

They have paid that?—Yes. In anticipation of the commencement of cutting operations the company was under an obligation to make certain annual payments. It started off in the year 1911 with an annual payment of £1,500, and finally the annual payments jumped to £5,000 a year. That is now the minimum annual instalment, which has to be paid in advance, and until such time as the value of the timber taken by the company equals the total amount of the royalty. After that the company has to pay according to the timber taken, or the £5,000 a year, whichever is the greater. Well, the amount actually paid is something in the vicinity of £55,000. That has actually been paid. The figure set out in the statement is £52,000-odd, but there is another £2,500 which should be added to that. That is excluding interest; there is no claim for interest. Well, the position actually is that the company is at present five years in arrears in regard to the payment of royalties. The company's other obligation was in regard to the railway-line. There have been various extensions of time for the construction of that line, and originally the company was under an obligation to construct the first eighteen miles of that line before the 1st September last. That, of course, the company has not done; all it has done is to do about three miles of construction work. Of course that cannot be remedied, and the position, so far as this condition is concerned, is that the company is hopelessly in default, and its rights can be determined at any time by the giving of the requisite notice. That was the position at the beginning of the year, and still is the position. Now in regard to myself. At that time I thought it would be a great pity to allow the whole undertaking to fall through, especially as we had the Duncan syndicate in the background, with the capital to enable the whole undertaking to be put through. So I set myself to work to devise a project which I submitted to the syndicate, and it approved of it. I then submitted the project to the Native Minister, and he said, "Well, what about the Native owners?" I said, "I will get their consent; I will do that." So I went up to Lake Taupo and there submitted the project to the owners. Well, meetings were held extending over four days, and the matter was thoroughly discussed, and the Native owners were represented there in full. They approved of the project. But, as my friend Mr. Hampson has pointed out, it was decided that six months' notice should be given to the Tongariro Timber Co., and in that six months the syndicate should carry out the preliminaries of the project, and also pay the Native owners the arrears of royalties, so as to put the whole undertaking on a sound basis; and if at the end of the six months, plus three months' extension which the Native Minister was empowered to grant, the project was not carried out, then the whole of the company's rights were to be cancelled. That was the position. Well, now, coming to the project: The project is to form a new company. This new company is to take over the rights of the Tongariro Timber Co., subject to all its obligations under its title-deeds, and subject to the new company settling with the creditors and other interested parties in a manner which I will explain later on. There are two main conditions which will be imposed by the new company. One is that the company should be allowed to modify the standard of the railway in the manner I have already explained, and that it should also be allowed to deviate the route of the line. The present route lies along the southern boundary for some eighteen miles, through very difficult country, and incidentally does not touch the bush at all, or very few parts of it. The idea is to build the line diagonally across the territory, so as to serve the timber there, and so that it can be constructed on easier country. But it involves one change in the specifications of the line—namely, the grade will be steeper. The present grade laid down is 1 in 40, while the deviation will result in a grade of 1 in 33. The other condition is that the scale of royalties payable to the Native owners is to be increased. I have just given you the existing scale. The proposed new scale is this: The present scale up to 1936 stands: that is, £9 7s. 6d. From 1936 to 1946 the royalty is increased from £11 5s. to £12 10s.; from 1946 to 1956, from £13 2s. 6d. to £15; and from 1956 to 1965—incidentally a five-years extension of the term is asked for and is to be given—the scale of royalty will be increased from £15 to £20 per acre. It works out that on these figures the average royalty payable during the period of cutting operations will be about £15 an acre, or the equivalent of 1s. per hundred log feet, or 1s. 6d. per hundred superficial, or sawn, or board measurement, or whatever you call it. That is the position as it is to-day. Now, the task of promoting this company will be delegated to the Duncan syndicate. I have pointed out to you what they have done, and the position in regard to their capital. I am perfectly satisfied, so far as the raising of capital is concerned, that that is assured. This new company will have a share capital of £300,000, and these shares will be issued fully paid up; £120,000 of these shares will be allotted to the owners—that is, the Government as to one-quarter—the Government owns a quarter of the territory—and to the Native owners as to the remaining three-quarters. In other words, the owner interests generally will take £120,000. Then, £60,000 will go to the old company as a consideration for the assignment of its deeds and rights, and so forth, to the new company. Then, £60,000 will go to the subscribers of the actual working capital. I will touch on that later. Another £20,000 will probably be expended in connection with the raising of the working capital. That will leave something in the vicinity of £40,000: that will be taken by the syndicate as a remuneration for its services, past, present, and future. The syndicate has been in operation for two years, and will last another six months at any rate. The £40,000 that the syndicate will get in that way will, on the company's entire capital, work out at about 5 per cent. All those shares will be issued fully paid up. That is the position so far as the share capital is concerned. I would point out that the £250,000 capital referred to in the statement before the Committee is not correct now. It was necessary to alter the amount from £250,000 to £300,000, for two reasons. In the first place the area of the territory is 60,000 acres, so that the owners will get two shares per acre; and, on the other hand, the old company's share capital was £60,000, so that it gets share for share. The new company's working capital as distinct from its share capital will be raised through the medium of a series of debentures carrying 10 per cent., the interest rising with the dividend on the share capital up to 14 per cent. This £300,000 will be subscribed in the ordinary way. The matter has been gone into very deeply and very closely,