

1904.  
NEW ZEALAND.

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## PUBLIC PETITIONS A TO L COMMITTEE :

REPORT ON THE PETITION OF JAMES DOUGLAS AND 26 OTHERS; TOGETHER WITH THE  
PETITION AND MINUTES OF EVIDENCE AND APPENDICES.

(MR. WALTER SYMES, CHAIRMAN.)

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*Brought up on the 4th November, 1904, and ordered to be printed.*

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### ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

THURSDAY, THE 30TH DAY OF JUNE, 1904.

*Ordered*, "That a Public Petitions A to L Committee, consisting of ten members, be appointed to consider all petitions that may be referred to it by the Petitions Classification Committee, to classify and prepare abstracts of such petitions in such form and manner as shall appear to it best suited to convey to this House all requisite information respecting their contents, and to report the same from time to time to this House, and to have power to report its opinions and observations thereupon to this House; also to have power to call for persons and papers; three to form a quorum: the Committee to consist of Mr. Hall, Mr. Hardy, Mr. Lang, Mr. Lawry, Mr. R. McKenzie, Mr. Remington, Mr. Symes, Mr. Taylor, Mr. Wood, and the mover."—(Hon. Mr. MILLS.)

TUESDAY, THE 2ND DAY OF AUGUST, 1904.

*Ordered*, "That the name of the Hon. Mr. Hall-Jones be substituted for the name of the Hon. Mr. Mills on the Public Petitions A to L Committee."—(Hon. Mr. MILLS.)

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## P E T I T I O N .

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To the Honourable the Speaker and Members of the House of Representatives in Parliament assembled.

THE humble petition of the undersigned members of the Lake Wakatipu Shipping Company (Limited) sheweth as follows:—

In the month of June, 1899, the Lake Wakatipu Shipping Company (Limited) purchased from the Lake Wakatipu Steam Shipping Company (Limited), for the sum of £30,000, the whole of its assets, consisting of the following, viz.:—

At Queenstown—	£
Steamships, valued at	13,300
Fixed-deposit receipts, valued at	6,300
Freehold sections, buildings, wharf, &c., valued at	1,600
Book debts, valued at	1,200
Ship-stores, wharf-piles, &c., valued at	700
Slip, winches, and other gear, valued at	500
At Frankton—	
Land, buildings, wharves, tram-lines, &c., valued at	1,400
	<hr/>
	25,000
Add for goodwill	5,000
	<hr/>
Making a total of	£30,000

The valuation of the steamships was made by Mr. John Cable, of the firm of Morgan, Cable, and Co., shipbuilders and marine engineers, Port Chalmers, and the remaining assets were valued by Captain E. T. Wing, Queenstown.

In the month of September, 1902, the Lake Wakatipu Shipping Company (Limited) offered to sell to the Government of New Zealand the whole of its property, excluding the reserve fund and book debts, for the sum of £30,000.

In the month of October, 1902, Sir J. G. Ward, on behalf of the Government, offered to purchase the whole of the company's property and assets of all descriptions, excluding the reserve fund and book debts, at the price of £15,000, payable as follows: A deposit of £750 on acceptance, and the balance (£14,250) on the 3rd April, 1903, with interest thereon at £6 per centum per annum. To this offer was added a stipulation that, if accepted, the steamers would require to be placed at the disposal of the Government on the 1st November, 1902.

In order that the sale might be conducted in a fair and businesslike manner, the company endeavoured to get the matter referred to arbitration, but the reply received from Sir J. G. Ward was that the Government had no intention of arbitrating in a matter of the sort, that the Government's responsible officer reported the value of everything (exclusive of the reserve fund) at £8,000, and that the offer he had made was the only thing he could do. The company was also informed that if the offer of the Government was not accepted the Government would have steamers built and enter into competition with the company, with the result that the company would be ruined.

Fearing that unless the offer of £15,000 was accepted the company would get nothing, and that the company could not successfully compete with the Government for the Lake Wakatipu traffic, the company was very reluctantly compelled to accept the offer, and the Government entered into possession on the 1st November, 1902.

Your petitioners believe that the company's property purchased by the Government was valued by an officer of the Government at £21,500.

The actual loss in cash sustained by the members of the company, as shown in the final balance-sheet, amounts to £8,519 19s. 5d. To this must be added £1,435 1s. 4d., which represents the loss of interest on capital from 1st July, 1902, to 17th April, 1903, giving a total loss of £9,955 0s. 9d. The members also lose about £1,500 per annum, being the difference between the average dividend paid by the company and the current rate of interest on their reduced capital.

Your petitioners pray that compensation may be made to them for the loss they have sustained by being forced to sell their property at a price very much below its true value.

And your petitioners will ever pray.

JAMES DOUGLAS (and 26 Others).

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## REPORT.

No. 409.—Petition of JAMES DOUGLAS, of Queenstown, and 26 Others.

PETITIONERS pray that compensation be granted them for loss sustained by the forced sale of the property, known as the Wakatipu Steam Shipping Company, to the New Zealand Government.

I am directed to report that the Committee has made full inquiry into the purchase of the Wakatipu Steam Shipping Company, and, after hearing the evidence of Dr. J. Douglas and Captain Wing on behalf of the petitioners, and that of Mr. C. A. Piper and Captain Post on behalf of the Railway Department, the Committee is of opinion that full value was paid by the Government. The Committee, therefore, has no recommendation to make upon this petition, further than to recommend that the evidence be printed.

4th November, 1904.

WALTER SYMES, Chairman.

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## MINUTES OF EVIDENCE.

THURSDAY, 8TH SEPTEMBER, 1904.

JOHN DUTHIE, M.H.R., examined. (No. 1.)

*The Chairman.*] We shall be pleased, Mr. Duthie, to hear anything you have to say in support of this petition.

*Mr. Duthie:* In this case, from the report we have just heard read, it will be found that the main facts are scarcely in dispute. So far as I have been able to follow it, the claim that these petitioners prefer is based upon a phase of the matter which is scarcely represented by the report, because while it was stated it was open to the company to either accept or reject the offer made by the Government, yet from the fact that this company's plant was irremovable in an inland lake, consisting as it did of steamers, wharves, stores, &c., and that the company was threatened with competition from steamers of the Government in the event of refusing the offer, the company was placed in such a position that they were not free agents. As a matter of fact, the company's £1 shares before this position was forced upon them were being bought at £1 2s. 6d. and £1 5s., while under this bargain they at once fell to 12s. 6d., and later were unsaleable at that price.

*Mr. Taylor:* What was the maximum value of the shares?

*Mr. Duthie:* There had been transactions at £1 2s. 6d. and £1 5s. on the paid-up shares of £1. Upon the expressed determination of the Government to place one or two steamers of their own on the lake the shares collapsed. There was then one transaction at 12s. 6d., but generally the shares were unsaleable. The company's plant was in good working-order. They had just put new boilers into one of their steamers, and their boats were all put into good general repair before the end of 1902. All that the company then realised was 14s. 3d. per share. The crux of the whole matter was that they were not free agents in the bargain that was made. The fact that the Government had intimated their intention of going into the inland trade, which had been built up by the company, and to put their steamers into competition with those of the company, simply meant ruin to the shareholders. A steamer cannot be put on one's back and carried to another lake or to the ocean, so obviously it meant ruin to the company if the Government went into competition with it. As a result a panic set in, and the shareholders urged the directors to accept the offer made. It was a case where a fair value should have been fixed on the steamers and plant by impartial valuers. No extravagant price would have been expected in such a case, because it occurred through the ordinary exigencies of life; but a third party could have fixed a price for the property in the same manner as is done in the case of a private individual, and the Government might fairly have been expected to take this course. But in this case an arbitrary price was fixed, and the company under the circumstances were compelled to accept it. The Government, I understand by the report, admit that there was a threat to procure new steamers; that is not denied, and therefore the position is a very simple one. I will ask Captain Wing to give evidence as to the position of the company, and Dr. Douglas will also make a statement.

Captain Wing examined. (No. 2.)

1. *Mr. Duthie.*] The Lake Wakatipu Shipping Company (Limited) was re-formed in 1899?—Yes.
2. On the re-formation your plant, I believe, was valued by a professional man?—Yes.
3. By whom?—By Mr. Cable, of Messrs. Morgan and Cable, shipbuilders and foundrymen, of Port Chalmers.
4. The capital of the new company was £30,000, I understand?—It was £35,000, with £30,000 paid up.
5. In purchasing the plant from the old company, I understand £5,000 was given for goodwill?—Yes.
6. The goodwill was partly justified by the fact that the net earnings for the previous four years were £12,671, so that the company was in a sound financial position?—Yes.
7. You have Mr. Cable's valuation in a report?—Yes.
8. Be so kind as to read it. I understand he valued the three steamers at £13,300?—Yes. *Mr. Cable reports:* "As requested, I proceeded to Lake Wakatipu and inspected the three steamers belonging to the Wakatipu Steam Navigation Company, and found each one in the following condition: S.s. 'Mountaineer': The hull of this vessel is of iron, decks of kauri; the internal fittings are well got up, and everything has been well looked after, and will last for many years, with the exception of the boiler, which will want renewing in about two years, at a cost of about £650. I value the steamer as she now stands at £7,250. S.s. 'Ben Lomond': Is an iron vessel, and in good going-order in every respect. There are no alterations or repairs required on her, the boiler being good for another two years. I estimate her worth £3,550. S.s. 'Antrim': Her hull is made of wood, and is in grand order. The machinery and decks have practically been renewed within the last two years. The boiler I consider good for twenty years, and the value of steamer £2,500. In conclusion, I may add that the steamers appear to have been taken great care of, and that added to the superior quality of the water in Lake Wakatipu, the hulls, both outside and in, are in as good condition now as the day they were launched. The machinery has also been well attended to, and is now in first-class working-order.—JOHN CABLE."
9. Then, the total value of the steamers he estimates at £13,300?—Yes.
10. Besides the steamers, you take the land, buildings, wharves, &c., at Queenstown, at a value of £1,600?—Yes.
11. Then, you hold stores, a slip for the steamers, winches, and other plant, valued at £1,200?—Yes.
12. And at Frankton you had land, buildings, wharves, crane, tram-lines, &c., valued at £1,400?—Yes.
13. Altogether this makes about £17,500, which is the amount you paid when taking these things over from the old company?—Yes.
14. You paid £5,000 for goodwill on taking it over as a going concern?—Yes.
15. And you also took over bank-deposit receipts and book debts amounting altogether to £7,500?—Yes.
16. That is how the £30,000 was made up?—Yes.
17. In 1903, the year the Government took over the steamers, I understand you had effected considerable repairs to them, including the putting-in of a new boiler on the "Mountaineer"?—Yes.
18. These steamers stood in the balance-sheet at £15,000?—That was our value, but with the depreciation they stood in our balance-sheet at £14,003. We always wrote them down.
19. But until you wrote them down they stood at £15,900?—Yes.
20. Then, the wharves and buildings at Queenstown stood at £1,600?—Yes.
21. Your ship's stores, wharf-piles, slip, winches, and other gear stood at £2,100?—Yes; many of these things were pretty well new.

22. At Frankton the land, buildings, wharves, tram-lines, &c., were reduced to £1,400?—Yes.
23. So that all your assets stood in your books at about £22,500?—Yes.
24. Which included in goodwill £5,000?—Yes.
25. That is the financial position which I wanted to bring under the notice of the Committee. Apart from the question of goodwill, the properties stood when the Government took them over at £17,500?—Yes.
26. Prior to the issue of that last balance-sheet the first intimation was given that the Government intended to put one or two steamers on the lake?—Yes.
27. At that stage—it is admitted that the Government announced such an intention—you personally went to Invercargill and saw the Minister for Railways?—Yes; and he told me the boats would be running in November.
28. Did he state that the boats were ordered?—Yes; he said one was bought.
29. And that created quite a panic amongst the shareholders?—Yes.
30. The shareholders saw that ruin threatened their property, and, as I explained to the Committee, shares which had been selling at £1 2s. 6d. up to £1 5s. went down to 12s. 6d., and were unsaleable?—Yes.
31. Your balance-sheet shows £6,357 as net profits, and you had written off £1,188 from your plant, which is an excessive amount to write off?—Yes.
32. In making the offer of £15,000, are you aware whether any Government officer had been up to inspect the steamers?—Yes.
33. Who was it?—Captain Post and Mr. Piper, the Railway Traffic Manager at Invercargill.
34. Did the Government submit their valuation to you?—No.
35. Then, I understand you asked the Government to submit the matter to arbitration?—Yes.
36. And the Government would not do that for you?—No.
37. You have no knowledge as to why the Government fixed the value at £15,000?—Not the slightest. We could not understand it, except for the reason that we were in such a position that we would not be able to help ourselves.
38. You are a nautical man and can say from your experience whether those steamers were in good repair?—They could not have been better. They were old steamers, but they had been kept up to the mark, and the "Mountaineer" had been made practically a new boat.
39. And all the plant and stores, both in Queenstown and Frankton, you consider, were in good order and necessary for carrying on the business of the company?—Yes.
40. There were no waste assets, and could be said to be legitimate capital?—Yes. With regard to the resolution which was passed by the company to let the property go, I might say that it was passed under pressure. Our solicitor told us we could do nothing else, and that if we did not do it our steamers would be thrown back on our hands, because the Government would put on other steamers. Therefore we looked at it in the light that it would cost us a lot of money if we took our steamers back after the Government had taken all the profits of the tourist season and commenced to run the whole thing again. At that time, from November till the end of March, was the time when we made all our money, because during the rest of the year we were barely able to pay expenses.
41. The Government, then, had the benefit of the whole tourist season?—Yes, and all the profits.
42. *Mr. Taylor.*] Have any new steamers been built for the trade since you sold your property to the Government?—Not to my knowledge.
43. Has the plant you sold been ample to meet all the requirements?—Yes, and always has been.
44. Have any material additions been made to the wharf accommodation?—I do not know. I have been away in Auckland for some time.
45. Did you actually pay £5,000 for goodwill when the new company was formed, or was it a book entry? Were the shareholders of the old and the new company identical?—New shareholders came in, but most of the old company were also members of the new company.
46. Did the members of the old company actually receive £5,000?—Yes.
47. Not in shares?—We divided the amount—half in shares and half in cash.
48. What did they receive in cash?—It was to have been £15,000 in shares and £15,000 in cash. We took the shares and other shares besides, amounting to about three or four thousand pounds.
49. And the balance?—Was in cash.
50. So that in shares and cash £30,000 actually changed hands in connection with the concern?—Yes.
51. You say that the dividends for four years amounted to £12,670?—Yes. They were the best years we had. That was during the tenure of a former company.
52. Was that equal to 10 per cent. on the £30,000?—Yes, over.
53. Do you know what profits are being earned by the boats now?—Only by the newspapers.
54. Is the traffic increasing in volume?—Not to my knowledge.
55. You say the Minister for Railways told you in Invercargill that two boats were being built, and one would be running against you in November?—Yes.
56. Was that quite verbal?—Quite verbal.
57. Have you no statement in writing at all?—No.
58. Where did the conversation take place between you?—I think it was in the J. G. Ward Company's buildings.
59. You are quite clear on that point?—Yes.
60. And that statement was the reason why the shareholders accepted the Government's offer?—Yes. I was sent down to ask the question.

61. *Hon. Sir J. G. Ward.*] Who presents this petition—from whom does the petition come?—From the shareholders in the south.

62. How many shareholders?—From as many as could be got to sign.

63. That is not the point—how many?—I do not know how many. It was sent up to me to sign in Auckland, where I am living now. The shareholders are very much scattered.

64. How many shareholders were there in the company?—Fifty-four, I think. They are scattered about, and some are in Christchurch. I think those signing are only the Dunedin ones.

65. Was any effort made to send this petition to the whole of the shareholders?—I really could not tell you. The gentleman who made this up, Mr. Shrimpton—one of the heaviest shareholders—told me he had as many shareholders to sign as he could get hold of; but I have no doubt that if we had had time he could have got the whole of us.

66. Why was not the petition sent through the member for the district, Mr. Fraser?—That I could not tell you.

67. I want to tell the Committee the history of this company, and I would like you to state whether or not there was a strong agitation all over the lake district against the methods adopted by the Lake Wakatipu Shipping Company for some years prior to the Government interfering with it?—A few were discontented, but I think that was pretty well settled when Mr. Parry was sent up.

68. For some years prior to the Government interfering at all, was not a good deal of dissatisfaction expressed by people all over the lake district against the methods adopted by the Lake Wakatipu Shipping Company?—There were a few, but that proves nothing. We had done nothing to cause that dissatisfaction. I might mention that there was a good deal of bother created because our charges were put in with the railway charges, and in many instances people did not look at the railway charges and thought we made the total charge. We paid the Railway Department their charges, which amounted perhaps to £3, while ours was only 10s., and people would look at the amount and say that we were charging an exorbitant sum.

69. *Mr. Taylor.*] You collected the railway charges?—Yes.

70. *Hon. Sir J. G. Ward.*] Do you mean to tell the Committee that there has not been very general dissatisfaction throughout the district?—I have never found that there was general dissatisfaction.

71. Were there any meetings held to express dissatisfaction at the way in which the company was carrying on?—There was one at Arrowtown.

72. Was there not one at Queenstown?—Not that I know of.

73. What was the actual cost of the company to the shareholders at the time it was taken over by the Government?—Well, it cost them the whole of the £30,000. Those who bought in paid £1 a share. I myself paid £1 per share.

74. Do you suggest that the capital of the company was not watered?—Only in the matter of £5,000 for goodwill of the old company. The old company had worked the whole thing up. The steamers were all out of repair, and we were told that we were fools to buy the company, and before we took a penny we spent eight or nine thousand pounds.

75. Who was the gentleman to whom it was put under offer and who proceeded to England to try and float the company?—Mr. Rogers.

76. What was the option that he had from the company in proceeding to England?—To sell it at £30,000. It was his own offer.

77. As a matter of fact he did not succeed, because he was shipwrecked on the road?—Yes.

78. He reconstructed the company?—He left it to his attorney, Mr. Shrimpton.

79. How many shares did he retain for his trouble?—Fifteen hundred.

80. Included in the £30,000 there was £5,000 for goodwill?—Yes.

81. And on top of that there was £1,500 that Mr. Rogers retained for reconstructing?—Mr. Rogers did not retain anything. When he lost all his papers he just wired to Mr. Shrimpton, as his attorney, to tell him that if he liked he could go on with it in New Zealand, as he would not do anything with regard to it at Home.

82. Were you there when the two officers were sent up to report on the steamers in the first instance—Mr. Piper and Captain Post?—Yes.

83. Was the whole position of the company disclosed to them, so as to enable them to make their report to the Government?—I do not know.

84. What did you hold back from them that you declined to give?—I do not think there was anything held back that they particularly asked for. I did not wish to hold back anything.

85. You do not remember anything?—I do not remember.

86. If they reported that it was impossible for them to get either the amount of the reserve fund or the amount of the book debts, would that be correct? Did you refuse to give them the amount of your reserve fund and the amount of the book debts?—I do not think so, so far as I can remember. I do not see why I should. It was not to my interest to keep back the amount of the reserve fund or the book debts.

87. What was the amount of the reserve fund and the amount of the book debts when those two officers went there?—The reserve was £5,780.

88. *Mr. Taylor.*] Was that invested in shares or cash?—In the bank on the fixed-deposit receipts. The book debts were just a little below the amount in the former balance-sheet—about £900.

89. *Hon. Sir J. G. Ward.*] You are sure the reserve fund was not more than £5,780?—Yes. It was £6,000 when the company was formed, but we had taken some of that out for making new wharves at Frankton and for repairs to the "Mountaineer." That was the reason we only paid 6 per cent. that year. We took the amount out of profits.

90. Were you there when Mr. Farrish, an officer of the Government, was up in 1901?—Yes.

91. Had you added to the assets of the company in the shape of steamers after he was there?—No.

92. Do you know what he valued the whole of the company's assets at?—I heard; but the man was not an expert. I understand that he valued them at £8,000, and the "Mountaineer" could not have been put on the lake at that money.

93. Was not £3,000 spent on the "Mountaineer" after that?—There was £2,800 spent on her.

94. There was a statement made by you, because he makes a reference to it in the report?—He came in to me to complain about a charge made. He said, "Six shillings for a parcel like that?" and I said, "You forget there is 5s. railage and 1s. for the company. Six shillings is not the charge." After talking for a few minutes he went away.

95. The offer made by the Government to the Lake Wakatipu Shipping Company was exclusive of the reserve fund and book debts?—Yes, decidedly.

96. And the reserve fund and book debts amounted to how much?—£5,780 and £900.

97. So that according to your own figures, and I say it was a much greater amount, you got over £21,500 for the business?—Yes.

98. And how much beyond that did you expect to get?—We thought we should have got £30,000. I think we were fully entitled to it.

99. Did I understand that you considered the steamers were quite sufficient for the lake service at the time?—Yes. We were not stuck up once. I never had the three boats on at one time. I always carried the passengers on the "Mountaineer" and "Ben Lomond."

100. Did you know that Captain Post, in making his proposal, stated that it was necessary that one new steamer should be built?—I did not know that. He did not say so to me.

101. Are you of opinion that the people generally served by these steamers were satisfied with the rates and services run?—As a rule, I think they were. I may state that before this company took the thing over the people were all saying how sorry they were that we were losing money. Until they knew that we were making money we were never troubled. Many friends of mine came and said they were sorry we were not making money; but we did not let them know that we were.

102. Are you aware that Mr. Piper, the District Traffic Manager, who went there at the time Captain Post was there, considered that it would be necessary to build another steamer if we took over your plant?—No. I only know that from your letter or wire to Mr. Turton, stating that another steamer would be required. They did not mention that to me. I remember the question being put whether I had ever been stuck and refused to take people, and I said "No."

103. You rely upon the report made by the officers that you ought to receive more money for the Lake Wakatipu Shipping Company's concern?—We have been told that they did make a good report upon it—not up to anything like what we wanted, but much higher than we got.

104. And you are not aware that they said that if we took over the company's boats we should require to have another boat?—I am not aware of that.

105. Would the company have been prepared to build a boat to cost £25,000 or £30,000?—No. That would put our capital up to £60,000.

106. Do you remember Mr. Hudson interviewing or communicating with the company and endeavouring to get the rates lowered?—I do not know whether it was Mr. Hudson, but the Railway Department did write to us.

107. And you did not lower the rates?—Yes; we lowered them by 25 per cent.

108. When?—I have not got the date about me. At that time we were getting 10s. in the first class, and we brought it down to 7s. 6d.

109. You do not know what year that was in?—No. Then we had a further letter from the Department. I understand that you were not satisfied with those rates, and said we would have to reduce them to 6s. 6d. for saloon rates, and that is what we were running at when the Government took the boats over. That was the rate for single tickets.

110. What are the rates now?—I understand the Government has brought them down 25 per cent. again.

111. Immediately after taking them over?—Not immediately. I was there for six months, and it was not done then. I have been away from there about fourteen or fifteen months. I only knew that by writing down and asking if the rates had been lowered, and I was told that they had been reduced 25 per cent.

112. What did the original company cost?—Eleven thousand pounds we put down in cash.

113. For the business generally?—The boats were all bankrupt. We bought from the banks, and what property there was we bought for £11,000. We paid £11,000 cash for the lot.

114. *Mr. Duthie.*] What year was that in?—1885.

115. *Hon. Sir J. G. Ward.*] That was for the same three boats that you have?—Yes; but we thoroughly gutted them and put them in good going-order.

116. Did you do that out of revenue or did you increase your capital?—We overdraw from the bank.

117. And you paid your overdraft out of revenue?—Yes.

118. The original cost of the three boats was £11,000?—Yes.

119. And you paid off the bank accommodation and any alterations that were made out of revenue?—Yes.

120. How did you convert £11,000 into £30,000—was it by watering the stock of the company?—Out of the overdraft.

121. Where did you get the £19,000 additional value from? You did not increase the number of your steamers?—No.

122. And you did not increase the number of your wharves?—We did not increase the number, but we increased the extent of the wharves.

123. Did you effect the alterations to the wharves out of revenue or out of capital?—Out of revenue.

124. Now, I come back again to my former question—where did you get the extra £19,000 of additional value from—where did it come from?—We had a reserve fund.

125. Where did you collect that from?—Out of our earnings.

126. That was not fresh capital?—No, but it was paid to the new company.

127. You did not increase the number of your steamers, and you effected any alterations or repairs to them out of revenue?—Yes.

128. You did not increase the number of your wharves, and the alterations or repairs to them were made out of revenue?—We did not increase the number, but we increased the size of them.

129. You did not increase the number of your wharves, and the alterations or repairs made were made out of revenue?—Yes.

130. So that the steamers and wharves and any additions made to them were made out of revenue, and not out of capital?—Yes.

131. And the reserve fund was also formed out of revenue?—Yes.

132. Then, what additional assets did you get to make up £19,000 additional value in your balance-sheet? You did not add to the number of your steamers, and the alterations you made were made out of revenue?—Yes.

133. It was all done out of revenue, and therefore you did not raise any additional capital?—No.

134. Then, how could you make your capital £30,000 unless it was by watering your stock?—We took nothing out of the concern for years.

135. When you expended money upon the maintenance of the wharves, you added that to capital?—We added it to capital, but we always wrote it down.

136. Suppose one year you added £1,500, you might write that down 5 per cent., and the balance of the expenditure you would call additional expenditure for the maintenance of these wharves?—Yes.

137. The same process applies to the reserve fund?—Just the same.

138. So that the capital has been largely made up out of ordinary revenue, portion going to maintenance and a portion to reserve, and in that way you increased the amount to £30,000?—Yes; we thought that was perfectly legitimate.

139. Did you pay dividends every year?—In the new company—Yes.

140. Do I understand that you did not know that strong complaints were made about the rates charged by your steamers?—Of course, you will always have some complaints; but it was usually on account of the railway charges and our charges being made together. The amounts together seemed to be so big.

141. Do you know whether, as far back as 1891 or 1892, a public statement was made in Queenstown that unless the Lake Wakatipu Company gave a better service it would result in competition for the traffic being established?—No; because we were often told that we should have opposition on the lakes; that our boats were not up to date, and so on.

142. Was not your company publicly warned that unless an alteration were made to meet the requirements of the trade another line of steamers would be put on?—The company was not informed of that, but we knew it from what you stated.

143. I stated it publicly?—Yes. You said that these boats had been on so long that it was time there was some improvement made.

144. Do you remember me repeating that publicly afterwards in the same place?—I cannot say I do.

145. I now want to come to the question of the offer. When the offer was made you say that you interviewed me in Invercargill?—Yes.

146. When was that?—I think it was in April, 1901. I think you were going to Sydney at the time. Mr. Hanan had arranged to introduce me to you, but had to go away; but he told me where to find you.

147. When was the first communication made to the steamship company by the Government regarding these steamers?—I do not remember any communication being made.

148. When was the first communication made by the company to the Government?—It was put into the hands of our solicitor, Mr. Turton. We were advised to get some one to arrange the matter for us or we should be ruined, and Mr. Turton came to Wellington. It was after that I saw you.

149. And you saw me in 1901?—Yes, it must have been 1901, because I said we should like to know, as we were going to put our steamers to rights, and you said it would be a pity to spend money as your boat would be ready in November.

150. Are you sure that was not in 1902?—No; it was in 1901. You were just going to Sydney at the time.

151. When the matter got to the position of a conditional offer—the offer which I understand from your reply to Mr. Duthie you took exception to—you stated that the Government made a deposit and allowed the balance to stand over, thereby getting the benefit of the trade during the summer months?—Yes.

152. Do you know why the offer was made by deposit and the balance was to be paid in six months?—Yes.

153. Do you know that it was made entirely with a view of giving the company the right to run their boats during the season if they desired?—We were not told so.

154. Do you mean to tell me that upon the expiry of the six months, before the Government took the steamers over, the company had not again an offer to withdraw and keep their steamers?—Yes.

155. Then, how can you reconcile with that your statement that the deposit was made and the remainder of the money was to be paid in six months with the object of enabling you to keep your

steamers if you required to do so?—When we once sold our property we thought the thing was done with, and we had been so worried that we said, “Let it go.” We did not know that you had the power to let it go back to us. Our solicitor told us that there would be a great deal of bother in connection with the adjustment of profits, and so on.

156. The whole history of the concern shows that there was a desire on the part of the Government to get a service there that would suit the conditions of the railway and district alike: Is it not a fact that we made the proposal to pay a deposit and the balance of the payment in six months, so as to give the option to you of keeping the steamers yourselves?—I admit that, after you had taken the whole thing over from us and disorganized our arrangements.

157. What do you mean by “disorganizing your arrangements”? Were the steamers not running with regularity from the date the deposit was paid and with the same staff?—Yes, they were run exactly the same as we ran them.

158. Very well, when the offer was made to your people six months after that you could take back your steamers you refused it?—The letter was to the effect that before you paid over the balance of the money you wished to know if the directors were of the same opinion as they were before.

159. After the deposit was made in the first instance we deferred the final payment for six months, and in the meantime we undertook to run the steamers. We took over the whole of the staff and did not disorganize the service in any way?—Yes.

160. Before the Government finally took over the steamers, before the six months expired, is it not a fact that we agreed to hand over the whole of the steamers to you if you so desired?—You did, but you put in some threat to put your own boats on. The threat was there all the same. It was that threat which caused us to decide. The threat was held over us the whole of the time. We should have taken over the steamers had we not thought you were going to put your own steamers on. We thought it was better to have half a loaf than none at all.

161. The balance (£14,250) of the purchase-money, together with interest at 6 per cent. per annum, became payable on the 17th April, 1903, but as it had come to the knowledge of the Government that the chairman of directors had made certain comments upon the acquisition by the Government of the Wakatipu steamers after the preliminary arrangements for the purchase had been made, the solicitor who was acting on behalf of the company was wired to on the 14th April—i.e., three days before the final payment was due—and advised that before finally deciding what course to take, it was desired to know whether the chairman of directors of the company still entertained the opinion that the steamers should be retained. The reply given on the 15th April was that the chairman of directors explained that his letter in the newspapers expressed his own private opinions, and that, although he added the title “chairman of directors” to his name, the directors of the company had nothing whatever to do with the letters, nor had they sanctioned them in any way. It was further stated that the chairman and two directors, whom the solicitor had seen, did not wish to retain the steamers. A meeting of the directors was held at Queenstown the same day—15th April—and passed a resolution?—Yes. I have a copy of the minutes of the meeting here—“Meeting of directors of Lake Wakatipu Shipping Company (Limited) held here to-day. Present: Dr. Douglas in the chair, Captain Wing, T. Hicks, D. McBride, and G. D. Baird; only one absent, Mr. Shrimpton, in Dunedin. The following resolution, proposed by Mr. D. McBride and seconded by Mr. Hicks, was passed unanimously: ‘That the directors, having considered a telegram from the Minister for Railways to Mr. Wesley Turton of the 14th April, 1903, resolve that the comments made by the chairman on the acquisition by the Government of the company’s property were not made by him in his official capacity; that neither the chairman nor the directors wish to retain the steamers and other property sold, and the directors wish to have the sale to the Crown of the company’s property completed and the matter finally closed; that the Government be requested to conclude the business, and on payment of the balance of the purchase-money, according to the agreement of sale and purchase, the necessary deeds and documents be executed, including a full receipt to the Crown of all claims and demands; and that Mr. Wesley Turton telegraph a copy of this resolution to the Minister for Railways.’” That was passed under pressure, because our solicitor told us that if we did not make it all right we should not get the money, that the Government would give us our steamers back and put their own steamers on.

162. There can be no doubt that from the start we say that we intend to put a steamer on the lake to run our service?—Yes.

163. We intended to do that, because we could not get the company to do what was required in the interests of the district. The proposals came from the company, not from the Government, and on the 15th April you passed that resolution?—Yes.

164. I presume you can tell the Committee that no pressure was exercised by me or by any member of the Government to bring that resolution about?—Certainly. That money, I may state, was to be paid on the 3rd April, and this was the 15th; and we were fully under the impression that you did not intend to pay the balance, but were going to put your steamers on.

165. Was any pressure put on you by me or by any member of the Government through any of the directors to induce you to pass that resolution?—No; but in the couching of your telegram to our solicitor we could plainly see that the boats would be put on. That was simply the fact of the case.

166. You, together with Dr. Douglas, signed a receipt on the 17th April?—Yes.

167. Is this the receipt that was signed: “Queenstown, 17th April, 1903.—Received from His Majesty the King, per the Hon. the Minister for Railways, the sum of fourteen thousand two hundred and fifty pounds, as and being the balance of the purchase-money of fifteen thousand pounds, for all our property and assets of every description and wheresoever situated (except our reserve fund and book debts), sold by us to the Crown, particulars of which sale are set out in



an agreement between us and His Majesty the King, dated the third day of November, one thousand nine hundred and two; together with the sum of three hundred and ninety-three pounds ten shillings and eightpence, interest on such balance from the first day of November, one thousand nine hundred and two, up to and including the day of the date hereof, making together the sum of fourteen thousand six hundred and forty-three pounds ten shillings and eightpence, and in full satisfaction and discharge of all claims and demands we have or may or can have against His Majesty the King, or the Hon. the Minister for Railways, or against the Government of the Colony of New Zealand for or in respect of the said sale or anything relating thereto or arising thereout or otherwise howsoever.—The common seal of the Lake Wakatipu Shipping Company (Limited) was hereunto affixed, this seventeenth day of April, one thousand nine hundred and three, in the presence of—E. T. WING, Managing Director; JAMES DOUGLAS, THOMAS HICKS, Directors’’? —We are not objecting to the legality of the transaction at all; we only say that we have a moral claim.

168. That receipt was drawn up by your solicitor?—Yes.

169. And that was the receipt you signed?—Yes.

170. There were no directions given to your solicitor as to how he should get a receipt?—I do not know anything about that.

171. You allege that you have not received fair treatment in the remuneration you have obtained for this property of the company?—We consider that is so, decidedly.

172. Would you be prepared—and I should like to tell you at once that I am quite willing to do it—to take back the whole of your concern, your company to put another steamer on as recommended by us and for which a communication was sent to England, and to undertake to carry on operations again yourselves?—That would mean raising the capital to £60,000. The whole gist of the thing is this: that as a matter of business why should not a proper valuation have been made? We should then have been perfectly satisfied if the valuation had been made £15,000. Not one of the shareholders would have said anything if you had appointed proper valuers. You put your own price on the concern, and would not allow us to appoint anybody on our behalf. We should have been quite willing to appoint some outsider to act as valuer with your man. The point of the whole matter is that the Government would not have a proper valuation.

173. The idea was never in my mind, nor in that of the Government, to injure the company. We wanted a proper service at reasonable rates for the lake, and, according to the information we had, the company never had given a proper service at reasonable rates, and we thought it was absolutely necessary to get another steamer if you did not. We know now that we have to get two steamers?—It seems to me you would have wanted these small boats.

174. You have already said that your company would not have built another steamer if you had wanted it?—Not at the price you wanted.

175. You have just made a statement admitting that we should require two steamers with the existing boats?—What has that to do with having a proper valuation?

176. Apparently this: Does it not suggest itself to you that where you were not prepared as the existing company—I do not question your right—to provide a service sufficient for the district the colony was compelled to do it, and you feared that our putting a steamer on was going to ruin your business?—Certainly.

177. The point is that your company was not prepared to put on the extra steamer?—No. But, supposing we had not taken your offer and had continued to run our boats, you would have had to get wharves and jetties built, and gone to an expense of some £40,000 or £50,000, all of which you got for £15,000.

178. I have a document here from Captain Post, in which he states that we could have provided new steamers of the same class as yours, as well as new wharves, for £27,000?—You could not have done it to run the service properly. When you got it the business was in good running-order, and we could do nothing.

179. I do not personally believe in the colony stepping into such an enterprise if it can keep out of it, but I quite recognise that where the colony does step in it is difficult for a company to run against it?—We do not consider that we received fair play.

180. What would you say if I were to tell you that from our information of the working of the business we considered at the time that we were giving quite full value for it?—Did you take the valuation of those two men you sent up?

181. Your people refused to disclose the position of the company to them?—I am sure that any question if asked fairly would have been answered. I might possibly have said that this was valued at £5,000, or, say, £10,000, with the usual reduction for wear-and-tear, and so on, but I refused them nothing.

182. I can only say that the officers reported that they could not get information on two material points: they could not get the amount of your book debts or the amount of your reserve?—Well, I should like to see them. I cannot see why I should not have given them that. There was nothing there for me to keep back. In fact, they both thanked me for the information I had given them.

183. You speak of the value paid by the Government as being too little?—Yes.

184. The total cost of the business to the colony was £15,612, including interest. The net revenue to the colony from the steamers for the financial year 1904 was £948, and we are providing for no depreciation and no sinking fund?—Your expenses would be much more than ours.

185. They are less than yours?—If I remember rightly from what I saw in the papers, your expenses were over £6,000, while ours ran from £4,700 to £5,000.

186. What you have seen in the papers may have included repairs to the steamers after we took them over, which were very considerable. But here is the fact that the interest earned by these steamers was only £6 ls. 6d. upon the £15,612 paid. If it had been £30,000 we should have got only 3 per cent.?—With the 25 per cent. off the steamer rates it shows that your expenses

were much more than the company's, because you were working on a capital of £15,000, while we were working on a capital of £30,000.

187. What salary were you getting?—£400 a year.

188. The man who took your place is getting about £250 a year, and we employ no more men on the steamers than you did?—No; but you have more men at Frankton.

189. There is only a cadet at Frankton. You are mixing up the repairs with the ordinary expenses. You say that £15,000 for the concern is altogether inadequate?—Yes.

190. And you say it was not purchased on valuation. The net result, after giving excursion rates and allowing 25 per cent. off former ordinary rates, shows that we have made £948, which is 6 per cent. on the money paid: is that a large return for running steamers?—No.

191. There is no depreciation allowed for in that?—You have reduced the rates 25 per cent., and yet you can only bring out 6 per cent. We could have brought 10 per cent. out easily on the £15,000.

192. The wages have not been increased in any shape or form, we have carried a greater number of passengers, our revenue was greater than yours, and yet we have netted only £948, while we have provided for no depreciation or sinking fund in connection with the steamers. You say that that is not an excessive return on steamers?—I will admit that; but according to that your expenses must have been tremendously above ours.

193. Did you contemplate repairing the Frankton Wharf?—No; it was practically a new wharf. We had spent £1,500 on it only the year before.

194. Was any expenditure contemplated by you on the Queenstown Wharf?—Yes; we were to have put it out 8 ft. or 10 ft. there. It was silting up about there.

195. Was any contribution given by the Government for that purpose the year before?—It was given to Eichardt's Wharf—the public wharf. We had our own wharves, and the Government gave us nothing. The other wharf was in the hands of the Corporation. When Mr. Hall-Jones was there he said the Corporation ought to give £100, the County Council £100, and we ought to give £100, and we agreed to give it if the wharf was fixed up; and we would have given it, but the wharf was only just finished when you bought us out. That wharf was a public wharf entirely, going out from the Main Street.

196. You did not give us a satisfactory explanation as to how the £19,000 was added to your capital, other than to say that in some way it has grown?—The only watering of the stock was the £5,000 for goodwill, and I consider it was well worth it. I say also that it was well worth £5,000 for the Government to step in and start the service right away. The new company buying from the old company was the same thing.

197. *The Chairman.*] How many companies have there been?—Ours was the third one.

198. Did you not say that the previous company was bankrupt?—No.

199. You say there was a company prior to the company that you took over?—Yes; but it did not own the three boats.

200. Then, what did your company buy?—We bought the three boats—all that were running on the lake by the other companies.

201. There were two or three companies running boats at one time?—Yes.

202. Did you pay the £11,000 to the parties, or was it paid in to the bank?—The "Mountaineer" belonged to Messrs. Kincaid, McQueen, and Co., and the money was paid into the National Bank. The "Ben Lomond" was under mortgage to McBride and Co.

203. How many shares were there in your company?—Thirty-five thousand; but only 30,000 were paid up.

204. You say that you had only paid £11,000 for the whole concern?—In the first instance only £11,000.

205. And you have done everything since out of revenue?—Yes.

206. Your paid-up capital was £11,000?—Yes; in the old company.

207. And, although the capital of the new company was nominally £35,000, only £11,000 has been paid?—Only £11,000 has been paid up out of the £30,000.

208. What became of the other part of the capital? You say it only cost you £11,000, and you say that the capital is paid up to £30,000?—Yes. There was £5,000 for goodwill, and £6,000-odd for a reserve fund.

209. Was the reserve fund made up out of earnings?—Yes. We did not take any interest for a long time, in order to build these things up.

210. *Hon. Sir J. G. Ward.*] Did you add the £5,000 goodwill to your capital?—Yes; the new company paid the old company £5,000 for the goodwill.

211. *The Chairman.*] In cash?—Yes.

212. *Hon. Sir J. G. Ward.*] Did you add that to the £11,000?—To make it up to the £30,000, Yes. We considered we had made the money to make it up to that capital.

213. *The Chairman.*] Practically, then, the amount of money paid by the new company was £11,000 and £5,000?—In the first instance we paid £11,000, and we had to make it up to the value it is.

214. But you made it up out of your earnings?—Yes; but that does not take the value off.

215. And you said you had paid a dividend every year?—Yes.

216. And that has been done out of all your earnings?—No. The new company had nothing to do with the old company. The new company paid 10 per cent. on the £30,000 for the first year and 6 per cent. for the next year.

217. *Mr. Lang.*] When did the Government take over your business?—On the 1st November, 1902.

218. Has the Government taken over any more steamers since?—No.

219. When were you told they wanted to put on more steamers?—The first time we understood it was intended to put more on was at the beginning of 1901.

220. *The Chairman.*] You say that you paid dividends all the time, and you tell the Committee the traffic was not an increasing one?—It was not an increasing one. It had increased during the four years before the company took it over, and for two of the years it was better than it had been during the seventeen or eighteen years during which the two companies had been running.

221. *Hon. Sir J. G. Ward.*] Was that not due to the dredging boom?—Yes; there is no doubt about that.

222. That covered the four years in which you say your net earnings were £12,361?—No; you are confusing the old company with the new company. What I said at first was that this company bought a company (that had previously purchased all the different steamers) that had become bankrupt, and our company made the trade, and did very well. All that our company maintains is that if the Government had allowed a proper valuation to be made we should have been satisfied.

223. Did you ask for a proper valuer to be appointed?—We did.

224. When?—We asked through our solicitor whether it should be taken by valuation or arbitration.

225. Did I understand you to say that the people of the district by representation did not show their dissatisfaction with regard to the conduct of the company?—Not more than they did with the railway charges. They said that we and the railway were robbing them.

226. What have you to say to the communication to me of the 11th November, 1902, signed by the business-men of the place?—I know the men who sent it, and know the reason of it.

227. Well, so far as I am concerned, you can have all the profits made and take the whole thing back again?—If I had my way I would take it, but I cannot.

228. I believe from information supplied by the General Manager of Railways that the concern is costing us less for administration than it did in your time. We can buy what is required cheaper than you did, the service has been added to, and there has been no extravagance, and yet the fact remains that it is only paying 6 per cent. on £16,000, without provision for depreciation or sinking fund. On the 11th November, 1902, 231 people communicated with me, and made this statement: "Queenstown, 11th November, 1902.—Hon. Sir J. G. Ward.—DEAR SIR,—Your statement in the *Otago Daily Times* of the 8th instant *re* the Government purchase of the Wakatipu Shipping Company's property has met with the warmest approval of every resident of Queenstown possessing sufficient moral courage to express an opinion. We regard the action of the Government as the dawn of prosperity for the Wakatipu district, and we have no hesitation in stating that had the purchase been made years ago industries that now languish would have been in a flourishing condition. We trust to see you in Queenstown soon, when we feel thoroughly satisfied you will be competent to justify the action of the Government in the above matter.—[231 signatures]"—I know all about that.

229. Is it not a fact that the people of Queenstown felt very strongly on this matter?—At the time.

230. And for years before, because I know it is so. You also know that the member for the district never publicly opposed the taking-over of these steamers by the Government?—Nor would the company. Some members of the company said they thought the Government ought to take them over, but they wanted a proper valuation. We thought it a proper thing for the Government to do, although our living was being taken away.

231. How much did you put into the company in the shape of share capital?—I can hardly tell you. About £1,300 to £1,500.

232. How much did you take out of it?—£1,300.

233. Do I understand you to say that you got less than you put into it?—Yes.

234. With the division of the book debts?—Yes, and everything else. I got £1,300-odd, and I reckoned that with my shares in the company I was worth £2,200, or somewhere about it. We got 14s. 3d. on the £1 shares we bought.

235. I cannot yet understand the matter of the £30,000 capital. It is only right for me to say that, upon information furnished to me—and I had the same impression before as I have now—this £30,000 did not represent the capital put into the Wakatipu Shipping Company. The statement was made originally that the shareholders put £30,000 into the company?—That is the new company floated.

236. *The Chairman.*] So far as I can see, the company paid £11,000 and £5,000, and you expected to get interest on £30,000?—Supposing we had taken all the money we had earned ourselves and asked for the balance, we should have had that capital; but if we put the money in as we earned it, we reckoned it was just the same as putting new capital in.

237. But you paid dividends every year?—You are mistaking the old company with the new one.

238. What has the old company to do with the new one?—It is the bringing-up of the old company that I cannot see the use of. It is no good at all.

239. *Hon. Sir J. G. Ward.*] It is the fact all the same that the capital which is called shareholders' capital has been created out of profits?—The first company was for years without dividends just for that simple reason. If you are in business and earn money and put it into your pockets, and then when you want more capital you take it out, that is all capital.

240. Would your company take back the whole concern?—It is no good my giving you an answer. We would not put £60,000 into it when you have brought down everything.

241. We sent Home with the object of getting suitable steamers for the lake, but we held the matter over finally with the intention of getting a turbine steamer. The Railway Department on several occasions has been unable to carry passengers or meet the crush?—Not with the three steamers.

242. But you never had the three steamers on at one time?—I always managed.

243. I believe the Railway Department have had the three steamers on?—But you have reduced

the rates in such a way. It was not done the year before. Your expenses must have been pretty well double ours. If our company had been working on the capital you have I guarantee it would have paid 10 per cent.

244. The fact remains that no one can carry on a proper service until another steamer is procured?—That means that our company must be sacrificed because you want better accommodation for the public.

245. Would it be reasonable to argue that the Government should not establish a railway-line in a district because there was a coach service which was not giving reasonable travelling-facilities to the public?—No; but I am quite sure that if you were going to run off the coaches you would give fair remuneration.

246. We have never given anything in such a case. I suppose the Mayor of Queenstown ought to represent public opinion so far as the ratepayers are concerned?—Yes.

247. Do you know that he communicated with me officially on behalf of the inhabitants of Queenstown, expressing their thanks for what the Government were doing?—I know that; but you would not get the same thing now if you asked whether they were satisfied.

248. I am certain of this: that if you were to take a poll of the district as to whether you should take the steamers over you would have a majority of fully 80 per cent. against you. There has not been a single complaint made about the working of the steamers since they were taken over by the Department?—I have had letters from people stating that they could not get work since the Government took the steamers over. We gave work to people living in the district, and the Government do not.

249. *Mr. Hardy.*] Did you publish the balance-sheet of the company?—Not in the newspaper. We simply gave our balance-sheets to the shareholders, the same as the Union Steamship Company does.

250. You had the balance-sheets prepared?—Yes.

251. I would like to see them from the time the company started?—Yes; I will produce them.

252. *Hon. Sir J. G. Ward.*] You admitted in evidence that it was due to the tremendous expansion of the dredging business that such good results fell to your company?—That is, for the new company. We ran from 1899.

253. You would not take an abnormal business such as was caused by the dredging boom as a fair test?—If I were taking over any business the same as you did I would put on a valuer to value the concern.

254. I would like you to put it in evidence whether you asked for a valuer, because I have not seen any reference to it?—I can communicate with our lawyer, but I am sure we asked you to have it valued and to go to arbitration.

255. I am talking about a valuer: you say you asked for a valuer?—Yes.

256. *Mr. Hardy.*] Will you give us the prospectus issued at the starting of your company?—Yes. [Prospectus put in.]

257. *The Chairman.*] We should like to have the other balance-sheets besides the one produced—those for 1900 and 1901?—Very well; I will send for them.

258. *Mr. Hall.*] You have reiterated again and again in your evidence that you would have been satisfied if valuers had been appointed to value the assets of your company?—Yes, that is so.

259. What would you have considered the assets of your company?—The three steamers, all the stores of coal and timber in the yard, the wharves, the slip, the jacks for getting the steamers up, the stores at Frankton, the cottage for the storeman at Frankton, and all such things as those.

260. You would not have considered what I might call your monopoly—that is, your takings—as an asset?—What takings?

261. Would you have considered only the whole of the plant and stores as an asset?—Yes, of course. It was a matter of opinion whether the £5,000 the company gave for goodwill should be included. If the valuer had said that it should not be taken in we should have been quite satisfied.

262. At the time you were negotiating did you intimate to the Minister what you considered should be the basis of the valuation?—No; we had no communication with him at all. It was all done through our solicitor, Mr. Wesley Turton.

263. As a matter of fact, would you not have wanted to capitalise your annual revenue?—We might have wanted a good many things; but we should have been perfectly satisfied with a valuation.

264. What you say is that £15,000 was not a fair value for the property?—Yes; not within £8,000 or £9,000, irrespective of goodwill or anything else. The property, if put under proper valuation, I think, would have brought £21,000 or £22,000, irrespective of the £5,000 goodwill.

265. *Mr. Duthie.*] When capitalising your profits there were very few dividends paid?—Very few.

266. You went short many years?—Yes; we went short in order to make the company thoroughly good.

267. So that any legitimate earnings from capital were not drawn by way of dividends, but put into capital, and in that manner your capital was built up?—Exactly.

268. When the company was taken over in 1899 for £30,000 you added largely to your plant?—Yes.

269. Your plant in 1899, including steamers, land, buildings, wharves, and stores at Frankton and Queenstown, was valued at £17,500?—Yes.

270. This was increased by expenditure on wharves and for new boilers for the "Mountainier," fixed deposits, and book debts to £22,500?—Yes.

271. Less the amount you were going to write off?—Yes.

272. So that the Government took what stood at £22,500 for £15,000?—Yes.

273. There has been a little misunderstanding about the Government valuers: from your

evidence it would appear that these people saw you?—Yes; but I do not know whether Mr. Farrish was sent up to value the property.

274. Mr. Farrish was the only one Sir J. G. Ward quoted. You did not know that Mr. Farrish was valuing it at all?—No.

275. Was he a man of good position?—No; he was a railway clerk at Invercargill.

276. So that there could not be very much value attached to his valuation?—No.

277. Captain Post, who accompanied him, came to you for the purpose of getting information?—Yes.

278. And you gave him all the information he asked for?—Yes; as far as I know, I did not withhold anything.

279. So far as your knowledge and belief go, you gave him all the information he inquired for?—Yes.

280. You complain that the property was taken by the Government under such circumstances that you were driven to part with it?—Yes.

281. You are aware that in the construction of the electric tramways in Wellington and Christchurch the Corporations had to adjust matters with the horse-tramway proprietors?—Yes.

282. Both Corporations, I understand, appointed valuers by mutual agreement with the proprietors—they did not appoint champions. Three men were chosen jointly to settle the valuations as between the parties, and the decision was accepted with entire satisfaction by both Corporation and vendors. I assume that it was something of that class the company sought for as a matter of fair play?—Yes.

283. You recognised the public necessity and were willing to part with your steamers, but you do think you were entitled to fair consideration, and valuation by outside parties?—Yes.

284. *Hon. Sir J. G. Ward.*] The District Traffic Manager, Mr. Piper, says distinctly that he could not ascertain what the reserve fund or book debts were?—I do not think he ever asked me. Would that have anything to do with the value——

285. If the withholding of the amount of the reserve from an officer sent to report has taken place, would that not obviously cause a doubt to be cast by the Government on the *bona fides* or representation of the company?—I really cannot see it. If you make a certain amount in your business it does not matter to any one what you put by.

286. That was withheld when the Government were trying to purchase your steamers. We had made up our minds to put one or two steamers on Lake Wakatipu, because the district and the Government were not satisfied with the service there. We said openly that we were going to do it. The case is not similar to that of taking the tramways, the principle of which as laid down I agree with, because it was only when we announced our intention to put on steamers that your company approached us and negotiated with a view to the Government taking over your steamers; and the point is this: that, as Minister for Railways, I could not ascertain what the amount of your reserve and book debts were?—Had that anything to do with it?

287. The charge made against your company by people in the district was that the rates were extortionate. I, as Minister for Railways, had tried to get your people to reduce their rates, and we agreed to reduce our railway charges?—I know that in one instance we reduced our rates and you did not. It was in connection with the tourists, and there was a good deal of talk about it in the district. You appeared to know from your speeches exactly what our reserve fund was.

288. That was because I had to fossick for it. I should say that hundreds of people interviewed or communicated with me with the object of getting us to take the course we did, because the company would not meet us. Our trouble was that we were running our railways to the edge of the lake, and were trying to run our railway passengers at reasonable rates across the lake?—But the fact is that you have got the property much below its value.

289. My own opinion is that the Government paid full value for the property of the company?—Is that the amount Captain Post said it was valued at?

290. Mr. Piper said that he could not ascertain what the reserve fund was?—I can only say, now it comes to that, that I wish Mr. Piper were here. He said to me, "Captain Post is here for the purpose of valuing the property," and I said I would give him everything he required. It would have been to our advantage to show him our balance-sheets.

291. I can only tell you that I could not get a balance-sheet for some time, and finally had to get one from a shareholder in Dunedin?—Well, I should have been only too happy to give you a balance-sheet, the same as I have given them now.

Dr. DOUGLAS examined. (No. 3.)

292. *Mr. Duthie.*] Are you acquainted with the figures of your balance-sheet?—Not at all. I do not profess to know anything about the details of the balance-sheet.

293. You are aware that shares of the company before the Government took any steps to acquire the property were selling at from £1 2s. 6d. to £1 5s.?—Yes.

294. When the Government announced its intention to put steamers on the lake, I understand there was a panic, and the shares went down to 12s., or were unsaleable?—Yes.

295. Under the feeling of dread that the company would meet with disaster from the competition of the Government, you, as directors, were induced to approach the Government with a view to their buying your plant?—Yes.

296. And you ultimately accepted the offer of the Government of £15,000 under compulsion, due to your fear of disaster, and not because it was the value of your property?—Yes.

297. The company's affairs are correctly set out in the balance-sheet?—Yes, I believe so.

298. It has been represented that your only grievance is that, although you were prepared to permit the Government to take possession of your property in the public interest, you did not get its proper value, and were not allowed by arbitration or valuation to establish the value of the company's property?—Yes.

299. If that had been accorded to you, you believe you would have received a larger amount for the property, because there is a difference of some £7,000 or £8,000 between what was paid by the Government and the amount the property stood at in your books; but in any case you would have contentedly allowed the matter to go to arbitration?—Yes; we would have submitted to fair treatment.

300. Have you anything further to put before the Committee?—I think not.

301. *Mr. Lawry.*] You had no desire to dispose of the property until the Government interfered?—Not the slightest. It was a splendid paying property.

302. *The Chairman.*] Had you been many years a shareholder?—I was a shareholder in the previous company, which was a failure, and afterwards we combined together, bought the whole of the boats, made a success of the concern, and also reduced the fares.

303. You say you were a shareholder in the original company?—I was one of the original shareholders in the Lake Wakatipu Steamship Company.

304. How many boats had you?—At that time only one.

305. There were several companies?—Yes; there were three companies together, and we were all running at a loss. We then formed a company to buy up the lot.

306. The company now before us is the original company, the others being separate companies or small concerns?—Yes; the original company was J. W. Robertson and Co. Then, there was a steamer called the “Ben Lomond” put on by another company. After that a third company put on the “Mountaineer,” which at present is the biggest steamer on the lake.

307. There were three steamers run by three companies, and some one approached the three of them with the view of forming a company to take over all the steamers, and the last company the Government bought out?—Before the year 1895 they were individual companies.

308. The company that took over the three boats was a failure?—No; that company was a success.

309. Then, it was the three separate companies that lost money?—Yes.

310. *Hon. Sir J. G. Ward.*] It was the 1899 company which was represented by a capital of £30,000?—Yes.

311. Of which £30,000 is alleged to have been paid up?—Yes.

312. What did that company, which was created upon a nominal capital of £30,000, purchase?—It purchased the company which was in existence.

313. The prospectus put in by Captain Wing shows that he was appointed managing director, and that the following were appointed provisional directors: Bendix Hallenstein, James Douglas, Basil Sievwright, Robert Hope Baird, Robert Lee, Alexander Burt, Thomas R. Fisher, William Richard Cook, Thomas Hicks, Thomas Burton, and Daniel McBride. In the sale to this company what did you value your steamers at?—I am not prepared to go into details.

314. In this statement, among other things, it shows that you sold to the new company your bank-deposit receipts for £6,300?—Yes.

315. And the new company took over the steamers, land, and everything else for £15,000 cash and £15,000 in fully paid-up shares, and that was the capital of the company?—Yes.

316. In the £15,000 cash the bank deposits require to be deducted because they are part of the purchase?—I do not think so.

317. The steamers are valued at £13,300, and the fixed-deposit receipts are set down at £6,300?—Yes.

318. The prospectus shows that the company was being formed for the purpose of adopting and carrying into effect a deed of agreement, dated the 18th day of April, 1899, made between the Lake Wakatipu Steam Shipping Company (Limited), of the one part, and Harry Shrimpton, of the other part, whereby the Lake Wakatipu Steam Shipping Company (Limited) agrees to sell (a) the steamships “Mountaineer,” “Ben Lomond,” and “Antrim”; (b) bank-deposit receipts for £6,300.” It says that it is being sold “to a new company to be formed with the object of purchasing and working the said steamships and property, at the price of £30,000, payable as follows: £15,000 in cash, and £15,000 in fully paid-up shares in the new company.” Therefore if you sold the bank-deposit receipts for £6,300 it was surely used to pay a portion of the £15,000 in cash?—I cannot see that. The reserve was not included in the £15,000.

319. I was trying to ascertain from Captain Wing how this capital was made up. I did not have this prospectus at the time. According to this, you are selling the steamers “Mountaineer,” “Ben Lomond,” and “Antrim,” the bank-deposit receipts, and other property for £30,000, of which £15,000 is to be paid in cash and £15,000 in shares. If you were going to cover that bank-deposit slip, would not the prospectus require to state the capital at £36,300?—I am not prepared to say.

320. That is the prospectus upon which you floated your company?—I believe so.

321. Is this statement that is made correct: that the company is being formed to take over “(a) the steamships ‘Mountaineer,’ ‘Ben Lomond,’ and ‘Antrim’; (b) bank-deposit receipts for £6,300; (c) the freehold property, slips, jetties, book debts, and all other the property of the company, and the goodwill of the business of the company, and the benefit of all contracts of every description and kind, to a new company to be formed with the object of purchasing and working the said steamships and property, at the price of £30,000, payable as follows: £15,000 in cash, and £15,000 in fully paid-up shares in the new company.” That is the statement according to the prospectus: is it correct?—Yes, it appears to be.

322. Again it says, “The following is an authenticated statement of the value of the property and money which the new company will acquire, to which must be added the goodwill of the business: Queenstown—steamships, £13,300; fixed-deposit receipts, £6,300; freehold sections, buildings, wharf, &c., £1,600; book debts, £1,200; ship-stores, wharf-piles, &c., £700; slip, winches, and other gear, £500: Frankton—land, buildings, wharves, tram-lines, &c., £1,400: total,

£25,000. The financial strength of the present company is shown by the fact that it has accumulated a sum of £6,300, which sum is at present on fixed deposit, and forms part of the assets to be acquired by the new company." Is that correct?—It seems to be correct.

323. Now, what was the original cost of the company when it was purchased by the new company in 1899?—I am not prepared to say. I could not state the amount.

324. If Captain Wing said it was £11,000 would he be right?—Yes, I think so.

325. This is the company which was formed in 1899 and was operating when the business was sold to the Government?—Yes.

326. After you purchased from the old company the "Ben Lomond," "Mountaineer," and "Antrim" did you purchase any further steamers?—No; but we added to the value of the property in many ways.

327. Any repairs or maintenance in connection with your steamers afterwards you provided for out of the earnings of the steamers?—We took some of the reserve fund for all our repairs.

328. In any case, you did not call upon the shareholders for fresh capital?—No.

329. After the £11,000 was paid for the purchase of the steamers there was no call made on the shareholders for any further capital for the purpose of repairs, which were either provided for out of profits or the reserve fund?—Yes, certainly.

330. And the same course would be followed in regard to the wharves?—Yes; and that would show the remunerative character of the company.

331. Now, in view of that, how has the company increased its capital from £11,000 to £30,000?—Because it is one of those companies which have been a thorough success, and consequently it was entitled to consider that its value was very much enhanced. There is hardly a successful company in the country which is not worth two or three times its original value to-day.

332. Then, the course followed was this: that the original capital was added to in consequence of its success, but there was no increased capital put in?—Certainly. It was a commercial speculation we had entered into, and we thought the Government, like any private person, when buying our property would give us proper compensation.

333. Then, the capital in that way was watered, and not contributed by the shareholders?—It was contributed by the shareholders the same as in many successful companies that I could name. Our business was a legitimate one, and if the Government had not stepped in and interfered with us we should have gone on doing remarkably well. We met the Government as far as we could on all occasions.

334. The increase of the capital to £30,000 from £11,000 was not due to calls on the shareholders?—It was not; but I say that we were very well justified from the success of our company in putting a higher value on it, and that we were legitimately entitled to do so.

335. With reference to the Government stepping in, were there complaints from people in the district in reference to the conduct of the company?—Exceedingly few.

336. I mean, as to the rates and that sort of thing?—Very few. At the present time I am aware that people in the district would be very glad if the old company were back again.

337. Do you consider that the three steamers now running on the lake are sufficient for carrying on the service?—I do. The first year the Government carried it on they were very successful; but in my opinion they are forcing business too much. When people came through to the lakes they found that they could not get necessary accommodation, and the next year you ran excursion trips that were practically a failure in consequence.

338. But is it not a fact that Dunedin people had been crying out that they had no opportunity of going to Queenstown at cheap rates?—Yes; but we were always prepared to meet the Government with cheap rates whenever requested to do so.

339. If you were controlling the company would you now be prepared to put another steamer on?—We should have been prepared to do so if you had given us the slightest encouragement. We went to see you about it; but we should never have thought of putting a boat on to carry a thousand passengers or to run twenty miles an hour. Such a boat is not wanted in a place like that. It is not a business-place where people want to hurry, but where they want to go about quietly.

340. Can you tell me why, when the two officers went up there to make a report—because the Government had rightly or wrongly intended to put steamers on the lake unless your company came up to the standard we thought necessary for the district—information was not disclosed with regard to the reserve fund?—I was not aware of that.

341. They reported that they could not get that information?—It is a most extraordinary thing, and I can hardly think it is possible. If they had applied to me they would have got it, or they could have got it from Captain Wing.

342. In addition to that, it was reported to me that they could not get your balance-sheet?—I cannot say anything about that. I was never applied to. I was never spoken to by Captain Post in my life, and Mr. Picer I only saw a little later on.

343. Regarding the £15,000 paid for the property, the cost to the colony was £15,612, and, according to the return furnished and laid on the table of the House this year in the Railways Statement, the net earnings were £948?—We should have been able to earn more than that, because the reductions are very nominal.

344. The reduction in the rates on both passengers and cargo is 25 per cent. since the concern has been taken over by the Railway Department, and the reduction for the week-end excursions is very much greater. Now, the net amount of revenue, with nothing reserved for depreciation or sinking fund, was £948. That is equal to £6 1s. 6d. per cent. on the £15,612. Do you think that is a large interest to get on an investment of that sort?—I do not suggest that it is.

345. Do you think that the service has been run in a worse manner than it was before?—I am told that it is run at a cost of at least £1,500 over former expenses.

346. That is ordinary working-expenses?—Yes. I may be mistaken.



347. I may say that you are mistaken?—At any rate, there is one thing, the Government only earns between 3 and 4 per cent. interest from the railways, and it was said on your behalf that the charges on the steamers would be reduced to nearly the same as on the Government railways.

348. I have never been favourable to lowering the rates so as to bring down the earnings of the steamers to those of the railways. But it is a fact that the net return on the steamers is only £948, and that is not a large return?—It is not. The concern when taken from the shareholders was worth £30,000.

349. But the people of the district were complaining very loudly about the rates that were being charged?—A few of them.

350. I have already put on record that in one instance the people in the district signed a letter strongly supporting what the Government had done?—That might be so.

351. *Mr. Duthie.*] During the period from 1885 to 1899, when the capital was built up, there were particular years when you were unable to pay any dividends?—Yes, or very little.

352. Did you capitalise your profits and so make up this capital?—Yes.

WEDNESDAY, 5TH OCTOBER, 1904.

CHARLES ALBERT PIPER examined. (No. 4.)

1. *The Chairman.*] What are you?—I am Traffic Manager at Invercargill for the Southland District.

2. You reside at Invercargill?—I reside at Invercargill, and have control of the railways for the whole of Southland.

3. You know all about the purchase of the Lake Wakatipu Steamship Company's property by the Railway Department?—Yes.

4. *Hon. Sir J. G. Ward.*] Mr. Piper, were you sent to examine into the Wakatipu Steamship Company's affairs before the purchase by the Government of the company's business in 1902?—Yes. I think it was in September, 1902, that I went to Queenstown.

5. Did you know Captain Wing?—Yes; for many years.

6. Did you see him after your arrival at Queenstown?—Yes; the same day.

7. Did you apply to him for the necessary information to enable you to make the investigation you were instructed to make?—I told Captain Wing what I was sent up for and asked him to give me all the information he could; but all the information I could get from him was of a general nature. I got no sight of his books, nor of the balance-sheet of the company.

8. Did you apply to him for the balance-sheet?—I asked him several times for one.

9. And one was not furnished to you?—I did not see one till probably three months after.

10. Do you consider the fullest information was furnished to you by him on behalf of the company to enable you to report officially?—No, I do not. I see no reason why he should not have shown me the whole of the balance-sheets and books, but, as a matter of fact, he did not.

11. He declined to show you the books?—He declined.

12. And he declined to let you have the balance-sheet to enable you to make the investigation required?—Yes; I do not think he had one handy. He did not show me one.

13. Did you ask him what the accumulated cash reserve of the company was when you were there?—Yes. I remarked about the company having made so much money the year before, and asked how much accumulated reserve there was, and he said he could not tell me.

14. Did you endeavour to ascertain the value of the book debts of the company?—Yes; I asked him and he declined to tell me.

15. When did you see a balance-sheet of the company?—Probably two months after the whole business was completed.

16. So that there was a good deal of care exercised to prevent you obtaining a knowledge of the company's interior affairs?—Yes, that is so.

17. Do you know the total amount that was divided amongst the shareholders of the company as the outcome of the purchase—with their cash reserves and results of their book debts included?—I understand they divided 14s. 5d. in the pound. I have not seen any figures, but that is the information I got from Queenstown after the business was cleared up. That is on the basis of the last capital. In addition to the 14s. 5d., the company spent about 7d. a share in clearing up the business, so that actually they divided 15s. a share.

18. Do you know what amount of cash they would divide?—They actually divided over £22,700. I have not seen their balance-sheet of the closing-up of the concern, but that is what it is estimated to amount to.

19. What was the position of the company at the date of the purchase? A fresh company had been formed, I understand, in 1899?—Yes, I think so.

20. Is it or is it not the case that the original shareholders who were merged in the company formed in 1899 received a great deal more than 15s. in the pound upon the actual cash they had paid in?—After the final payment was made, I was given to understand by people in Queenstown who knew, the original shareholders got £2. That is to say, the actual amount they got out of the concern from the original formation of the company some years before amounted to more than double what had been paid.

21. And, as a matter of fact, those shareholders formed the great proportion of the proprietary?—They were. They must have held five-sixths of it.

22. Does the agitation for further payment to the company really not spring from those who were induced to go in upon its watered capital in 1899?—I understand, entirely from those who went in in 1899. The old shareholders could not possibly have any ground for complaint.



23. *Mr. Lawry.*] The old shares were at a premium?—I was told the old shares started on the basis of £15,000, and then the capital was increased to such an extent as to bring it up to £25,000 approximately, and the original shareholders had their holdings increased proportionately. The last people who came in paid cash, and these are the only ones who could possibly have suffered.

24. *Hon. Sir J. G. Ward.*] A statement has been made to the Committee that general dissatisfaction exists amongst the people of Queenstown since the steamers have been acquired and run by the Government: is that so?—That cannot be true. It is absurd; because, first of all, they are paying 25 per cent. less in fares and for the carriage of their goods, and they have a better service. We run more steamers than the company did, and the people are paying 25 per cent. less all round. The only suggestion I can make to account for complaint is this: that when we took over these boats, of course, everybody had to pay, while under the old arrangement large shareholders and directors of the company in Queenstown did not pay cash for their fares and freights. I have been told, and I believe it to be true, that the company kept a record of the freight-lists of these different people. They kept these open to the end of the year, and when the dividends were paid out a cross-entry was made and the balance was paid; so that some of the larger users of the boats would not be out of pocket for either passenger-fares or freight, but would simply wait till the end of the year before settling.

25. Is it not the case that there was general dissatisfaction amongst the people of the Lake Wakatipu district with the working of the company before it was taken over by the Government?—Yes; before I went to Invercargill there were any number of complaints. The boats used to stick up the goods at Kingston until they were sure of getting a full cargo. They would not run for a half-load or a three-quarters load; and the same thing occurred at Frankton. Then, the people complained about the high rates charged, and about the concessions given to some people and not to others.

26. Well, since the acquirement of the company's steamers and business by the colony has that dissatisfaction disappeared, as far as you know?—I have never heard a single complaint since. On the contrary, I have had several letters to quite the reverse effect.

27. Is it at all likely that a statement made to the Committee is correct, that the people of the district, or at Queenstown, would prefer to have the old condition of affairs restored rather than that the business should be carried on by the Railway Department?—That is as absurd as the previous statement, except in so far as that certain people in Queenstown in business received certain work from the company, which is now done in our shops since the Railway Department took the service over. It could only affect two or three tradespeople.

28. In addition to a reduction of 25 per cent. in fares and freights, since the acquirement of the service by the Government have there been a larger number of trips run?—Yes; we started the very first week to run three days a week to the head of the lake, instead of two.

29. What is the mileage?—That is seventy miles a trip.

30. So that immediately upon the acquirement of the steamers by the colony an additional seventy miles per week was run during the whole of the summer?—Yes.

31. Have any additional men been put on to work the service since it was taken over by the Government?—No; only a boy to reduce the hours of the young fellows and to light the lamps, which is a matter of 10s. per week.

32. The managing director, Captain Wing, was in receipt of a fairly large salary, was he not?—Yes.

33. Has any portion of the salary, under the administration of the Railway Department in running this service, been saved?—We save on an average £175. It has varied as high as £200. At the present moment it is £165, I think, and probably next year it will be more. It depends to a large extent upon the classification.

34. There has been an increase in the mileage run by the extra service to the head of the lake, and there has been not only no increase in salaries and wages on the steamers, but there has been a decrease under the administration of the Railway Department?—Yes, that is so. I may tell you that the total difference in our working the service for one year, as near as I could get it some months ago, as compared with the amount for one year's working by the company—was a difficult thing to get from their books, because they did not keep them in our form—was £100. But that is explained by that additional trip during the summer-time. In fact, we could not do it for £100.

35. Can you state approximately the figures for one year under the company, and for the same period the figures under the Railway Department?—Last year under the Railway Department's administration the amount was £6,048, and the amount for the company two years before was £5,928. Included in our expenses for last year we put in some hundreds of pounds for improving the steamers, so that the actual difference for the two years is £120, although we spent more that summer to give the additional run to the head of the lake.

36. You know that the earnings upon the total cost of the business to the colony are about 6 per cent.?—Yes, it paid 6 per cent. last year.

37. That is upon a capital value of £15,700?—£15,612.

38. So that upon the capital price paid by the colony, without providing anything for depreciation, and without debiting the concern with interest-charges, the net percentage on the capital cost is 6 per cent.?—Six per cent. last year.

39. Will you inform the Committee whether, in your opinion, the company's assets at the date of purchase—independently of the cash reserves they had in hand and the book debts—were worth £20,000?—Certainly not.

40. In the purchase as completed by the Government, did the company retain the total amount of its cash reserves and the total amount of its book debts?—Yes, all its reserves, and cash in the bank and book debts.

41. And this they did not disclose to you at the time of your visit in connection with the negotiations for purchase?—That is so. I was led to believe that it was between £2,000 and £3,000.

42. With your knowledge of the working of the business since its acquirement by the Government, do you think that the company's assets acquired by the Government were worth more than the amount paid for them—£15,000?—No, I do not. I may say that after the thing was all settled the general opinion of Queenstown was that we had paid quite enough for them. The best boat of the three—the "Mountaineer"—is now about twenty-six years old, the "Ben Lomond" about thirty, and the "Antrim" is nearly forty—at any rate, thirty-five years old.

43. In the absence of the information which was not supplied to you would it have been possible for an accurate estimate as to the value of the company's assets to have been furnished at that time—I mean, through your not being allowed to see the company's books or balance-sheet, or to obtain any information as to the accumulated cash reserve out of profits, would it have been possible at that date for you to have furnished a satisfactory report as to the company's assets?—The only thing I could have done was to take the property, land, and stores at Frankton, and so on, and work up the assets in that way. The absence of the information which the company could have supplied left us very much in the dark as to what the position of the company was.

44. Is another steamer necessary, in your opinion, for the proper carrying-on of the service on the lake?—I think there is no doubt about that. Last year we had on several occasions big lots of five and six hundred passengers, and it was a great crush to get them up. I am not quite sure from memory what the license of the "Mountaineer" will allow her to carry, but I think about five hundred passengers is about the maximum carrying-capacity now.

45. To have properly carried on the service for the public would it not have been necessary, if the Wakatipu Steamship Company had continued the business, for them to have purchased another steamer?—I think there is no doubt about that. In fact, I think, and believe, it was their intention to do so. I saw the plans of a steamer that they proposed to get when they were speaking about it four years ago.

46. Then, if a statement has been made to the Committee by Captain Wing, and also by Dr. Douglas, that they would not have purchased another steamer with which to have carried on the service, it would have meant an inefficient and inadequate service for the lake?—That is so; but I do not understand Captain Wing making a statement of that kind, because I have had the plan before me of a steamer which it was intended to get.

47. Now, it was in September, 1902, that you went to the lakes?—Yes.

48. Will you look at that Cabinet minute dated the 20th January, 1901—"Agent-General to be asked to obtain plans and specifications for steamer Lake Wakatipu; speed to be not less than sixteen knots. Approved—J. H. MACALISTER, Acting-Secretary"? You notice that is on one of the railway record files?—Yes. That is eighteen months before the time of the negotiations with the Wakatipu Steamship Company for their business.

49. I will refer you to the following memorandum: "Westminster Chambers, 13, Victoria Street, London, S.W., 29th June, 1901.—Memorandum from the Agent-General to the Hon. the Premier.—Steamer for Lake Wakatipu.—With reference to my memo., No. 1624, of the 8th instant, I now beg to transmit copy of further correspondence with Messrs. D. J. Dunlop and Co., from which it will be seen that they now give fuller particulars to enable the Government to form an idea of the cost of freight of their proposed passenger-steamer. They also quote for two Babcock and Wilcox boilers for same, which raises their previous estimate from £23,000 to £24,700. Messrs. Dunlop estimate the cost of a steam-lighter suitable for carrying about 120 tons of freight at a speed of eight knots at £4,000. Copy of the Consulting Engineer's remarks hereon are attached, together with the drawings referred to in Messrs. Dunlop's letter.—W. P. REEVES." Now look to see whether in Cabinet, on the 7th April, 1902, the purchase of both a passenger-steamer and a cargo-steamer is approved or not?—It is approved, sir.

50. The minute is signed "A. J. Willis, Secretary to Cabinet"?—Yes.

51. Now, you are aware that considerable agitation and representation had been made in the lake district—and, indeed, in Invercargill—for years previously as to the inefficiency of the lake company's steamers for the carrying-on of the service?—Yes.

52. In the interval they acquired no new steamers, nor did they increase the service on Lake Wakatipu?—That is so.

53. The Government—from the correspondence in 1901—decided to put on a steamer upon Lake Wakatipu, and in June of the same year they approved of closing with an offer for two steamers?—Yes.

54. Is it not the case that the Government, in view of the inaction of the Wakatipu Steamship Company, definitely decided to put on steamers; but, in order not to destroy the value of the existing service by competition, finally acquired the steamers of the Wakatipu Steamship Company?—That is the position.

55. And you know, as a matter of fact, that another steamer, superior in every way to any of the existing steamers, is to be put on Lake Wakatipu to run in conjunction with that service?—Yes; we must have a better boat—bigger and better than they had.

56. Whether it be the Wakatipu Steamship Company or the Government, the addition to the capital cost of building another steamer—even if a sum of £25,000 was entailed, as is named and approved—must be made; and it would mean an increased earning-power required to enable as high a dividend to be paid as was formerly paid to the shareholders?—Yes.

57. With the additional cost of the steamer to efficiently carry on the service would it, in your opinion, be possible for the company, even with the high charges they formerly levied, to continue to pay as high dividends as they were formerly paying?—Their dividend would drop to 4 per cent. They could not help it. They paid 8 per cent. for the preceding three years, and if

they put on another steamer they would have to increase their capital, and their earnings would be cut down to 4 per cent.

58. In the assets of the company, as shown in their balance-sheet, did they include an item for goodwill of some £5,000?—£5,300, I think it is.

59. Was that a proper item to take credit for in a balance-sheet for an open business like that which was available to any one?—In my opinion, it was not. It struck me when I saw it at first that it was rather an unusual thing.

60. Well, they included in the value that item of £5,300 for goodwill?—Yes.

61. *Hon. Mr. Hall-Jones.*] I understand there were some complaints from people living in the locality with regard to the conduct of this service under the company, and they desired a change?—That is so.

62. What were the complaints?—They were made before I went to Invercargill, but generally they were to the effect that the company granted to certain people certain concessions which they did not grant to others, and that they took their own time to ship goods; and it did not suit a number of people, because the bulk of the stuff that goes to Frankton is for the interior of Otago, and five years ago it used to go to Cromwell, Clyde, Bannockburn, Wanaka, and other places. There were general complaints all through, but that was the principal cause of their complaint, and I suppose, of course, complaint was made as to the charges they made.

63. Assuming there was the differential treatment such as was suggested, was that detrimental to the interests of the settlers in the district?—Well, the opinion seemed to be that the company did not treat everybody alike. It was detrimental to the interests of the district to this extent: that the people were certainly paying very high rates.

64. What were the fares charged then and now—take the passenger-fare from Kingston to Queenstown?—We are charging now 4s. saloon between Kingston and Queenstown, and half a crown steerage.

65. What was the old charge?—Twenty-five per cent. more. We reduced everything—passenger-fares and rates on parcels and goods. We made the reduction all round.

66. Supposing the company had not sold their concern to the Government, and the Railway Department had put on steamers to provide the necessary conveniences for the settlers, carrying at the rates you are now carrying at, what would have been the position do you suppose?—The company would have had nothing to do.

67. You think the Government steamers would take the whole of the traffic?—I think there is no doubt about it.

68. But the company might have come down to the same rates as charged by the Government?—What might have happened is what did happen to the same people themselves when they entered into competition before with each other. There were two companies in existence, and they finally merged into one company with a capital of £15,000. I do not know the date of it, but there were two distinct companies on the lake at one time.

69. Supposing the Government had run steamers to meet the requirements of the railway traffic, they would have carried nearly the whole of the passengers and goods, and the earnings of the company would have been reduced to a very low amount?—Yes, reduced to nil practically.

70. And in that case there would be no goodwill?—That is so.

71. Would their fleet then have been worth the amount paid by the State?—Not at all. The old boat, the "Antrim," is about thirty-five years old; the "Mountaineer" is about twenty-six years old, and the "Ben Lomond" was there before it. The "Antrim" was the first boat on the lake, and she is really of no value. She is all right as a cargo-carrying boat, and may hang out for a few years.

72. You believe the company got a very good price for their undertaking?—Yes, in my opinion, a very good price.

73. *Mr. R. McKenzie.*] How many shareholders were there in the later company?—I really could not say. I should say, from memory—I saw the list some months ago—there were about fifty in the last company.

74. That is when the Government bought them out?—Yes.

75. Do they mostly reside in the Wakatipu district?—The bulk of them did.

76. So that the shareholders would be the principal customers of the boats?—That is so.

77. Then, how could the Government control the whole of the traffic? Do you not think these shareholders would have supported their own boats?—In a sense they would; but one of the largest shareholders was Dr. Douglas, who is not a farmer, and he would have no goods to carry at all. Another large shareholder is Mr. McBride, who has a sheep-run; and there is another large shareholder who lives at the head of the lake and runs sheep. These shareholders would not have much goods to carry. The bulk of the traffic is in stores, and so on, for such places as Cromwell, Wanaka, Bannockburn, Clyde, &c. That is where the bulk of the stuff went to, and not to the shareholders.

78. Supposing the Government started its own steamers, would the Railway Department book the traffic right through from Invercargill?—That would be a matter for the Department to decide.

79. I want to know how you are going to take all this traffic?—It would depend upon the policy of the Government as to what profit they wanted to get out of it. We book through traffic at one charge to Kingston.

80. You do not give a railway ticket right through to Queenstown?—The passenger actually books right through, but the fare is made up, say, from Dunedin to Kingston.

81. Does the passenger get one ticket?—Yes; he books right through by railway to Queenstown, but he pays two fares.

82. Where does he pay them?—At Dunedin. He gets one ticket to take him right through.

83. Had you the same arrangement with the company?—I do not think so. I am not quite sure on that point, because I have only been at Invercargill for three years.

84. You stated that there was no goodwill in connection with the business: how do you arrive at that conclusion, supposing the bulk of the shareholders were customers of the boats?—Well, it is largely a matter of opinion. I cannot see how you could have a goodwill in such a service. They had the traffic and a very good paying concern, but the profits they were making were entirely due to the rates they were charging and the manner in which their capital had been built up.

85. You proposed to put another steamer on, to cost £30,000?—I understand the Government contemplated something of that kind.

86. And you say the net earnings, less depreciation, were 6 per cent. on the amount paid for these boats now?—Yes.

87. Where do you propose to get the interest on the extra £30,000?—That is purely a matter of policy for the Government to determine. There is no doubt that an improved service would induce more of the public to travel that way. As a matter of fact, we increased our passenger-traffic receipts last year over the year before by over £1,000.

88. You paid £15,634 for the business?—Fifteen thousand, *plus* the interest-charges for three or four months.

89. Do you consider that fair value for the property?—I think so.

90. Was there anything included in that for goodwill?—No.

91. You reckon the plant was worth that amount?—The whole thing was taken as a going concern, including the property at Frankton and Queenstown.

92. You reckon you got fair value in the plant and the property as a going concern at £15,000?—I think so.

93. Were they £1 shares in the company?—Yes.

94. And the dividend paid to shareholders after the concern was wound up was £2 per share?—No; the actual number of shares was 30,000, and the shareholders, I understand, got 14s. 5d. Another 7d. per share was spent in closing up the company, so that the actual amount of money which the directors divided was 15s. per share. What I said in regard to the £2 was that it was freely stated in Queenstown that the original shareholders prior to 1899 actually got out of it from start to finish over £2.

95. But not in this division?—No, certainly not.

96. *Mr. Lawry.*] Do you think that any private persons would have given more for the assets of the company than the Government gave?—I do not think so. I would not, and I have not heard anybody say he would.

97. And do you not think the Government in making the bargain traded on the necessities of the company at all?—Oh, certainly not.

98. *Mr. Duthie.*] In going to make that investigation what credentials did you take to the company of your appointment?—I think I had a telegram from the General Manager of Railways.

99. What was the introduction you had to the general manager of the steamship company when you told him you wanted to make this investigation?—I do not know that I had any introduction. I knew Captain Wing personally, and he knew that I was coming and what I was coming for, and, in fact, he sent me a telegram saying that he would meet me. There was no formal introduction to Captain Wing needed. The negotiations had been going on for some considerable time.

100. Of course, you are aware that the general manager of a company does not usually disclose the general affairs of his company without the consent of his directorate, and in negotiations such as yours, where you expected him to open his books and put everything before you, I want to know what introduction you had with you to warrant it?—Considering the negotiations which had been going on and the history of the transactions, which dated back a couple of years or more—I think it went back three years—and from what I knew of Captain Wing and his company, I do not see any reason why he should not have told me anything I wanted to know.

101. You recognise that he was only the servant of his board, and that if such an inquiry was required he would need special authority to give it?—Just so; but if he had thought it necessary to get special authority I should think he would have got it.

102. I do not know the circumstances, but he has given evidence here that he did not refuse the information you asked for, and you are positive that he did?—He refused information in this way: I never saw the balance-sheet, and in any conversation I had with Captain Wing he never made one single statement of fact.

103. You have told the Committee that the company divided £22,700, also that the total repayment was 15s. The company's capital was £25,000. That would be on £18,750, not £22,700?—£22,875 I estimate they divided amongst the shareholders. Their capital was £30,000.

104. Their capital was only £25,000: 5,000 shares had not been floated?—I think it was 35,000 shares, 5,000 of which had not been floated.

105. The paid-up capital, I understand, was £25,000?—Thirty thousand pounds.

106. Well, £5,000 stood as goodwill, which would not be divisible?—Yes.

107. Then, the amount would not be so large as you say?—The balance paid comes to £22,750.

108. You say the old shareholders started with a capital of £15,000; the capital was worked up. You are aware that the shareholders went a good many years without dividends, and that they used their earnings for improving their boats?—Yes; that information was given to me by Captain Wing himself.

109. You did not dispute it?—No.

110. It was not a huge accumulation, but the capital was worked up in that fashion?—It was worked up in five or six years. They paid dividends as far back as in 1890.

111. I think, not continuously. They paid dividends for three years?—I have absolutely no knowledge of their proceedings prior to 1902.

112. You stated that the shareholders did not pay their fares and freight charges, but allowed them to accumulate for a year: do you know that as a fact?—I was told that at Queenstown—not that they did not pay at all, but that they did not pay at the time. The company opened an account for the principal shareholders, and had a general squaring-up at the end of the year.

113. You are a departmental officer and, of course, are expected to give accurate information, but in this instance you are simply stating street rumour?—That is so. I simply stated what I was told.

114. You told us that the assets, including the book debts and cash reserve, were only worth £20,000, and that amounts to a fair estimate of the value of the steamers and plant taken over in your opinion, I presume: what is your experience in these matters which enables you to assess the value of steamers?—Well, the value of the steamers was got largely from the people who built them, and from general information obtainable in the usual way by making inquiries in Queenstown at the time. I understand your question to mean, have I expert knowledge. Well, I have not, of course. I am a traffic-manager and not an engineer.

115. You have no expert knowledge, and you were guided by what you heard casually as to its worth?—That is so.

116. Of course, you know that a steamer might be put on a smooth fresh-water lake and, if properly attended to, be in very good condition even if it were twenty-six years old?—She certainly would not be as good as she was when put on.

117. I am referring more particularly to the hull, because new boilers were put into the "Mountaineer" within the last two years?—Four years now.

118. All the old plates have been renewed, and the steamer is now in good order?—We have spent probably £400 on the "Mountaineer" since we have had her. The hull is in good order.

119. The steamers were generally in good order. Fresh decks were put in, and when the company took the boats over they were overhauled, and everything was put in apple-pie order?—They were overhauled four years ago.

120. The company built wharfage accommodation at Frankton?—That was about two years before. They enlarged their shed and built a wharf at Frankton. As a matter of fact, the wharfage accommodation, apart from the steamers, is the only thing that is of any good.

121. You say that the service was inadequate, and that since it was taken over you have had a large increase in the passenger accommodation?—Yes.

122. For instance, you put on excursion trains to induce more traffic?—Yes.

123. Has it not been found that the excursions were a failure, for the reason that there was no proper hotel accommodation, and that the system of excursion traffic cannot be extended?—I do not think that is the exact position. The fact is that we have had such crowds of excursionists that the hotel accommodation was severely taxed; but that is a matter which the hotel people should look after themselves.

124. You cannot expect hotel people, upon the occasion of every excursion to the lake, to find accommodation for hundreds of people?—Speaking from memory, the effect of the large crowds of visitors two years ago was that we increased our ordinary passenger traffic, spread over the whole of the summer, by 2,600 passengers.

125. That depends upon seasons a great deal, does it not?—The immediate increase for the summer was 2,000.

126. But the idea was to have a steamer put on of seventeen knots, to carry some one thousand passengers, and when you come face to face with the proposal, practically you find that it could not succeed. You could only have an odd excursion now and again, when the passengers would be subjected to the discomforts before referred to in Queenstown through lack of accommodation. The traffic is necessarily of an irregular character throughout the summer, so that a steamer of that capacity was quite out of place, and the country was saved that expense?—The position is this: The present steamers are insufficient to carry the traffic we have now, and if the tourist traffic is going to increase—as we know it is—then we must have another steamer. Apart from that, I know the company intended to get another boat themselves, because I saw the plans myself.

127. But when the cost of the steamer was put before them they stopped it?—Well, the Government found it necessary.

128. You told us that the Government, if they had put on steamers, would have taken all the traffic; that was part of the threat to the company—that you would offer the public the advantage of a through traffic?—I do not know anything about any threats; but I know what would have been the position if the Government had put on the two steamers without buying the company's boats: competition would have been set up.

129. Competition with the company controlled by the Railway Department in the purchase of tickets?—The feeling unquestionably at the time—three years ago—in the Wakatipu district was to patronise the Government as against the company.

130. Well, people can get more out of a Government than out of a private company—they can worry and torment a Government. You admit that the Government with its low rates is unable to pay 6 per cent., without making any allowance for depreciation, which with steamers and machinery is usually recognised as equal to 5 per cent.; and if they had put another steamer in the trade there would be no return?—There would not be so much. The question of the actual net earnings of the steamer, to my mind, is a secondary consideration.

131. You are complaining that the company did not enter into an extension which on your own showing would not have paid them. The purchase of a new steamer would not enable you to pay your way, and the company would have faced ruin if it had gone in for a steamer worth £25,000?—The position of the company and the Department in that respect is not analogous.

132. It would have ruined the company—that would have been result, would it not?—They would not have made their 8 per cent., that is certain.

133. Upon the prospects of what you will make, the company, if it had put in the capital, would have suffered; it meant ruin to them?—If they had spent another £20,000 their dividends would have come down to  $4\frac{1}{2}$  or 5 per cent.

134. Well, the Committee will have to reconcile your two statements?—I said before 4 per cent.

135. I have quoted your various figures, and the logical outcome is that the extra capital required would have ruined the company? I do not know that it would. If the company were paying 8 per cent. on £30,000, and they put in another £20,000, the difference in interest is only a matter of calculation.

136. *Hon. Sir J. G. Ward.*] Is it not the case that the Railway Department avoid depreciation by regularly effecting repairs and replacements as far as they possibly can in carrying on their business, including these steamers?—Yes. We keep all our plant up to date, and we have done the same with our steamers.

137. I wish to ask you a question or two in reference to these steamers. I have a letter here, as follows: "Locomotive Engineer's Office, Addington, 29th September, 1904.—Chief Mechanical Engineer, Railways, Wellington.—Lake Wakatipu Steamers.—Your 162/211 of 10th instant: I have no means of comparing the expenditure on the boats now as against the time they were under Captain Wing's management. I visit Queenstown frequently, and am satisfied that, as far as Loco. Department is concerned (apart from the annual repairs ordered by Government Inspector), the expenditure is less than formerly, and that there is nothing that can be done to curtail it. Under Captain Wing's management there were large monthly accounts for local repairs, which have been practically completely stopped, the engineers being now compelled to do the work themselves. Except during annual overhaul, no men are sent to Queenstown to effect repairs, and this year none are being sent to assist at the annual overhauls. Running-shed Foreman goes to Queenstown usually about once a month. It is quite likely that maintenance charges may have had something to do with the increased expenditure, if it really has increased. The Inspector of Machinery told me a few weeks ago that the boats were never in such good order as they are at present, and he complimented us on the way they were kept. A good deal has been done to make the boats more comfortable for passengers, and this has, of course, cost money, but I think if the figures were taken out that it will be found that boats are being worked more economically, and certainly more efficiently, than before the Government took them over. The expenses of Captain Post, and the provision of compasses, patent logs, &c., would, no doubt, swell the expenses. I enclose report from R.-S. Foreman, Invercargill.—H. H. JACKSON, Locomotive Engineer." What I want to ask is, are the statements contained in that letter, as far as you know, correct?—Yes, they are absolutely correct.

138. That is, while economy is exercised, in the opinion of the Inspector of Machinery the boats were never in such good condition as they are at present?—Yes, that is so.

139. *The Chairman.*] You said in the course of your evidence that the goods accumulated at some particular place until there was a cargo for the steamers to carry?—Yes.

140. Had the steamers no time-table?—Yes; but the time-table would not be followed so far as cargo was concerned. The matter came under the notice of the Railway Department, because we found that the shipping people were constantly delaying our trucks, and we found out exactly what the trouble was. To put it clearly, they did not at that time, and for a long time would not, send a boat down unless they could get a full cargo, and, no doubt, like sensible people, in winter-time they laid up their boats for a few weeks and ran their traffic with two boats. If there happened to be an accumulation of goods at Kingston the people simply had to wait.

141. Is the traffic increasing or decreasing in volume?—The passenger traffic is increasing, but the goods traffic is not likely to increase very much. The opening of the Otago Central Railway is bound to cut into it. The nearer the Otago Central line gets to Cromwell the more traffic will be taken away from Queenstown, because people will then get their goods from Dunedin by rail direct. I suppose that more than half of the goods we take to Frankton go to such places as Cromwell, Clyde, and Bannockburn.

142. You told the Committee that there was a good deal of dissatisfaction in the district owing to the way in which the steamship company ran their steamers, and the rates they charged for passengers and freights: do you not think the Railway Department had something to do with that, seeing that they charged £3 per ton and the company only 10s.? Where would that £3 per ton be charged from?—From Dunedin, I should say. The £3, roughly, I should think, would be charged on the highest-class goods. The company had simply one general rate for merchandise of 10s., while our rates vary according to the nature of the goods.

143. And the company collected the whole of the freights?—When it was necessary, and we collected theirs. We have the same arrangement with other companies and boats.

144. It has been said that the complaints were on account of the railway charges, and not the company's?—The complaints I refer to came from Queenstown and distinctly refer to the company. Of course, there have been the usual complaints about the railway charges that you hear everywhere else. It is no new thing to hear people making comparisons about the railway charges and the steamer charges, and nearly all the goods going through Kingston in the early days came from Dunedin and Invercargill.

145. Of course, the business of the company practically is only a matter of hearsay, as you say you could not get any direct information as to the number of shareholders, the balance-sheet, the capital, or reserve fund: you got no information from them?—No, none at all. The only information I got was gathered afterwards. I have seen the share-list.

146. Do you know the number of shareholders?—About fifty, I should say. The list covered a sheet of foolscap with double lines, and there would be between fifty and sixty names on it.

147. *Hon. Sir J. G. Ward.*] I want you to look at this letter to the Agent-General, where Cabinet authorised the purchase of two steamers: "Inch Works, Port Glasgow, 6th June, 1901.—

The Agent-General for New Zealand, London.—SIR,—We beg to place before you our proposals for a passenger-steamer suitable for service on Lake Wakatipu, to carry 1,000 passengers and the coal, stores, and outfit necessary for the lake passage of a hundred miles, which is open to strong winds and rough water. In our proposal we confine ourselves entirely to carrying passengers, as it would not be up to date or in accordance with our accepted practice to carry heavy boilers, mining and gold-dredging machinery at a speed of seventeen knots; the weight of the lifting-appliances for such cargo would be considerable, while they would be an encumbrance and obstruction to a vessel more exclusively required for first-class passenger service. It might not have occurred to the proposer of the combined passenger and cargo arrangement that the addition of 100 tons carrying-capacity to the steamer would actually double the deadweight displacement of 1,000 passengers and coal and stores necessary for the hundred miles run, and would consequently add very largely to the cost of the steamer, which would require to be strengthened for carrying heavy weights, and become a much more difficult vessel to drive at a high speed. The cost of adapting the steamer for the double service would be much greater than by separating the two services and having a seventeen-knot steamer for passengers and a suitable lighter for the carriage of the machinery, &c., you name.—Yours, &c., DAVID J. DUNLOP AND Co.” So that it was upon the recommendation of the builders with whom the Agent-General communicated that the authority for a passenger-steamer and a steamer for independent cargo was given?—Yes.

148. Captain Wing stated that he saw the Minister for Railways in Invercargill in reference to two boats that were being built for Lake Wakatipu. At the time of the visit referred to—which, I think, Captain Wing said was in 1901—the records show that Cabinet had authorised the construction of both a passenger-steamer and a cargo-steamer?—Yes.

149. *Mr. Duthie.*] You said that you were refused the opportunity of investigating the books. You were up there and could see the stores, the freehold properties, the steamers, and all the articles you did not require books for: wherein were you prevented from seeing all these things, which were open for you to make your investigation upon?—I should say in a general way that in going into a thing of that kind you would want to know what they were doing; and if there was no objection to Captain Wing going into these things, he could have given me all the information I wanted, and simplified matters very much. I do not say that he obstructed me getting needful information, but he did not assist me. I could not get any direct information.

150. But all these items were available for you to see for yourself?—So far as the boats and the land, and so on, were concerned, they were all open to me.

151. And all that was what you were up there to buy?—Yes.

152. All that you were really wanting to purchase was open to you and at your disposal except the books?—Yes; but we would not be able to get at what business they were doing by that means.

153. *Mr. R. McKenzie.*] In reply to Mr. Duthie, you said there was a scarcity of accommodation?—Yes.

154. In the boats that you propose to get will you have sleeping-accommodation?—I cannot answer that, because I have not seen the specifications.

155. *Hon. Mr. Hall-Jones.*] How many hotels are there in Queenstown?—Four.

156. And a large number of private residences?—Yes; in the tourist season I suppose every other house is converted into a boardinghouse.

157. *Mr. Duthie.*] People reside there for a term?—I should say the average stay would be about a week or eight days.

158. *Mr. R. McKenzie.*] If there is enough trade I suppose the hotelkeepers will have sufficient enterprise to extend their premises?—They have been talking about it for some time past.

159. You said that last year you earned 6 per cent. on the cost of this business?—Yes.

160. That 6 per cent. is not the only consideration to the colony: you have the incidental revenue on the railway traffic as well?—Yes. From the railway point of view the net earnings of the steamers is a secondary consideration. As a matter of fact, I do not think it is any breach of confidence to say that the net increase in the railway revenue for the season was £1,000; that is from the actual carriage of passengers to Kingston.

161. If you look at the matter from a wider point of view and induce people to go from as far as Auckland to the lakes you will increase your railway revenue generally?—Yes. The increase was rather more than £1,000 for the season; that is, say, for four months.

162. *Mr. Duthie.*] Was not the increased traffic due to the dredging boom?—The dredging boom was not on then. It was previous to that season, and was included in the revenue of the company.

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TUESDAY, 1ST NOVEMBER, 1904.

C. A. PIPER recalled. (No. 5.)

1. *Hon. Sir J. G. Ward.*] Mr. Piper, since you gave evidence before the Committee in connection with this matter the other day you have been at Queenstown, and had an opportunity of going into matters connected with the balance-sheet with the late accountant of the Lake Wakatipu Steamship Company, who is now an employee of the Railway Department: is that so?—That is so.

2. In answer to Mr. Duthie, Captain Wing stated when before this Committee that the new company paid £17,500 to the old company for this property. I want you to tell the Committee whether or not that £17,500 paid to the old company included the amount of £5,000 for goodwill that they showed in their balance-sheet at that date?—No. The £17,500, as I understand it, is entirely wrong. The company which existed prior to the 30th June, 1899, had a capital of £11,000 only. There was never £17,500 in it at all. That is to say, the property which the last company purchased was bought for the sum of £11,000, and remained at that figure until the new company was formed in 1899.



3. As the result of your investigations since you were last here, can you inform the Committee whether the capital of the old company in 1899, when the new company was formed, was £11,000?—That is so. I may say that the total amount paid up was £11,000, and the dividends were paid on the basis of £11,000.

4. As the result of your investigations, can you say what is the total amount that the old company which was wound up in November, 1902, received for its business?—According to their balance-sheet for the year ended the 30th June, 1902, they had £5,780 3s. 9d. in their reserve fund, £1,947 16s. 8d. cash in hand, £1,285 2s. 1d. owing by sundry debtors, and £137 10s. due from the Government for the mail subsidy, which was paid shortly afterwards, giving a total of £9,150 12s. 6d. Against that there has to be deducted for creditors £564 10s. 10d., which leaves the net amount they had in cash at that time £8,586 1s. 8d. Then, in October, when they wound up, they show another balance-sheet, as follows: Profit for July, August, September, and October, £622 16s. 11d.; interest on the amounts, which is given as £238 16s. 2d.; paid by the Government, £15,000; interest on this item, £393 10s. 8d.; and refund of insurance, £53 19s. 7d. The total of these figures comes to £24,895 5s., which includes everything. That money has been divided as follows: Their last annual dividend is given at £1,800, and they paid a first dividend of 14s. in the pound on the winding-up of the company, which absorbed £21,000. Then they paid a final dividend of 3.84d., which comes to £484 0s. 7d. That is the total amount of money that was actually divided amongst the shareholders, and it equals £23,280 0s. 7d. To that sum should be added, to make the balance-sheet complete, £750, which they paid for commission in connection with the sale of their boats, and incidental expenses put down at £304 9s. 11d., making together £1,054 9s. 11d. Their legal expenses and auditing came to about £240; office salaries—which included Captain Wing's salary for, I think, four months—£384; and they also show another item in loss on coal and timber business for that four months (they were carrying on a coal and timber trade in addition to their other business) of £66 10s. Now, if you add to the total the amount they show as goodwill, £4,286 17s. 6d., the gross total comes up to over £29,000.

5. They have received a total, including the reserve fund and cash in hand and amount due from sundry debtors, together with the amount received from the Government, of £24,895?—Yes.

6. That £24,000 they received was for the same properties that were represented by the old company's capital as £11,000?—That is so, the property was exactly the same. The only difference was that they spent some money on the "Ben Lomond" and "Mountaineer" steamers, and also at Frankton, but, generally speaking, the property was exactly the same.

7. *Mr. Lawry.* They got 100 per cent. on it?—More than that.

8. *Hon. Sir J. G. Ward.* A statement was made before the Committee that for some years the company did not pay?—I understood from information I gathered at Queenstown that they did not pay any dividends for a few years; but there is no doubt that on the £11,000 capital their dividends went up to 25 per cent. or close on 30 per cent.

9. You say that the old company paid dividends close up to 30 per cent.?—Yes. In fact, that is proved by their prospectus, if my memory is right. They show that the company was paying 10 per cent. on £30,000; and, if that is so, they would pay nearly 30 per cent. on £11,000.

10. The new company added no new steamers to their business from 1899 to 1902?—No.

11. A statement was made to the Committee by Captain Wing that they had to make up by their charges in summer for the losses they sustained by carrying on the business during the winter months. Will you look at the amount set down for profit for the months of July, August, September, and October in 1902 and state what it was?—The profit upon the actual working was £622 16s. 11d.

12. That is for the winter months?—That is for what are called the dead months of the year.

13. The mixing-up of the old company with the new company causes rather a fog as to what the shareholders have received. You might state what the terms were when Mr. Shrimpton took the company in hand?—When the company was re-formed under what is called the "Shrimpton company," his terms were £15,000 cash and £15,000 shares. That is to say, he was practically giving £30,000 to the new company for what stood in the books at that time at £11,000. Mr. Shrimpton got a certain commission for his trouble, which has been variously stated, but from what I can gather I believe it was £600 or more. I rather think it was more. Taking it at £600 and the share-list at £30,000, by deducting the £600 from that it leaves £29,400, and that works out at equal to £2 13s. 6d. per share for the old shareholders.

14. The shareholders all took shares in the new company, with a paper capital of £30,000?—That is so.

15. Am I right in saying that the realisation which took place in the winding-up in 1902 would give the old shareholders, who constituted part of the new company and participated in the dividend in the November winding-up, equal to £2 13s. 6d. per share?—I do not know as to that. The original shareholders would get equal to £2 13s. 6d. per share, and when the final dividend was paid to them they would be paid 14s. 3.84d. per share, the same as all the other shareholders.

16. Now, with regard to the reserve fund, that appears in the balance-sheet for the 30th June, 1902, at £5,780 3s. 9d. What amount did Captain Wing tell you it was when you were investigating on behalf of the Government in Queenstown?—I asked Captain Wing if he would let me see his balance-sheets or would tell me what the condition of his finances was, and he gave me to understand that the whole of his reserve and book debts amounted, roughly, to £2,000 or £3,000. When I got the amount the other day it was found to be £8,586.

17. And at the time you were investigating on behalf of the Government he stated that they amounted to £2,000 or £3,000?—That is so.

18. So that information was withheld to the extent of between £5,500 and £6,500?—That is so.



19. Did Captain Wing make any statement to you regarding the company's shares before the Government took over the business?—Yes. In discussing the matter with Captain Wing while going up to the head of the lake one day, I asked him if any of the shareholders had any idea as to how the thing was going to come out for them, and he told me that the shareholders had worked it out themselves and reckoned that they would get 12s. 6d. net. That was two months before the offer was made by the Government at all.

20. *Mr. Lawry.*] And they got more?—They got 2s. more than that. I think I asked him how he arrived at 12s. 6d., but I do not think he told me. You can easily see now how it is got at, because they had £6,300 reserve in 1899; they had £1,200 book debts and the goodwill of £5,000; and if you add them together you get £12,500, which they knew would have to come off.

21. *Hon. Sir J. G. Ward.*] They knew that would have to come off the capital they had fixed at £30,000?—It was, no doubt, on that basis that they arrived at their calculation. It was certainly not on account of any offer being mentioned at all, because it was long before the Government decided to take the boats.

22. If £12,500 were taken off it would show the value of their property at £17,500?—That is so.

23. Upon the amount received at the winding-up in November, 1902, if they had got the goodwill of £4,286 they would have received practically about £29,000?—Yes; that includes their office expenses for the four months. It is only a matter of a couple of hundred pounds in any case.

24. That would have meant they would have received nearly £29,000 for what upon their own showing stood at £17,500?—That is the position.

25. Do you think the colony would have been justified in paying such values as have been urged by them? Was there any justification, in other words, for the colony to respond to the increase they put on the capital of the company when it was re-formed in 1899?—Certainly not.

26. With the knowledge that you have as the result of investigations into the Wakatipu Steamship Company's affairs, would you, if you were negotiating for this business, either for the Government or any private person, pay any more than the amount which has been paid by the colony for it—£15,000?—No. From all I have been able to learn by asking questions and looking into the matter, I think we paid quite enough for it.

27. By referring to this file you see a Cabinet minute dated the 20th January, 1901, stating that the Government gave authority for the purchase of steamers at Lake Wakatipu?—That is so.

28. So that any assumption on the part of the Wakatipu Steamship Company people that the Government were holding over them a threat in 1902, in the light of the fact that the colony had actually previously decided to put steamers on the lake, is not justified by the evidence?—No, I should think not.

29. *Mr. Lawry.*] Do you think the Government gave as much to the company for the concern as they could have got for it outside of the Government?—Well, you enter into a very large question. If the old company had sold to another company in the ordinary way of a business deal, and the company were allowed to continue in the way the late company were doing, then it is only a matter of finding out what they could make out of it.

30. There was no coercion on the part of the Government to compel the company to sell? None that I know of.

31. It was simply a bargain between the Government and the company?—Yes.

32. It was simply an ordinary business transaction?—Yes, that is so.

33. *Mr. Duthie.*] You went up on behalf of the Government along with Captain Post to value the assets that the Government were to take over?—Yes.

34. Now, in the balance-sheet last issued, amongst other items is one of "Stores and coal in hand": at what did you value that asset when you took it over?—I do not know that we cut the items up at all. I did not detail them, but took the whole thing as a going concern.

35. You took over the wharves and buildings, freehold properties, and a slip at Frankton, as well as other things, which would need to be valued?—I did not value the individual items at all. I wanted to give one sum for the whole lot. It was a difficult matter indeed to deal with.

36. You were taking over these properties on behalf of the Government and could not lump them all together: you must have had details as to what they cost?—I had to get information in the best way I could. I could not get any direct information from Captain Wing.

37. Captain Wing's evidence is that the stores and wharves were worth £4,387, and the steamers were put down at £14,000-odd in the balance-sheet: at what did you value them?—We valued the whole concern, and after close investigation I consider £15,000 was full value for it.

38. And you were unable to get any basis of valuation?—We got Captain Post to value the steamers, and he got his information from people who knew the history of the boats.

39. Were you not competent to form a valuation of your own?—Captain Post was sent down because he is a nautical man.

40. You have again and again expressed an opinion as to value, and you must have had some grounds for valuing these properties?—I went down in conjunction with Captain Post, and we were practically working in conjunction.

41. You are giving evidence before this Committee and you say that is all these properties are worth. You are expressing an opinion, and I ask you how you can express an opinion on the value of these items, and you say you formed no individual valuation of the particular items. There are three steamers, sections of land, wharves, and stores. Those were what you were buying, and you say you formed no opinion as to their value?—I believe, as a matter of fact, that we worked the thing out in detail, but it is now two years ago, and I do not keep any slips of that kind by me.

42. What can be the value of your evidence, then?—All my figures this morning are taken from the company's papers and books.

43. Taken from perhaps some old employee of the company who is not here to be examined?—From the accountant of the company.

44. Do you question the accuracy of these balance-sheets?—No; they are audited.

45. You admit that you formed no estimate as to the value of the individual items—you simply lumped the lot?—Yes, we did, after going into all details possible.

46. Mr. Lawry asked a question just now about coercion being used, and you gave evidence that a steamer was authorised to be put on the lake on the 20th January, 1901?—Yes.

47. You are aware that if the Government had put a steamer on, the goods and traffic would have been diverted to that Government steamer?—It is fair to assume that they would.

48. Then, how can you say that these people were free agents? They could not carry the "Mountaineer" on their back, and they would have been in the position of being ruined, so that you must see it is not logically correct to say they were free agents?—Every one must know that if the Government had put on boats there would have been a certain amount of competition, the same as there has been before.

49. The whole trade is in connection with the railways, and this trade would have been diverted if the Government had put a steamer on?—It would not have been necessary for the Government to get the lot.

50. While they were told that the Government did not want their steamers they were reduced to this position: that they could not help themselves, and had to take what they could get from the Government?—At the time I and Captain Post were there we did not know anything about that. There was no coercion or threat of that kind so far as we were concerned.

51. But the damnable fact was there all the time—that it meant ruin to them if they did not take what the Government chose to concede?—I do not know anything as to that.

52. *Hon. Sir J. G. Ward.*] Are you aware whether Captain Post made inquiry from various people at Queenstown concerning the assets of the company?—Yes, he did.

53. And is it not a fact that Captain Post also found it impossible to get necessary information from Captain Wing in regard to the affairs of the company?—That is so. We were both in the same position in regard to that.

54. And in reporting to the Government at the time you reported that you could not ascertain what the amount of the reserve was?—Yes, I stated so in my report.

55. So that there was nothing new in your saying now that you could not ascertain important information from Captain Wing?—That is so.

56. You had to give an estimate of the reserve fund and book debts, and Captain Wing underestimated them to the extent of £5,000?—More than that—£5,500.

57. Is the following your statement with regard to the reserve fund: "I could not ascertain what the reserve fund was, but, together with their book debts, it would probably total £5,000"?—That is so.

58. That was stated in your report?—Yes.

59. *Mr. Duthie.*] Of the amount of money paid by the Government—£15,393—£390-odd was interest due to the fact that the steamers were taken over prior to the summer season: the amount given was really £15,000, and the amount in excess was for interest?—Yes; but it represented interest to the shareholders also. The actual amount of cash was *plus* the interest.

60. But that interest was the rate agreed upon, and the Government had the use of the boats for the summer season?—Yes.

61. *Hon. Sir J. G. Ward.*] There is a letter from me to the solicitor of the company, dated the 15th October, 1902, as follows: "Wellington, 15th October, 1902.—Wesley Turton, Esq., Lake Wakatipu Steam Shipping Company (Limited), Queenstown.—SIR,—In further reference to your offer of the Lake Wakatipu Steamship Company (Limited), as detailed in your letter of the 24th September, I have now the honour to make the Lake Wakatipu Steamship Company an offer—and I shall be glad to have a prompt reply—for the whole of its property and assets of all descriptions (not including the reserve fund and book debts). I am prepared, on behalf of the Government, to give the sum of fifteen thousand pounds (£15,000) cash. If accepted, a deposit of five per cent. (5 per cent.) will be paid, and the balance in one sum on the 3rd April, 1903. The steamers, however, would require to be placed at the disposal of the Government on the 1st November proximo, and between that date and the 3rd April interest upon the balance of the money payable will be allowed to the company at the rate of six per cent. (6 per cent). The reason for the early delivery being a part of the condition which I am now making to you is that in the report which the Government has it is stated that a considerable sum of money is necessary to effect alterations to the steamers involving a fairly large amount of expenditure, and as, from the report in the possession of the Government, it will be necessary, with the present plant of the company, to provide an additional steamer, the course suggested is the only one upon which the Government is prepared to purchase the property of the company. I shall therefore be glad to have a prompt reply at your early convenience.—I have, &c., J. G. WARD." That is the whole position regarding that matter. You know, as a matter of fact, Mr. Piper, that Captain Wing stated to the Committee that the Wakatipu Steamship Company would not in any case have purchased a new steamer to put on the lake?—Yes.

62. Will you inform the Committee whether or not Captain Wing showed you the plan of a steamer he alleged they intended to put on the lake?—Yes, I saw that plan. I suppose it was three or four months before I went down in connection with these boats at all. It was shortly after I went to Invercargill. We were discussing in a general way the steamers on the lake, and there was no talk about the Government putting steamers on at that time. I asked him what the plan was, and he said, "That is the plan of the new boat we are getting." I have a copy of the plan in the office now.

63. The fact remains that what Captain Wing has stated to the Committee, that his company would not have purchased a steamer, is contrary to what he stated to you in Queenstown?—Most decidedly. Further than that, we had a discussion on the question as to whether or not a paddle-steamer would be the better, and that is how it is impressed upon my mind.

CAPTAIN C. F. POST examined. (No. 6.)

64. *Hon. Sir J. G. Ward.*] What are you?—Captain of the Government cable-steamer “Tutane-kai.”

65. Were you instructed in 1902 to proceed to Queenstown to report upon the Lake Wakatipu Steamship Company's plant?—I was.

66. Have you the letter of instructions with you?—I have it in my pocket.

67. Will you read it to the Committee?—“New Zealand Government Railways, Head Office, Wellington, 17th September, 1902.—SIR,—Please arrange to proceed to Queenstown and inspect and report as to the shipping facilities and accommodation generally now existing on Lake Wakatipu for dealing with the traffic thereon. You will require particularly to inquire into and report on the following matters: (1.) Examine the vessels now running on the lake, and report as to their suitability or otherwise for existing business, and whether they would be capable of dealing with any increase, stating what you consider is their value, and if, in the event of their purchase and not meeting requirements, it would be possible to enlarge and otherwise improve them, and, if so, whether you would recommend such a course. (2.) What facilities, apart from the vessels themselves, now exist, and what additions and improvements, if any, would be required to cope with increased business; whether the wharves, &c., are now in the best possible positions, and if, in the event of a larger trade, any additional wharves would be required or those now existing improved or added to. (3.) Whether the present steamer services reasonably meet the requirements of the district, both as regards goods and passengers, and what improvements, if any, you can suggest in the service. (4.) Whether, as a result of your inquiries and inspection, you would recommend the Government to acquire the existing vessels and plant of the Lake Wakatipu Steamship Company in preference to building new boats for the lake, and, if so, what you consider a fair value for the same.—I have, &c., T. RONAYNE, General Manager.—Captain C. F. Post, Wellington.”

68. I would like to ask you what steps you took after you arrived in Queenstown to investigate the matters that you were instructed to report upon?—I made a thorough investigation and inspection of each ship, the wharves, and the plant generally. I also made a trip in each of the boats that were running. I also endeavoured to obtain as much information as possible from the representative of the company, Captain Wing, the only man I saw there representing the company.

69. I would like to ask you to tell the Committee whether Captain Wing gave you, independently of the opportunity of examining the steamers, the inner information that would help you to arrive at a valuation?—He gave me no information whatever, except what I could drag out of him, and what he did tell me I could not altogether believe.

70. Did you, with Mr. Piper, endeavour to obtain the position from the balance-sheet of the reserve fund and the book debts of the company?—All I endeavoured to obtain was a balance-sheet. The matter of going into the books and the finances of the company I left to Mr. Piper.

71. You wanted to get a copy of the balance-sheet to help you in the inspection and investigation you had to make?—Yes.

72. And you applied to Captain Wing?—Yes, on several occasions.

73. Did he decline to give you one?—He always promised to give me one next day, but “next day” never came. Eventually I had to go away without one. He said he was sorry, but could not get one.

74. Is the following a statement made by you in your report to the Government: “After making all inquiries and inspecting the vessels, wharves, &c., and considering the question in all its aspects, I am of the opinion that it would be preferable to acquire new steamers”?—Yes, that is my opinion.

75. That is the report you made to the Government?—Yes.

76. The following extract is also in your report: “To replace the three boats now running on the lake and provide new wharves, sheds, slip, &c., would cost approximately £27,000; but if the Government decide to purchase I would recommend that one new steamer be obtained in addition to acquiring the existing vessels and plant of the company.” You made that further statement?—Yes, that is correct.

77. Have you visited Queenstown since the properties were purchased by the Government?—I have been up there twice.

78. Have you had an opportunity of examining the condition of the steamers since you went up in November, 1902, to report for the Government?—Yes.

79. What have you found to be the condition of the steamers since you went up in November, 1902, to report to the Government?—I found that the vessels after being opened up needed more repairs and alterations than I had anticipated formerly. A great deal of the repairs have been made, and the boats are now in a far more efficient state than they were then, and are better kept.

80. You know that the colony has paid £15,000 for the plant of the Lake Wakatipu Steamship Company?—Yes, I know that was paid for it.

81. With the further examination you have made of the steamers, what is your opinion as to the amount paid by the colony for these steamers: is it too little?—I consider it is full value.

82. Will you tell the Committee whether the steamers were all built in accordance with Lloyd's requirements or not?—No; the “Ben Lomond” was built according to Lloyd's rules, but the other two steamers were built more according to bush rules.

83. Is it a fact that, in addition to the extracts from the report I have read, you reported as follows: “To provide better accommodation, and at the same time deal with a larger traffic, another boat on a larger scale than the ‘Mountaineer’ to run in conjunction with her would meet the requirements, and in the event of a large party or an excursion coming up to Queenstown, both steamers could be available to convey them up and down the lake, the ‘Ben Lomond’ being

available as an intermediate boat, or being utilised to run to the head of the lake in the other steamer's place"?—Yes, that is correct.

84. Can you state to the Committee what the ages of those steamers were?—Roughly, I know that the "Mountaineer" was built in 1879, and the "Ben Lomond" some years previous to that. The "Antrim" steamer the old residents would remember nearly fifty years ago. I have not seen another boat like her in any part of the world.

85. If you had been going to purchase these steamers and plant for yourself, as the result of the investigation you made at the time, would you have cared to give more than £15,000 for them?—I should not, sir.

86. I presume, from your report, that to replace the three boats now running on the lake, and to provide new wharves, sheds, &c., at a cost approximately of £27,000, you would regard the new steamers, plant, and wharves as worth more than those bought even at £15,000?—Yes; you would not build modern ships like those are built.

87. In general practice the purchase of an old steamer as against a new one is looked upon as a "bad spec" on the part of the man purchasing it?—Yes; it is like buying a broken-down race-horse.

88. *Mr. Duthie.*] The "Antrim," which you spoke of in such disrespectful terms, is a cargo-boat, is she not?—Yes.

89. By your explanation I understand that the balance-sheet or accounts were not of any concern to you?—The finances of the company I did not go into very much. I simply wanted to see the balance-sheet to ascertain what they valued their steamers at.

90. In getting the valuation of the wharves, freehold property, and slip, and the tramway and wharf at Frankton, what did you value them at—they are put down together at £4,288?—I should not value them at that.

91. That is the balance-sheet value?—I put my valuations in my report, but all the little details I cannot remember. It is twelve months ago since I had every item, but when the "Tutane-kai" was laid up I destroyed or burnt them.

92. There is another little detail, of goodwill, £5,000. The value of the steamers may be a difference of opinion?—Mr. Piper and I went into that matter.

93. You went to value that property: what value did you put on these wharves, buildings, and tramway?—I did not put anything like the value mentioned on them.

94. A man of your experience would make some calculations before he arrived at this sum of £15,000?—For my valuation of the wharves I went to some extent on the advice of the people who had built them.

95. But the Government chose you as the most experienced officer in this matter that they have got, and you would not trust to "the man in the street": what is your opinion about the valuation of these properties?—Not more than £2,500.

96. You could not give me the value of the freehold property?—The ground rental of the property I consider scarcely worth anything.

97. But it has cost the company £4,000 to get the accommodation?—They did not tell me that.

98. But your attention was specially drawn to those wharves and other accommodation, and you were specially asked to investigate and report upon them?—I did so thoroughly at the time, but it is now two years ago, and I cannot remember every little detail so far as their value is concerned.

99. There is an item of stores and coal in hand, £879: what did you find their value when you took them over?—Captain Wing did not tell me anything about the coal he had in hand. All that was in hand that I could see was simply a small bit in a coal-shed at Kingston.

100. There were some stores there?—They were all obsolete and old gear.

101. You have valued them?—Yes.

102. At what value?—I took them at the invoiced prices. Captain Wing showed me the prices and what he had paid for them; but if he had anything before or after he made up his balance-sheet I do not know.

103. There is another item, timber in stack, which was taken over by the Government?—There was a small quantity of timber at Queenstown. It was ordinary scantling and stuff of that kind.

104. Suppose it was worth very little, it is put down at £79 11s. 10d.?—I did not consider there was ten pounds' worth altogether, and I took it into consideration with the other stores.

105. Do you remember what you valued the three steamers at: that is not a little item?—I can pretty well remember that.

106. What value did you put upon the "Mountaineer"?—I valued the three steamers together, if I remember rightly, at about £11,500.

107. Therefore the other things were taken at £3,500, which was the balance then left, as against the coal and stores then in hand valued at £79, and the wharves and other property at £4,288. Those are all the items, apart from the steamers and freehold property, which, according to the balance-sheet, were valued at £5,347, and you valued the lot at £3,500?—That was taking into consideration all their plant.

108. Well, for that £5,000 you gave them about £3,500?—About that.

109. Do you think you dealt fairly by them? What items were of less value than was shown in the balance-sheet?—The only value put on them was what Captain Wing told me himself; but he never showed me anything in black and white.

110. You are an experienced Government officer and were sent to value the assets on behalf of the Government, and you maintain the items in connection with the plant and property were only worth £3,500?—That is my opinion.

111. I should have liked to get the details?—I should have liked to oblige you, but it is two years ago now and I cannot remember them.

112. *Hon. Sir J. G. Ward.*] At the time, you went into detail and made an examination of everything?—Yes, into every item. I went with Mr. Piper, and Captain Wing told us what everything had cost; but when I asked him to show me proofs I never got them. He told me all sorts of things, and showed me nothing. I said to Captain Wing, "It would be a serious thing for you if the Government took the business over," and he said, "I sincerely hope they will, because I have another position to go to in the Northern Steamship Company's service." When I got to Auckland I made inquiries and asked Mr. Ranson if that was correct, and he told me "No."

113. *Hon. Mr. Hall-Jones.*] When you made your investigation you examined the steamers?—Yes.

114. And you took into account their class and age?—Yes.

115. Did you see all the wharves?—Yes.

116. And all the plant in connection with the company's business?—Yes.

117. After obtaining advice from local people as to the value of the wharves and other property you fixed a value for them of what you considered they were then worth?—Yes.

118. And the sum total of your valuation was the price paid by the Government?—Yes, and quite the value.

119. *The Chairman.*] Were the steamers, wharves, and everything concerned in good or bad condition?—Indifferent.

120. *Mr. Duthie.*] Frankton Wharf was new?—The Frankton Wharf was new, but it was sinking a bit, and has since had to be repaired. The crane had a cant to one side, and had to be straightened up. A good many things had been done, but not well done.

## APPENDIX.

PROSPECTUS of the LAKE WAKATIPU SHIPPING COMPANY (LIMITED), (incorporated under "The Companies Act, 1882").

CAPITAL, £35,000, in 35,000 shares of £1 each, of which 15,000 are to be allotted to the vendors in part-payment of purchase-money; 5,000 are reserved for future issue to provide further working-capital (if required); and the balance of 15,000 shares is now offered to the public. Terms, 10s. per share on application, and 10s. per share on allotment.

PROVISIONAL DIRECTORS.—Captain E. T. Wing (managing director), Queenstown; Bendix Hallenstein, Esq., J.P., Messrs. Hallenstein Bros. & Co., Dunedin; James Douglas, Esq., J.P., surgeon, Frankton; Basil Sievwright, Esq., Messrs. Sievwright and James, Dunedin; Robert Hope Baird, Esq., runholder, Lake Hayes; Robert Lee, Esq., New Zealand Collieries, Railway, and Oil Syndicate (Limited), Dunedin; Alexander Burt, Esq., J.P., A. and T. Burt (Limited), Dunedin; Thomas R. Fisher, Esq., Standard Insurance Company, Dunedin; William Richard Cook, Esq., Messrs. Cook and Gray, Dunedin; Thomas Hicks, Esq., master mariner, Queenstown; Thomas Burton, Esq., Messrs. Burton and Patterson, Dunedin; Daniel McBride, Esq., runholder, Queenstown.

BANKERS.—The Bank of New Zealand.

SOLICITORS.—Messrs. Sievwright and James, 14, High Street, Dunedin.

BROKERS AND FINANCIAL AGENTS.—Edward Trythall, Esq., 1, Bond Street, Dunedin; Messrs. Barr, Leary, and Co., Dunedin and Wellington; Messrs. Quick and Smith, A.M.P. Buildings Dunedin; Messrs. Sievwright Bros. and Co., 14, High Street, Dunedin.

This company has been formed for the purpose of adopting and carrying into effect a deed of agreement, dated the 18th day of April, 1899, and made between the Lake Wakatipu Steam Shipping Company (Limited) of the one part, and Harry Shrimpton of the other part, whereby the Lake Wakatipu Steam Shipping Company (Limited) agrees to sell: (a) the Steamships "Mountaineer," "Ben Lomond," and "Antrim"; (b) bank deposit-receipts for £6,300; (c) the freehold property, slip, jetties, book debts, and all other the property of the company and the goodwill of the business of the company, and the benefit of all contracts of every description and kind, to a new company to be formed with the object of purchasing and working the said steamships and property, at the price of £30,000, payable as follows: £15,000 in cash and £15,000 in fully paid-up shares in the new company.

According to the audited balance-sheets, the earnings of the Lake Wakatipu Steam Shipping Company (Limited) for the four years ending the 31st January last amount to £12,670 14s. 8d. (see auditor's certificate hereunder) as follows: 31st January, 1896, £2,646 13s. 1d.; 31st January, 1897, £2,916 6s. 8d.; 31st January, 1898, £3,276 10s. 6d.; 31st January, 1899, £3,831 4s. 5d.: total, £12,670 14s. 8d.; less amount written off for depreciation, £1,962 5s.; leaving available, £10,708 9s. 8d. The above figures show a steady increase in the business of the present company, and that over 10 per cent. per annum is now being earned on a capital of £30,000.

The following is an authenticated statement of the value of the property and money which the new company will acquire, to which must be added the goodwill of the business: Queenstown—Steamships, £13,300; fixed-deposit receipts, £6,300; freehold sections, buildings, wharf, &c., £1,600; book debts, £1,200; ship stores, wharf-piles, &c., £700; slip, winches, and other gear, £500: Frankton—Land, buildings, wharves, tram-lines, &c., £1,400: total, £25,000.

The financial strength of the present company is shown by the fact that it has accumulated a sum of £6,300, which sum is at present on fixed deposit, and forms part of the assets to be acquired by the new company.

Arrangements have been made with Captain Wing to continue to act as managing director—a position which he has so creditably occupied for the last fourteen years.

The provisional directors will prepare and settle the articles of association. Shares will be allotted according to priority of applications.

Applications for shares should be made on the accompanying form, and forwarded to any of the company's brokers, together with a remittance for the amount payable on application.

Mr. John Cable, of Messrs. Morgan, Cable, and Co., Port Chalmers, having been appointed to make a valuation of the steamers, reports as follows:—

As requested, I proceeded to Lake Wakatipu, and inspected the three (3) steamers belonging to the Wakatipu Steam Navigation Company, and found each one in the following condition:—

*S. S. "Mountaineer."*—The hull of this vessel is of iron, decks of kauri, the internal fittings are well got up, and everything has been well looked after, and will last for many years, with the exception of the boiler, which will want renewing in about two years, at a cost of about £650 sterling. I value the steamer as she now stands at £7,250 sterling.

*S. S. "Ben Lomond."*—Is an iron vessel, and in good-going order in every respect. There are no alterations or repairs required on her, the boiler being good for another ten years. I estimate her worth at £3,550 sterling.

*S. S. "Antrim."*—Her hull is made of wood, and is in grand order. The machinery and decks have practically been renewed within the last two years. The boiler I consider good for twenty years, and the value of steamer £2,500 sterling.

In conclusion, I may add that the steamers appear to have been taken great care of, and that, added to the superior quality of the water in Lake Wakatipu, the hulls, both outside and in, are in as good condition now as the day they were launched. The machinery seems also to have been well attended to, and is now in first-class working-order.

JOHN CABLE.

I hereby certify that the net earnings of the Lake Wakatipu Steam Shipping Company (Limited) for the four years ending the 31st January last amounted to £12,670 14s. 8d., as follows—namely, year ending 31st January, 1896, £2,646 13s. 1d.; 31st January, 1897, £2,916 6s. 8d.; 31st January, 1898, £3,276 10s. 6d.; 31st January, 1899, £3,831 4s. 5d.

F. W. F. GEISOW, Auditor.

Dated 21st April, 1899.

THE FIRST ANNUAL REPORT AND BALANCE-SHEET of the Lake Wakatipu Shipping Company (Limited), to be submitted at the General Meeting of Shareholders to be held at the Registered Office of the Company, Beach Street, Queenstown, on Tuesday, the 31st July, 1900, at 2.30 p.m.

THE directors have pleasure in presenting a statement of the company's affairs to the 30th June last.

After making provision for depreciation, and paying an interim dividend on the 31st January last, there is at the disposal of the shareholders the sum of £1,675 3s. 7d., which the directors now recommend should be appropriated as follows:—

To dividend for six months ending 30th June on 30,000 fully paid-up shares at the rate of 10 per cent. annum	...	...	£	s.	d.
			1,500	0	0
Balance to be carried forward to next year	...	...	175	3	7
			£1,675	3	7

If the appropriations be confirmed, warrants will be issued to the shareholders on Thursday, the 2nd day of August, 1900.

In terms of clause 88 of the articles of association, Messrs. T. Hicks and D. McBride retire from the Board, and being eligible, offer themselves for re-election. The retiring auditor also offers himself for re-election.

JAMES DOUGLAS,

Queenstown, 20th July, 1900.

Chairman.

*Balance-sheet for the Year ended the 30th June, 1900.*

<i>Liabilities.</i>			<i>Assets.</i>		
	£	s. d.		£	s. d.
To Capital Account—			By Cash on hand, in bank, and on fixed deposit .. .. .	8,385	5 11
35,000 shares at £1 ..	£35,000		Sundry debtors .. .. .	1,597	16 2
Less unallotted—			Stores and coal on hand .. .. .	890	10 5
5,000 shares at £1 ..	5,000		Mail subsidy due .. .. .	137	10 0
		30,000 0 0	New Frankton Wharf Account .. .. .	154	9 3
Sundry creditors .. .. .		200 8 2	Buildings, freehold properties, slip, (reduced value) .. .. .	3,325	0 0
Balance to Profit and Loss Account	1,675	3 7	Steamers (reduced value) .. .. .	12,635	0 0
			Goodwill .. .. .	4,750	0 0
				£31,875	11 9
				£31,875	11 9

*Profit and Loss Account.*

	£	s.	d.		£	s.	d.
To Salaries, directors' and auditors' fees, rates, and office-expenses, &c. ..	1,309	2	9	By Net earnings of steamers ..	5,367	0	7
Depreciation .. ..	1,090	0	0	Interest .. ..	207	5	9
Interim dividend .. ..	1,500	0	0		<u>£5,574</u>	<u>6</u>	<u>4</u>
Balance .. ..	1,675	3	7				
	<u>£5,574</u>	<u>6</u>	<u>4</u>	By Balance- .. ..	£1,675	3	7
Proposed appropriation—							
To Dividend for six months ended the 30th June, 1900 .. ..	1,500	0	0				
Balance to be carried forward .. ..	175	3	7				
	<u>£1,675</u>	<u>3</u>	<u>7</u>		<u>£1,675</u>	<u>3</u>	<u>7</u>

D. McBRIDE, } Directors.  
T. HICKS, }  
E. T. WING, Secretary.

Audited and compared with company's books and vouchers and found correct.

F. W. F. GEISOW,  
Auditor.

THE SECOND ANNUAL REPORT AND BALANCE-SHEET of the Lake Wakatipu Shipping Company (Limited), to be submitted at the General Meeting of Shareholders to be held in the Registered Office of the Company, Beach Street, Queenstown, on Tuesday, the 13th August, 1901, at 2.30 p.m.

THE directors have pleasure in presenting a statement of the company's affairs to the 30th June last.

After making provision for depreciation the net profit for the twelve months amounts to £3,569 5s. 1d. From this has to be deducted the interim dividend paid in January last, leaving at the disposal of the shareholders the sum of £2,069 5s. 1d., which the directors now recommend should be appropriated as follows :—

To dividend for six months ending the 30th June, 1901, on 30,000 fully paid-up shares at the rate of 10 per cent. per annum ...	£	s.	d.
Balance to be carried forward to next year ...	1,500	0	0
	569	5	1
	<u>£2,069</u>	<u>5</u>	<u>1</u>

If the appropriations be confirmed warrants will be issued to the shareholders on Thursday, the 15th day of August, 1901.

In terms of clause 88 of the articles of association Messrs. J. Douglas and G. D. Baird retire from the Board, and, being eligible, offer themselves for re-election. The retiring auditor also offers himself for re-election.

Queenstown, 30th July, 1901.

JAMES DOUGLAS, Chairman.

*Balance-sheet for the Year ended the 30th June, 1901.*

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
To Capital Account—				By Reserve fund on fixed deposit ..	6,865	15	3
35,000 shares at £1 ..	£35,000			Cash on hand and in bank ..	1,474	18	1
Less unallotted—				Sundry debtors ..	1,615	6	7
5,000 shares at £1 ..	5,000			Stores and coal on hand ..	1,151	0	2
	30,000	0	0	Mail subsidy due ..	137	10	0
Sundry creditors .. ..	226	13	8	Frankton new wharf account ..	1,276	18	8
Balance to Profit and Loss Account ..	2,069	5	1	Buildings, freehold properties, slip, &c. (reduced value) ..	3,158	15	0
				Steamers (reduced value) ..	12,003	5	0
				Goodwill .. ..	4,512	10	0
				Mountaineer new boiler account ..	100	0	0
	<u>£32,295</u>	<u>18</u>	<u>9</u>		<u>£32,295</u>	<u>18</u>	<u>9</u>

*Profit and Loss Account.*

	£	s.	d.		£	s.	d.
To Salaries, directors' and auditors' fees, rates and office expenses, &c. ..	1,288	9	1	By Balance on the 1st July, 1900 ..	1,675	3	7
Depreciation .. ..	1,035	10	0	Net earnings of steamers ..	5,512	19	3
Dividends paid .. ..	3,000	0	0	Interest .. ..	205	1	4
Balance .. ..	2,069	5	1		<u>£7,393</u>	<u>4</u>	<u>2</u>
	<u>£7,393</u>	<u>4</u>	<u>2</u>				
Proposed appropriation—				By Balance .. ..	2,069	5	1
To Dividend for six months ended the 30th June, 1901.. ..	1,500	0	0				
Balance to be carried forward .. ..	569	5	1		<u>£2,069</u>	<u>5</u>	<u>1</u>
	<u>£2,069</u>	<u>5</u>	<u>1</u>				

J. DOUGLAS, } Directors.  
G. D. BAIRD, }  
E. T. WING, Secretary.

Audited and compared with the company's books and vouchers and found correct.

F. W. F. GEISOW, Auditor.





*Balance-sheet of the Lake Wakatipu Shipping Company (Limited) from the 1st July, 1902, to the 12th June, 1903 (on which last-mentioned date a second and final distribution of the company's assets was made).*

<i>Liabilities.</i>			<i>Assets.<sup>1</sup></i>		
	£	s. d.		£	s. d.
To Capital Account—			Cash in bank on the 12th June, 1903, as per		
35,000 shares at £1 ..	£35,000		ledger, to be distributed amongst the		
Less unallotted—			shareholders as a second and final pay-		
5,000 shares at £1 ..	5,000		ment .. .. .	480	0 7
		30,000 0 0	Loss by shareholders .. .. .	8,519	19 5
Paid to shareholders .. .. .		21,000 0 0			
		<u>£9,000 0 0</u>		<u>£9,000 0 0</u>	

*Profit and Loss Account.*

<i>Debit.</i>			<i>Credit.</i>		
	£	s. d.		£	s. d.
Loss made on carrying on the timber and			By Balance on the 30th day of June, 1902	2,222	14 1
coal yards by Government including it in			Net earnings of steamers up to the 31st		
purchase-money .. .. .	66	10 9	October, 1902 .. .. .	622	16 11
Office expenses .. .. .	384	17 1	Interest up to the 27th April, 1903 ..	238	16 2
Stores account .. .. .	925	3 11	Government purchase-		
Discount .. .. .	1	11 0	money .. .. .	£15,000	0 0
Goodwill of business in last balance-sheet	4,286	17 6	Government interest up		
Wharves, buildings, freehold, slip in last	4,289	2 11	to date of payment ..	393	10 8
balance-sheet, with £1 8s. added ..			Government unexpired		
Advertising, rates and taxes, auditing and			insurance risks ..	53	19 7
legal expenses .. .. .	239	14 11		<u>15,447</u>	<u>10 3</u>
Dividends paid to shareholders .. ..	1,800	0 0	Less commission paid		
Incidentals .. .. .	304	9 11	on sale of property		
Cost of steamers as shown in last balance-			to Government ..	750	0 0
sheet .. .. .	14,003	8 10			<u>14,697 10 3</u>
		<u>£26,301 16 10</u>	By Loss made by shareholders .. ..	8,519	19 5
					<u>£26,301 16 10</u>

In accordance with the provisions of "The Companies Act, 1892," and its amendments, I certify and report to the shareholders that all my requirements as auditor have been complied with, that I have examined and audited the books and accounts of the Lake Wakatipu Shipping Company (Limited) for the period ended the 12th June, 1903, and that in my opinion the above balance-sheet is properly drawn up so as to exhibit a true and correct view of the said company's affairs as shown by its books.

F. W. F. GEISOW, Auditor.  
 THOMAS HICKS,  
 DANIEL McBRIDE, } Directors.  
 G. D. BAIRD,  
 E. T. WING, Managing Director.

Queenstown, 12th June, 1903.

*Approximate Cost of Paper.—Preparation, not given; printing (3,000 copies). £27 6s.*

By Authority: JOHN MACKAY, Government Printer, Wellington.—1904.

Price, 9d.]

