reserving out of this demise unto His said Majesty the King, his heirs and successors and assigns, his and their servants and workmen, full and free liberty at all times of making and using any railroads, tramways, or other roads or paths in, through, over, and upon the said piece or parcel of land hereinbefore described or any part or parts thereof, and also excepting and reserving the right of using, letting, or demising unto any person or persons whomsoever such part or parts of the surface of the said land as shall not be required by the said lessees for the purpose of working the said mines and seams of coal, copper, and other minerals; and also excepting and reserving out of this demise full and free right of mining for gold upon the said land at all times, and for any person or persons whomsoever; and also excepting and reserving out of this demise power from time to time for the Gold Warden of the district for the time being to grant the right of ingress and egress to, from, and across the said land hereby demised; and also to grant to any holder of a miner's right the privilege of entering upon such land for the purpose of cutting and maintaining water-races or tail-races, and of leading head or tail water through the same, or for any of the purposes for which such miner's right shall have been issued: Provided always, and it is hereby declared and agreed, that the said lessees, their executors, administrators, and assigns, covenant with His Majesty, his heirs, successors, and assigns, that if at any time during this demise the rent hereby reserved or any part thereof shall be in arrear and unpaid for six calendar months, the lessees will pay a fine equal to one-fourth of the rent so in arrear: Provided nevertheless that this covenant shall not prejudice the rights and remedies of His Majesty, his heirs, successors, and assigns, under the power of re-entry hereinafter contained.

Provided always, and it is expressly agreed, that if the rent hereby reserved, and the said fine or any part thereof respectively, shall remain unpaid on the thirty-first day of December in any year, such lease shall be *ipso facto* void, and (although no formal demand shall have been made thereof) in case of the breach or non-performance of any of the covenants and agreements herein contained or implied on the part of the lessees, then and in either of such cases it shall be lawful for His Majesty the King, his heirs, successors, or assigns, at any time thereafter, into and upon the said demised premises or any part thereof, in the name of the whole, to re-enter, and the same to have again, repossess, and enjoy as of his or their former estate, and such re-entry shall operate to release and discharge the lessees' estate and interest at law and in equity to the demised premises, anything herein contained to the contrary notwithstanding; but such re-entry shall not release the lessees from any rent in arrear or from liability for any breach of covenant: Provided that no covenants whatever shall be implied herein on the part of His Majesty the King or the Land Board respectively. And also that the said lessees, their executors, administrators, and assigns, shall at all times efficiently and properly work the said mines hereby demised, and shall carry on such work to the satisfaction of the Government Inspector of

Mines, and shall not at any time set over or assign or part with this lease, or demise the same premises or any part thereof unto any person or persons without the consent in writing of the said Commissioner of Crown Lands: Provided also, and it is hereby declared, that if the said lessees, their executors, administrators, and assigns, shall be desirous of putting an end to this demise at the expiration of any year of the said term, they shall give not less than two calendar months' notice thereof in writing to the Commissioner of Crown Lands aforesaid at the Crown Lands Office in Nelson. Then and in such case, upon payment of all arrears of rent or royalties or payments in lieu thereof, and performance of the covenants herein reserved, contained, or implied on the part of the said lessees to be paid, kept, and performed, this deed shall cease and be void at the expiration of the current year aforesaid.

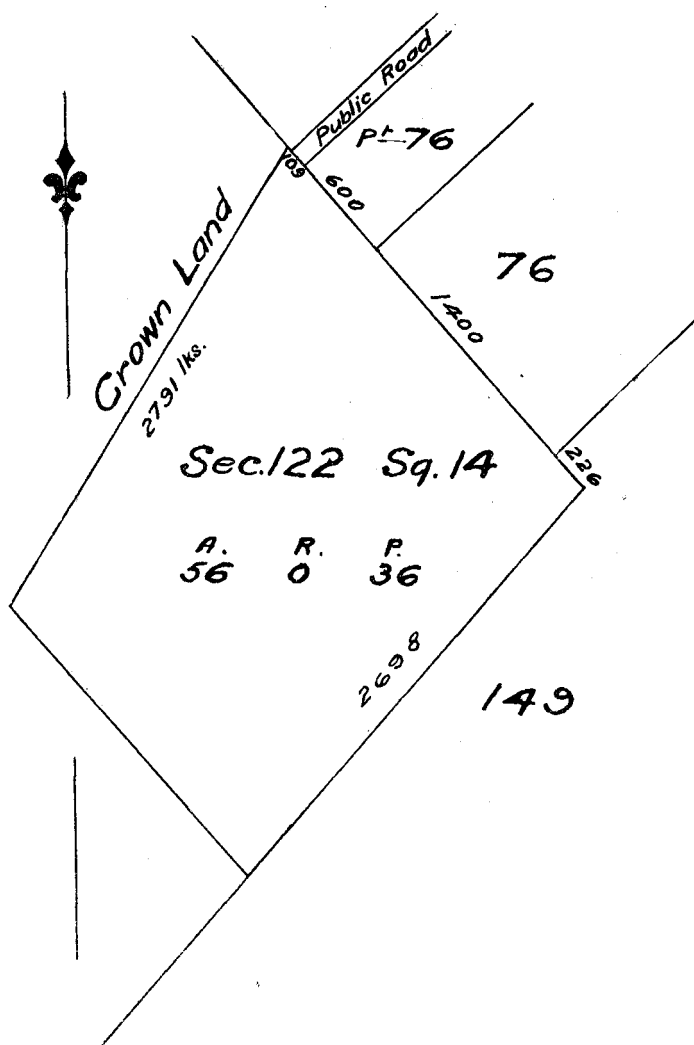
In witness whereof the Commissioner of Crown Lands for Nelson, on behalf of the lessor, hath hereunto set his hand, and the lessees have hereunto subscribed their names, the day and year first above written.

Signed by _____, Commissioner of Crown Lands for Nelson, in the
presence of—

Signed by the said Arthur Joseph Washbourn and Henry Phillip
Washbourn in the presence of—

I hereby consent to the transfer of the within lease from Arthur Joseph Washbourn and Henry Phillip Washbourn to the Public Trustee. Dated this 14th day of May, 1908.

F. W. FLANAGAN,
Commissioner of Crown Lands.



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