

SESSION II.

1918.

NEW ZEALAND.

KAURI-GUM INDUSTRY.

REPORT FOR THE YEAR ENDED 31st MARCH, 1918.

Presented to both Houses of the General Assembly pursuant to Section 5 of the Kauri-gum Industry Amendment Act, 1914.

REPORT.

SIR,—

In submitting the fourth annual report on the work of this Department I shall again briefly refer to the special circumstances which gave rise to the creation of this Department.

One of the recommendations of the Royal Commission which reported on the gum lands in July, 1914, was "That a Department be set up to take charge of the gum lands and of the industry generally, such Department to be supported by imposing an export duty of £1 a ton on kauri-gum." (C.—12, 1914, p. 21.)

As a first step towards giving effect to this proposal the present Kauri-gum Superintendent was appointed to take charge of the gum lands and matters relating to the kauri-gum industry. Then the war came, and with it a serious slump in the industry. The gum-diggers and storekeepers on the gumfields at once appealed to the Government for assistance, and in response to this appeal the Kauri-gum Industry Amendment Act, 1914, was passed, authorizing the Minister to purchase kauri-gum, and to make an advance of 50 per cent. of the values ruling before the war. As a means of affording further relief the Act provided for the working of the gum lands for the recovery of gum and the improvement of the lands. Soon after the passing of the Act the Kauri-gum Department was established and commenced operations. With the promise of Government assistance and the passing of legislation the prospects of the industry and the man on the gumfields at once brightened, and much distress was saved. How valuable the assistance given by the Government to the industry has proved is clearly shown as the report proceeds.

NEW ORGANIZATION.

Towards the end of March, 1916, it was decided by Cabinet that the business arising out of the Kauri-gum Industry Acts, 1914 and 1915, should be carried out by the Kauri-gum Superintendent in conjunction with the Imperial Supply Branch. In order to facilitate the working of the new arrangement a conference of the officers concerned was held, and subsequently a memorandum was drawn up setting out the respective duties and functions of each Department. The new organization came into force on the 1st April, 1916. The arrangement has proved most satisfactory.

REPLY TO PAMPHLET ISSUED BY THE GUM MERCHANTS AND BROKERS OF AUCKLAND.

Much opposition to this Department has been displayed by the kauri-gum merchants and brokers in Auckland almost from its inception, but especially so during the past year. Indeed, it might be said that an active propaganda has been kept going. The reason for this is not far to seek. Up to four years ago, when the Department was set up, resulting in the Government becoming buyers and sellers of kauri-gum, the gum-merchants in Auckland had what might be truly described as a snug monopoly. They had no real competitor, and the interests of the four thousand or five thousand producers of gum and of the storekeepers on the gumfields were absolutely in their hands.

It was a fairly general belief that there was a kauri-gum ring in Auckland, and there was apparently good grounds for this belief, for I have a letter from one of the kauri-gum exporters in which the firm urge their claims for consideration on the ground that they do not belong to the "gum ring." "Ring" or no "ring" it was not a difficult matter, where the trade was in the hands of so few, for the merchants to establish a very good understanding among themselves.

In pursuit of the propaganda before referred to the trade issued a pamphlet in October last, which has been widely circulated, a copy being sent to every member of both Houses of Parliament and to Ministers of the Crown. A copy was specially sent to you as Minister in charge of the Department, and subsequently you referred it to me for my comments. The pamphlet is signed by F. L. Gribbin (chairman), representing Mitchelson and Co.; L. A. Bachelder, representing L. C. Gillespie and Sons; J. F. Montague, representing S. Winterbourne and Co.; T. Charter, representing A. S. Paterson and Co.; T. M. Hammond, representing W. S. Whitley and Sons.

The criticisms of my last annual report by these gentlemen call to mind Lord Macaulay's remarks in regard to the famous leg of mutton on which Dr. Samuel Johnson dined while travelling from London to Oxford, and which he pronounced to be "as bad as bad could be—ill-fed, ill-killed, ill-kept, and ill-dressed." In like manner my report is lacking in information, is "padded," is inaccurate, and altogether of no account. However, propagandists should have good memories, as will be seen later.

It is, at all events, pleasing to be able to note at the outset that there is nothing expressed in the pamphlet from the first page to the last to indicate that the authors of it considered it a wrong thing for the State to have embarked in the kauri-gum business. Manifestly, then, in the eyes of these gentlemen the only thing wrong with this Department is the management. This is indeed fortunate, for it is a defect which can be easily remedied.

For the management of the Auckland end of the Department I accept full responsibility; and, while I may have made some mistakes, I certainly made no mistake as to the effect the setting-up of the Department was likely to have on the businesses of the kauri-gum brokers and exporters, who had for so long hitherto enjoyed so snug a monopoly. Indeed, I recognized from the commencement that the development of the Department was not altogether in the interests of the men in the trade in Auckland, but rather in the interests of the gum-diggers, the country storekeepers, and the small farmers, and more than once this aspect of the question was pointed out by me to the Minister in charge of the Department.

Certain it is that, if the gum-merchants and the men in the trade in Auckland had recognized their responsibility to the gum-diggers, to the men who had produced the wealth which the merchants and brokers had had the monopoly of handling for so many years, there would have been no urgent need for the Government to have come to the assistance of the industry. But what happened? At the first sign of trouble the merchants stopped buying, left the gum-digger to starve, and discharged most of the gum-sorters from their stores.

Now, what was the actual position of the gum trade on the 12th November, 1914—over three months after the beginning of the war? The question is answered in Messrs. A. S. Paterson's gum report of that date: "Only a very small portion of the gum coming to hand since our last report has been sold, principally what are recognized as standard grades. The market has just about as near reached a stoppage as it possibly can. Those exporters that have not closed down entirely are working a few old hands on half-time, working up any surplus stock they may have on hand. It is to these latter firms we occasionally sell a few packages."

To return to the pamphlet. Under the heading "Statements disputed," in the first paragraph we read: "In substantiation of the statements made in the above telegram to the Prime Minister, and in the letters to members, it is desired to lay certain facts before the members of the House and before the public generally." It is rather important that this statement should be borne carefully in mind, for "facts are stubborn things," and particularly so in this case in view of what is to follow.

Taking the second and fourth paragraphs together we are told—

"In the first place, the assertion so repeatedly made by the Prime Minister and the Kauri-gum Superintendent that the Government came to the assistance of the diggers in 1914 and thus 'saved the situation' is absolutely denied. As a matter of fact the crisis in the gum trade occurred, as was the case in other industries, when war broke out in August, 1914, and lasted for not more than about a month or six weeks, and the Government did not commence to make any advances to the diggers until November or December, 1914—*long after the crisis had actually passed.*"

"There was, of course, a decline in prices when war broke out, but after the lapse of a few weeks, or possibly two months at the outside, practically all the exporters had resumed buying and shipping as opportunities offered, and business in gum has continued to be quite right up to the present time, except in so far as it has been affected by the lack of shipping facilities both to England and America."

Here it is first stated that the slump in the industry lasted only a month or six weeks, and second that it lasted a few weeks or possibly two months at the outside. Yet on the 29th October, 1914, nearly three months after the war began, Messrs. Lichtenstein, Arnoldson, and Co., one of the largest exporters of kauri-gum, in a circular letter to all their clients, say, "*Re your shipment of gum: We regret to have to inform you that we cannot at present buy the gum from you, there being no demand for same. We will, if you desire it, keep the gum here for you on the chance of things brightening, or if you desire it we will hand same over to any one you wish. Kindly let us know your intentions.*"

Again, on the 14th November, 1914, in a letter to a gum-digger at Waihopo, the same firm wrote: "We have your letter of the 11th instant *re your gum in our store.* In reply we beg

to state that we wrote all our customers on the 29th October stating that there was no demand whatever for gum, and consequently we were not in a position at present to buy any gum. We do not know how long we will be out of the market, but we will be pleased to keep the gum here for you until such time as the market brightens, or if you prefer it we will hand the gum to whoever you may desire. Should we find ourselves in a position at any time to buy any of your lines we will be pleased to do so and render account sales immediately, holding the balance for you as above stated. Kindly let us know your intentions."

On the 26th September, 1914, A. S. Paterson and Co.—one of the signatories to the "statement"—in a letter addressed to the Right Hon. the Prime Minister, said, "A certain amount of business is still being done. The volume of business passing through our hands has been reduced about two-thirds." And the same firm, on the 15th October, 1914, in their "Gum Report for Storekeepers only," say, "There is, we regret to state, no improvement in the market. The 'Star of Scotland' may be taking cargo in towards the end of the week, and this will ease the stores. The demand, however, is decidedly falling off, and there is absolutely no competition. Values all round are declining. This has been caused partly by diggers bringing gum to town in fair quantity and selling direct to exporters at best prices offered, thus creating a new basis of values."

Again the same firm, on the 12th November, 1914, in their report, say, "Only a very small portion of the gum coming to hand since our last report has been sold, principally what are recognized as standard grades. The market has just about as near reached a stoppage as it possibly can. Those exporters that have not closed down entirely are working a few old hands on half-time, working up any surplus stock they may have on hand. It is to these latter firms we occasionally sell a few packages. Swamp ordinary: If it is absolutely necessary to buy ordinary from low-lying ground, the best plan is to pile it and class when there is a demand for it."

"The market has just about as near reached a stoppage as it possibly can" is a fairly definite statement, made at a time, if we are to believe the pamphlet, "*long after the crisis had actually passed.*"

On the 18th November, 1914, Langguth and Co., large exporters of kauri-gum, in recommending Mr. Bicknell to me, say, ". . . and it is only due to the total absence of orders caused by the European War now raging that we have had to terminate his engagement."

Messrs. R. and J. Miller, gum merchants and exporters, in a letter to a gum-digger near Waipu, under date 31st August, 1914, say, "There is no market for gum. Theoretically values are half old rates; practically most buyers will not purchase at even much larger deductions. For instance, a digger sold a sack of $\frac{3}{4}$ range for 40s. per hundredweight—we should have said 'gave it away'—after hawking it round town. Unluckily it was not offered to us. This is an isolated case as regards value, but it shows you the panic the trade is in. — and Co. have closed down; they are the largest European buyers. We foresee very hard times ahead for all classes, the aftermath of years of speculation, luxury, and thriftlessness, even if the war terminates this year. We will advise you *re* range white rescraped and ditto washed immediately we have any foundation to work on, and we also advise you, in the face of the unsatisfactory financial position, that you will not be wise to attempt to hold gum if you can get even half former values for it, as storekeepers' credits and advances were stopped immediately after the war, and they are now only taking gum against goods and accounts at their own value. These conditions rule from the North Cape to the Waikato."

Messrs. L. D. Nathan and Co., in their "Gum and Produce Report" for the 22nd February, 1915, say, "Unfortunately since our last report there is little change to relate except a further drop in prices. We consider that in view of the state of the market we have been fortunate in disposing of the consignments we have placed, and these realized well up to market prices. We are doing our best to hold out against a further lowering of the quotations, but, as brokers and shippers in Auckland have good quantities in hand, we fear that unless fresh business comes in there will be a further change for the worse. We would like to point out that to some extent the market is dislocated by diggers bringing the gum into town themselves and selling it direct to the shippers at ridiculously low prices. Auckland brokers naturally have great difficulty in obtaining a standard price when the market is upset by gum being sacrificed," &c.

Now, either the statements in paragraphs 2 and 4 of the pamphlet quoted above are true, and the letters, circulars, and reports from which I have quoted, issued by the trade in 1914 and 1915, were untrue, or the letters, circulars, and reports were true and the statements in the pamphlet are untrue. In any case the statements are quite irreconcilable; but it is not conceivable that reputable business firms like Messrs. Lichtenstein, Arnoldson, and Co., A. S. Paterson and Co., and L. D. Nathan and Co. would have issued the letters, circulars, and reports which they did issue unless they were satisfied as to the accuracy of the statements contained therein; nor is it conceivable that the said statements were made for the purpose of deceiving the country storekeepers and the gum-diggers. Are we then to conclude that paragraphs 2 and 4 of the pamphlet were written for the purpose of deceiving the Ministers of the Crown, members of Parliament, and the public generally? I will let it go at that.

Paragraph 3 reads, "In his first report the Superintendent states 'it was ascertained at that time, as evidence of the serious slump in kauri-gum, that soon after the declaration of war nearly 90 per cent. of the gum-sorters employed in Auckland City had been thrown out of employment.' It is useless wasting words over such a gross misstatement of facts," says the pamphlet; "suffice it to say it is quite untrue, and this can be easily shown by reference to the wages-books of the respective exporters."

This information was supplied to me and to Mr. Samuel Stafford, a member of the Kauri-gum Commission, at the time by the secretary of the Gum-sorters' Union, and I have no doubt at all of its correctness. The information is confirmed by Messrs. A. S. Paterson and Co. in their report of the 12th November, 1914: "The market has just about as near reached a stoppage

as it possibly can. Those exporters that have not closed down entirely are working a few old hands on half-time, working up any surplus stock they may have on hand."

No, there was no slump! Yet we find on the 12th November, 1914, "only a few old hands on half-time working up any surplus stock they may have on hand" for those exporters that have not closed down entirely. And this on the authority of the same Mr. Charter who signed the pamphlet on behalf of A. S. Paterson and Co. As I said before, propagandists should have good memories.

Under the heading "Advances to Diggers" it is stated, "On or about November, 1914—four months after war broke out, and when steady business had been resumed—the Government commenced operations by making advances to the gum-diggers on the basis, it was said, of 50 per cent. of the prices ruling in July, 1914, the balance to be paid when the gum was sold or otherwise disposed of." ("Otherwise disposed of" sounds good, whatever it may mean.) Yet we have Messrs. Lichtenstein, Arnoldson, and Co. saying in their circular letter of the 29th October, quoted above, "We regret to inform you that we cannot at present buy the gum from you, there being no demand for the same." And Messrs. A. S. Paterson and Co., in their report of the 12th November, 1914, saying, "Only a small portion of the gum coming to hand since our last report has been sold, principally what are recognized as standard grades. The market has just about as near reached a stoppage as it possibly can." And L. D. Nathan and Co., in their report of the 22nd February, 1915, state, "Unfortunately since our last report there is little change to relate except a further drop in prices. —, Auckland brokers, naturally have great difficulty in obtaining a standard price when the market is upset by gum being sacrificed."

These are some of the "certain facts" which we are told on page 2 of the pamphlet the authors decided to "lay before members of Parliament and the public generally."

Under the same heading the pamphlet further says, "It is quite certain (and the diggers confirm this) that at the time the diggers received these advances they could have sold their gum (except certain trashy kinds, largely mud, which no one should have touched at any price) to storekeepers and others, and obtained better prices than they afterwards received from the Government; and, moreover, they would have received payment at the time or within a few weeks, and not have had to wait about two years or so for a settlement, as was the case with the Government."

"Except certain trashy kinds, largely mud," is distinctly good coming from men who have exported "certain trashy kinds, largely mud," in such considerable quantities. But the pamphlet is steadfastly consistent in its disingenuousness.

Now, every one connected with the gum trade knows that the quantity of high-grade gum produced during late years is quite inconsiderable. It would not therefore have been much use the Government stepping into the breach had they merely confined their attention to the high-grade gums. But we made advances on the low-grade gums as well as on the high grades, and the advances were made on a liberal scale. This is well illustrated by the amount advanced on the low-grade chalky gum called "medium swamp." Here the amount of the advance was 14s. per hundredweight "on the field," representing what was computed to be 50 per cent. of the price current on the 1st July, 1914. 14s. on the field was equivalent to an advance of 17s. per hundredweight "in store," Auckland. If we refer to L. D. Nathan and Co.'s report for the 22nd February, 1915, we find this same grade quoted at only 18s. per hundredweight on straight-out purchases. The actual words of the report referred to are: "There is very little doing in swamp, and big consignments are being offered in Auckland at 18s." Of this grade A. S. Paterson and Co., in their report of the 12th November, 1914, say, "Swamp ordinary: If it is absolutely necessary to buy ordinary from low-lying ground, the best plan is to pile it and class when there is a demand for it."

Other grades of gum produced in large quantities are the low-grade black swamp gums known as "B2" and "black nuts." Touching these grades L. D. Nathan's report above quoted says, "There is little or no market for B2, and lines which have been regularly selling in the region of 43s. are now sold at about 35s. Good black nuts, 30s.; poor black nuts reach about 16s." This would give an average price of 23s. a hundredweight for nuts.

It is interesting to note that on the B2 grade we advanced 24s. per hundredweight, and on the black nuts 21s. per hundredweight on the field, equivalent to 27s. and 24s. per hundredweight in Auckland.

In none of the gum reports from which I have quoted do we find the greatest production of the northern gumfields—rubble and chips—quoted at all.

In the case of the black and swamp chips we advanced 8s. and 9s. per hundredweight "in the field," equivalent to 11s. and 12s. per hundredweight respectively in Auckland. The advance made on these grades was a very liberal one, for at any time since July, 1914, quantities of the same have been purchased for 10s. or 13s. per hundredweight "on the field."

To recapitulate: Here, then, was the Kauri-gum Department advancing 14s., 24s., and 21s. per hundredweight on the field, equivalent to 17s., 27s., and 24s. per hundredweight in Auckland, on grades of gum which the Auckland brokers were at the time quoting, with few sales being made, at 18s., 35s., and 23s. per hundredweight; and it may be added that these are the grades of gum which are produced in the greatest abundance.

In the face of these facts I find it difficult to fittingly stigmatize the statement in the pamphlet, "That it is quite certain (and the diggers confirm this) that at the time the diggers received these advances they could have sold their gum (except certain trashy kinds, largely mud, which no one should have touched at any price) to storekeepers and others, and obtained better prices than they afterwards received from the Government"; and I shall simply content myself with again repeating, propagandists should have good memories.

I have no doubt whatever that when the Right Hon. the Prime Minister stated "there was no question that had the Government not come to the assistance of the gum industry at the

outbreak of the war the industry would have collapsed" he made a statement which was absolutely irrefutable. I emphasize this point, for it fell to my lot to visit the gumfields at the time to ascertain the actual state of affairs existing there, and to report to the Government. I reported that the position of the gum-diggers was a serious one, and that it was necessary for the Government to come to their assistance. That report was adopted, and after further consideration legislation was passed empowering the Minister to advance up to 50 per cent. of the prices current for kauri-gum on the 1st July, 1914.

The legislation—aye, even the promise of it—had an immediate effect, and put new heart into the gum-digger and the storekeeper on the field who supplied him. These men knew at once that whatever happened the Government were going to stand by them. With the passing of the Act of 1914 the product of their labour, which for weeks had been quite unsaleable at any price, was at once given a value, and a value of 50 per cent. of prices ruling two or three months previously. They knew at once that if the gum merchant or broker wanted to do business with them for their gum the starting bid would have to be higher than 50 per cent. pre-war prices. And the gum merchant and broker knew that equally well. It was no good telling the tale that the market was dead, that freights were high, and shipping-space almost unprocureable. Nothing like that was of any avail with the Kauri-gum Department on the box seat ready to make an advance to the digger of 50 per cent. on pre-war prices. The merchant and the broker knew that if they wanted to get any gum they had to, as the Americans would say, "get down to brass tacks" and start their offer at 55 or 60 per cent. of pre-war prices.

Thus it was that the Government "saved the situation" for the gum-digger in the years 1914 and 1915, and no amount of sophistry on the part of the trade can explain away the fact. Thus it was from 1916 onwards—the Government, having taken power to purchase gum outright by the Kauri-gum Industry Amendment Act, 1915, still kept the Kauri-gum Department on the box seat, and so continued to "save the situation" for the gum-digger. Thus throughout all the year 1918 up to the present time the Government has continued to "save the situation," so preventing the gum-producer from being exploited, and the storekeeper on the gumfields from going to the wall, as so many have done in the past.

Let me here quote an advertisement which appeared in the *New Zealand Herald* recently: "KAURI-GUM.—We are in the market again for all grades of kauri-gum.—LICHTENSTEIN, ARNOLDSON, AND CO., Quay St."

"We are in the market *again*" say Messrs. Lichtenstein, Arnoldson, and Co., the firm which has probably been the largest exporter of kauri-gum during recent years. But the Government Kauri-gum Department is in the market *all the time*, for the gum-digger has to live all the time.

Finally, this is what a well-known storekeeper on the gumfields has to say as to the Government having "saved the situation." The letter is dated the 19th April, 1918, and is addressed to the Right Hon. the Prime Minister:—

"I hope you will excuse the liberty I take in writing these few lines, but knowing your sense of fair play you will endeavour to give me a fair and square deal.

"I am a small storekeeper and gum-buyer in the far North; my customers are mostly Maoris not of military age and the old, all practically destitute except for this gum. Since the war broke out I have had great difficulty in disposing of my gum, and during the last month the Auckland merchants have refused to buy the gum at all. At this stage the Kauri-gum Department has come to the rescue and taken over some of my gum at a price, thus saving me from bankruptcy, and again enabling me to further assist these unfortunate Natives.

"Now, sir, what I want is your assurance that your Government will continue to take my gum at a fair valuation to assist me to carry on, for if your Government had not stepped into the breach and resolved to buy up gum it would have meant complete ruin to all small buyers, and consequently of all the kauri-gum industry."

With a very few exceptions every storekeeper on the gumfields has the same tale to tell. And therefore I repeat with added emphasis the words used in my report for 1917: "There is no doubt that the entry of the Government into the kauri-gum industry has had a beneficial effect on the industry, and this fact is generally recognized and appreciated by the producers—the gum-diggers and the small farmers. 'The pity of it' is that this Department was not set up twenty-five years ago. Here we have had a national asset which has been in a large measure wasted, and the lands which have produced the vast sum of eighteen million pounds left in a wilderness condition."

Under the heading "Sales by Government" an attempt is made to criticize the finances of the Department. Disingenuous still, the critics try to make it appear that for an expenditure of £47,000 the only asset is represented by sales of gum to the value of £10,889. Why no mention of the stocks of gum held by the Government at the time? The omission was not due to the trade being ignorant on the subject, for, strange as it may seem, it is a fact that within two days of the value of the stocks being telegraphed by me to Wellington the exact figures were in every gum-merchant's hands in Auckland. So they knew perfectly well when they issued their pamphlet that the Department had stocks of gum which they claimed to be worth £24,814 19s. 10d.; then why was no reference made to the value of the stocks? The reason is obvious. Even though the trade in its wisdom did not accept the values, why not have given the figures and have discounted them as much as they chose? This, however, did not suit their purpose: they wanted to ring the changes on £47,000 of debentures taken up, £10,889 worth of gum sold. It would rather have marred the rhetorical effect aimed at to have said, "Gum sold, £10,889; value of gum in stock, say, £20,000."

But there is no pleasing the trade. Last year the lament was that this Department had not sold enough gum; now the complaint is that we are selling too much.

What did these gentlemen really expect? Did they expect that the Government would take up a new and complicated business, afford relief to the five thousand gum-diggers whom they (the merchants) had abandoned, establish an export business in gum—do all these things with the Great War on and the business of the world disorganized—and at the end of two years and a half declare a dividend? If so, then the Kauri-gum Superintendent should feel flattered; and he now appeals to the gentlemen in the trade not to shed any more tears about the taxpayer and his money. The Government Kauri-gum Department will pay its way before long, just as the Public Trust Department and the Government Insurance Department are paying their way.

Only a few more short references to the pamphlet and I have done with it. On page 8 we read, "It may appear to the Government Department a very handsome thing to have paid the diggers 20 per cent. additional (or 70 per cent. in all) free of all charges, but had the diggers sold their gum outright two years before that, or more (as they could have done), there would have been no 'charges' incurred and no 'charges' to pay." Again, on page 9, "After waiting two years or longer the diggers who had handed their gum over to the Government received as a final payment a sum not exceeding 70 per cent. of the declared value of their gum. Many of them declare that the amount received was not equal to 70 per cent. of the value, and some still decline to accept the Government's offer."

As I have before pointed out, the Government advance was 50 per cent. on the basis of prices current on the 1st July, 1914. I have also shown on the low-grade gums—the gums produced in the greatest abundance—that the Government advances were on a very liberal scale: that we were advancing 14s., 24s., and 21s. per hundredweight on the field, equivalent to 17s., 27s., and 24s. on grades of gum which the brokers were at the time quoting, with few sales, at 18s., 35s., and 23s., less a commission of 2½ per cent. and other charges, on a straight-out purchase. Clearly, then, the estimate of values current on the 1st July, 1914, by this Department was not, at all events, an underestimate.

Now, in a document dated the 8th November, 1915, and signed by representatives of the trade, it was stated, *inter alia*, "Furthermore, we notice the Superintendent has accepted the market rates ruling on 1st July, 1914, as the basis for his estimate. Our own experience prompts us to regard the prices at that date as unstable and unduly inflated." And later on in the same document they said, "but as values in this case [as at 1st July, 1914] also have to be discounted at least 25 per cent. . . ." So that by the merchants' own showing the diggers first received an advance of 50 per cent. on a basis of value 25 per cent. above normal prices, and subsequently another 20 per cent. payment free of all deductions on the same basis. Therefore altogether they were paid seventy-sevenths or 93½ per cent. of the value of the gum as assessed by the merchants, and this payment was free of any deduction whatever. In view of these facts could anything be more disingenuous than the extracts from pages 8 and 9 of the pamphlet quoted above?

Page 3 of the pamphlet is almost wholly given up to a lament from the trade on the "lack of general knowledge" of the kauri-gum industry. "Probably not a single member of the House," says the pamphlet, "is at all familiar with the working of the industry in its various phases." Was it then this lack of knowledge, this dense ignorance of members of Parliament and the public generally, which prompted the gum merchants and brokers to bring forth this pamphlet? And are we to regard it as an attempt by the trade to lift the veil, to shed a new light on the dark places of the kauri-gum trade, and to educate the public as to the importance and value of the industry? If it were such an attempt, then I feel impelled to say it was a poor attempt indeed. But if it was not such an attempt—and it surely was not—what then is the conclusion of the whole matter? Simply this: that the tears of the gum-merchant for the taxpayer and his money are after all only crocodile's tears; that the pamphlet itself, which they call a "statement," is really a tissue of misstatements, "a thing of shreds and patches," and in truth nothing but the veriest camouflage.

Then, it may be asked, what is it the gum merchants and brokers really want? Here is the answer in their own words:—

"We, representing the kauri-gum exporters and brokers of the Dominion, wish to respectfully draw the attention of the Minister to the following:—

- "(1.) The Government created the Kauri-gum Department in 1914 for the purpose of giving relief to the diggers owing to the war having destroyed the gum-export trade and consequently the diggers' market.
- "(2.) The Department took over the diggers' gum upon terms, and made personal advances and started relief works.
- "(3.) Having an accumulation of gum on hand, the Department, when war conditions eased, opened a market for same in America.
- "(4.) The Department, from being started, as the Prime Minister stated in Parliament in September, 1914, "to tide the gum industry and the people dependent on it over the difficulty that had arisen," has now developed into gum purchasing and export merchants, and threatens to destroy the businesses of old-established firms.

"We therefore desire to ask you, as the objects of the Kauri-gum Department have been fulfilled, that the Department's operations be reduced until they cease to exist at the termination of the war."

At last we have the true story of the Kauri-gum Department told by the merchants and brokers. All disguise is thrown off, and we are told that the Kauri-gum Department threatens

to destroy their businesses. Thus their opposition to the Department, the propaganda, and the pamphlet are all explained.

No doubt it would be a good thing for the gum merchants and brokers in Auckland if the Government went out of the business, for it is clear, the export trade being in the hands of so few, the Government is the only competitor the gum-merchant has. But would it be in the interests of the five thousand gum-diggers, the storekeepers on the gumfields, and the industry generally that the Government should go out of the business? To this I say decidedly No. Again, is it in the interests of the State that the Government should be in the kauri-gum business? To this I say decidedly Yes.

No doubt it would be a good thing for the gum-merchant and the gum-broker if the Government would retire from the business, just as it would be a good thing for the legal profession if the Government were to close up the Public Trust Department, just as it would be a good thing for the insurance companies if the Government were to close up the Government Insurance Office.

Now, the Government control of the kauri-gum industry is not only necessary for the reasons above stated, but also because the Government owns nearly all the gum lands, the proper management and utilization of which must go hand-in-hand with the production of gum. Furthermore, it is necessary that a better control of the grading of gum for export must be exercised by the Government. In this connection it may be pointed out that much good is likely to result from Dr. MacLaurin's process for cleaning low-grade gums, which will shortly be in operation.

THE OPINION OF THE CHAIRMAN OF THE MANGONUI COUNTY COUNCIL ON THE KAURI-GUM BUSINESS AND THE NECESSITY FOR GOVERNMENT CONTROL.

I now quote a letter from Mr. Thomas S. Houston, Chairman of the Mangonui County Council, the county in which the bulk of the kauri-gum is produced. The letter needs no introduction, and I will only say that Mr. Houston is anxious to have his views on the subject placed on record.

"DEAR SIR,—

"Ahipara, 22nd December, 1917.

"I received a copy of your report and was very interested in it. I also received a pamphlet containing a statement of the kauri-gum trade, which also interested me a great deal. Having been in the gum trade for a number of years, it is quite refreshing to see that the gum-brokers have all of a sudden woke up to the fact that the gum trade is a valuable one and one they want to keep. I have talked this matter over with Mr. —, who is a storekeeper in —, and we both are of this opinion—that the whole of the gum-digging community have benefited by the Government going into the business, and we both consider that the sooner they take over the sole control the better. We feel sure that were this done the business would then be placed on a sound footing. The letters that appear at the end of the pamphlet, written by storekeepers and a digger, are to my mind the products of people who are tied to the gum-broker, which is the position that nine-tenths of the storekeepers are in; and by taking over the gum business the trade would be placed on a cash basis, and both digger and storekeeper would know exactly how they stood. In the past the time the storekeeper had to wait till different lots of gum were sold made it nearly impossible to carry on a sound business. You may rely on full support from — and myself in the policy you are adopting with regard to the gum industry.

"I remain, &c.,

"THOS. S. HOUSTON.

"Mr. R. P. Greville, Kauri-gum Superintendent, Auckland."

PETITION PRAYING THAT THE GOVERNMENT SHOULD TAKE CONTROL OF THE KAURI-GUM INDUSTRY.

Below is the prayer of a petition addressed to the Right Hon. the Prime Minister asking that the Government should take over the control of the industry. The petition is signed by nearly every gum-digger and resident of the principal gum-producing district in the North of Auckland Peninsula. The petition affords further evidence that there are other interests to be considered than those of the few merchants and brokers in Auckland City. This petition is one of several such petitions which have been received during the past few years.

To the Right Hon. W. F. MASSEY, Prime Minister of the Dominion of New Zealand, Wellington.
THE humble petition of the undersigned sheweth—

1. Your petitioners pray that your Government should take over the control of the kauri-gum industry in New Zealand at once, as suggested by the Commissioners recently appointed to report on the said industry, and establish and control depots for the purchase and sale of kauri-gum, and in such case your petitioners would willingly submit to an export duty of £1 per ton being imposed on kauri-gum.

2. That heretofore both your Government and the gum-diggers of the North of Auckland have lost considerable profits which might have been derived from the kauri-gum industry through the exploiting of the said industry by gum-brokers and their buyers, who have personally profited to a large extent thereby.

3. Your petitioners are of the opinion that if your Government would take over and control the sale and disposal of the kauri-gum, and conduct or arrange for monthly public auctions thereof in a central depot at Auckland, or sell and dispose of the same in some similar manner, that such arrangements would be to the mutual benefit of your Government, of the purchasers thereof, and to the gum-diggers in New Zealand, and would prevent the exploiting of the said industry as aforesaid.

4. In the event of your Government acting as aforesaid your petitioners are prepared to dig, clean, and dry the gum and send it monthly to the central depot. The classification and fixing the price of the gum could be carried out by the Department of your Government supervising the said industry.

5. Your petitioners would be prepared to accept a deposit of 50 per cent. on the price of gum delivered as aforesaid, and to accept the balance of the price six months after delivery during the war, provided that if any person to whom any money was due for gum delivered should intend departing from the Dominion such person should be entitled to receive payment of all such moneys on giving reasonable notice of his intention to depart from the Dominion.

6. Your petitioners suggest the following prices could be allowed until 1915, hence an increase in prices annually, as kauri-gum will be decreasing: For kauri-gum—A1, hard range, white, 250s. per hundredweight; W1, hard white, 155s.; W2, half-and-half white, 80s.; PW chalking, white, 55s.; WC scrapings, white, 60s.; SB bold black, 150s.; B1, hard black, 100s.; B2, half-and-half black, 65s.; BC chips, 45s.; BC scrapings, 50s.

7. Your petitioners say that under the existing conditions the kauri-gum diggers are at the entire mercy of brokers and their buyers, who act in their own interest with a view to making as much profit for themselves as possible, and that the kauri-gum diggers are compelled to resell the gum at a price which barely gives them a living, and if some steps are not immediately taken to alter existing conditions great distress will be brought to many kauri-gum diggers.

8. Your petitioners pray that, if your Government should decide to control the said industry, a representative of the kauri-gum diggers selected by the said diggers should be allowed to value and classify the gum in conjunction with the Government officers, and to look after the interests generally of the kauri-gum diggers, many of whom cannot read or write English.

And your petitioners will ever pray.

MR. G. E. ALDERTON, CHAIRMAN OF DIRECTORS, PARENGA GUMFIELDS COMPANY (LIMITED), ON SOME ASPECTS OF THE KAURI-GUM INDUSTRY.

From the captious criticisms of the work of this Department by the gum trade of Auckland it is pleasing to be able to quote a contrary point of view expressed by Mr. G. E. Alderton, Chairman of Directors of the Parenga Gumfields Company (Limited). In the course of a graphic article recently published dealing with the possibilities of the kauri-peat oil industry Mr. Alderton says,—

“The Auckland Province has exported £20,000,000 worth of kauri-gum, and because of it the land from which it was taken was acclaimed to be poor—the “poor gum land”—and all associated with the industry known as gum-digging had in the popular mind the brand of the derelict and something out of the ordinary pale. The Government had set aside some hundreds of thousands of acres of gum lands as gum reserves for those who had failed in other avocations of life to follow at their own sweet will the simple and independent life of the gum-digger. They were free to use the land in any way they liked—burn it, pothole it, and generally destroy it to their heart's desire—and this immense estate was practically made a present to all and sundry to exploit it as they pleased. The State received no return, no royalty or tax was levied on this wealth taken from the land except a nominal license fee, and everywhere the roads used for the industry were more or less rendered unfit for ordinary settlement purposes. Any attempt to tax the industry or make it bear its share of the country's upkeep was met with a howl that if it were interfered with the industry would be ruined, because other countries could produce cheaper gums. And so the industry drifted on, without any direction or control, with the consequent result that no one bothered very much about it, and its development to-day is about as primitive as one would expect to find in some Mexican or Spanish country where things remain as they did in the year one. Fortunately the Government has now set up a Department to supervise in some way this industry, and better results may be expected, but much opposition will be encountered from those accustomed to the old regime. The gum trade has been a very close corporation, and any one daring to even suggest anything to alter or improve the industry may expect to be assailed by the dreadnoughts of the trade. However, the war has altered things, and the primitive methods of the past must give way to system, organization, and scientific development, and it is the call of every man who has one atom of patriotic impulse to assist and not belittle the efforts of those who would strive by research and scientific inquiry to develop, improve, or advance any of our industries or latent wealth.”

SALES AND PURCHASES OF KAURI-GUM.

During the year kauri-gum to the value of £10,736 12s. 4d. has been purchased by this Department, while the sales amount to £26,882 1s. 10d. The whole of the gum was sold in the United States of America, for owing to the disorganized state of the varnish and linoleum trades in Great Britain, and the difficulty of obtaining shipping-space, there has been very little demand for kauri-gum. On this account no serious effort has been made to open up a market there, but when the war is over this matter will have to receive prompt attention. In the meantime samples of the various classes of gum as graded by the Government are on exhibition at the High Commissioner's Office in London. The value of gum exported during the previous year was £10,889.

Although the Department began advancing to the diggers in November, 1914, it was not until October, 1916, that the first sales of gum were made in America. Since that date, however, a steady increase in sales has taken place, and the Government grades of gum are now fairly well established in the American market.

Full details of the expenditure under the various headings is given in another part of the report. The Act of 1914 authorized the Minister to raise the sum of £50,000. Up to the present time a sum of £47,000 has been so raised. On the 31st March, 1917, the cash in the Public Account to credit of Kauri-gum Industry Account was £11,178 2s. 2d., and at the 31st March, 1918, the amount was £20,755 8s. 7d.

The whole of the preliminary work of the Department and matters relating to the administration of the gum lands, also matters affecting the industry generally, as well as the cost of the Superintendent's visit to America, have been charged to the Kauri-gum Industry Account. No interest is allowed on the cash in the Public Account to the credit of the Kauri-gum Industry Account, but interest is chargeable on all debentures raised.

KAURI-GUM EXPORTED.

Up to the 31st March, 1918, the value of kauri-gum exported was £18,224,107, and of this large sum perhaps fifteen millions would represent money expended in labour.

The average quantity exported for the twenty years 1895 to 1914 was 8,493 tons, and the average value £499,613. The following table gives particulars of the export for the last twelve years:—

Particulars of Kauri-gum exported from New Zealand from 1907 to 31st March, 1918, inclusive.

Country to which exported.	1907.		1908.		1909.		1910.		1911.		1912.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£	Tons.	£	Tons.	£
United States of America	5,171	381,566	2,855	215,291	5,127	375,126	4,149	263,375	3,514	209,216	3,894	232,566
United Kingdom	2,468	162,121	1,799	123,011	2,290	140,235	3,253	151,319	2,378	130,767	2,468	114,640
Germany ..	936	27,473	667	23,841	639	24,111	913	28,016	1,142	34,062	1,053	32,964
Canada ..	53	4,512	21	1,646	24	2,555	66	7,687	9	1,061	40	3,370
Australia ..	42	2,216	155	6,458	149	8,576	66	4,465	75	2,559	39	2,487
Belgium ..	21	821	22	1,572	17	1,770	29	1,899	78	3,990	123	5,088
France ..	9	918	10	875	1	85	19	1,656	75	5,774	37	3,037
Austria-Hungary	..	..	1	104	1	68	124	3,011	131	3,968	159	4,611
Russia ..	..	..	..	..	..	..	15	1,976	80	1,859	2	184
Netherlands ..	1	114	..	..	..	..	6	133	55	1,206	42	974
Sweden ..	7	147	..	..	2	172	30	720	35	803	35	952
Italy ..	..	..	..	..	..	..	23	779	15	417	15	410
Japan ..	..	..	..	..	..	..	..	..	..	25	1	22
Hong Kong ..	..	..	..	..	..	..	..	..	..	..	..	..
Argentina ..	..	..	..	..	..	..	..	8	..	..	..	..
Totals ..	8,708	579,888	5,530	372,798	8,250	552,698	8,693	465,044	7,587	395,707	7,908	401,305

Country to which exported.	1913.		1914.		1915.		1st January to 31st March, 1916.	1st April, 1916, to 31st March, 1917.	1st April, 1917, to 31st March, 1918.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£	Tons.	£
United States of America	3,995	308,456	4,531	316,200	3,312	222,856	974	60,010	3,158	218,214
United Kingdom	3,390	187,547	3,335	148,370	1,172	48,585	336	13,548	1,484	68,378
Germany ..	833	27,880	373	21,193	..	..	..	..	..	..
Canada ..	62	4,618	70	2,114	56	4,550	118	8,972	133	7,718
Australia ..	80	3,933	19	1,720	9	594	5	314	29	1,982
Belgium ..	126	5,120	34	1,519	..	..	..	..	..	..
France ..	45	3,995	42	3,599	5	430	..	..	..	..
Austria-Hungary	112	2,617	14	329	..	..	..	..	..	..
Russia ..	53	1,725	3	225	21	2,118	..	..	50	3,440
Netherlands ..	60	2,495	8	664	..	..	..	..	..	..
Sweden ..	15	420	20	560	..	..	..	..	..	..
Italy ..	9	300	23	855	..	..	..	..	..	..
Japan ..	..	..	1	96	..	..	..	..	..	10
Hong Kong ..	..	..	..	..	..	..	..	8	539	..
Argentina ..	..	..	..	..	..	..	..	..	..	..
Totals ..	8,780	549,106	8,473	497,444	4,575	279,133	1,433	82,844	4,862	300,271

DR. MACLAURIN'S SALT VACUUM PROCESS FOR CLEANING KAURI-GUM.

Much attention has been given during the year to Dr. Maclaurin's process of cleaning the low-grade gums. After successful laboratory tests a miniature plant with a capacity for treating half a hundredweight at a time was first constructed, and satisfactory results were obtained. I was then authorized to test the process on a commercial scale, and a plant which would deal with half a ton in a charge was installed at the Government Gum-store in Auckland.

The process is known as the "vacuum salt process." The *modus operandi* is briefly as follows: The gum is introduced into a cone-shaped tank together with a strong solution of common salt. The contents of the tank are agitated by appropriate means and the air pumped out. On stopping the agitation the gum rises to the surface of the salt solution and the dirt sinks to the bottom. The dirt and gum are now easily separated by allowing the lower portion of the solution with the dirt in suspension to run off through a valve at the bottom of the cone into a tank, and afterwards allowing the upper portion of the solution carrying the gum to run off into a second tank. The solution carrying the dirt and that carrying the gum are filtered separately to recover the salt solution, which is used in subsequent operations. The gum is finally well washed in such a way as to remove all trace of salt, and is then dried.

The trials made proved very satisfactory, and the results obtained on the large scale were almost equally as good as those obtained in the laboratory. Much of the low grades of gum which come into Auckland from the gumfields contain anything from 25 to 50 per cent. of dirt and foreign matter. The gum is sifted in the stores, and a certain amount of the dirt removed from it before being exported. The grades known as "black chips" and "dust" are used in large quantities in the manufacture of linoleums. These chips as they are exported contain from 25 to 35 per cent. of dirt and foreign matter, and the low-grade black dust from 60 to 75 per cent. Now by Dr. Maclaurin's process this dirt and foreign matter can be practically all eliminated.

The adoption of this method of cleaning the gum will in the first place be the means of effecting a very large saving in freights from the gumfields to Auckland. Assuming that the low-grade gums in the state they are sent in from the gumfields contain 33 per cent. of dirt and foreign matter, which is a low estimate, then it means that for every three sacks of the gum sent into Auckland one sack of it consists of dirt and other rubbish which never should have left the gumfields. Now, at normal times it costs about 3s. a sack from the gumfields to the store. These sacks of gum average about twelve to the ton, so that the freight per ton from the gumfields to the store, Auckland, is 36s., and of this 12s. is paid for transporting dirt and rubbish. In like manner there would be a great saving in freights in the matter of export to Europe and America. How great the saving would be can be realized when it is pointed out that under ordinary conditions there are upwards of 3,000 tons of chips and dust exported every year. That it is bad business to export a commodity containing from 25 to 75 per cent. of dirt and rubbish is a truism which need not be argued.

With the new process in operation these low-grade gums will be prepared and cleaned ready for export at the northern ports where they are produced, and shipped to Auckland for direct transhipment to the foreign-going ships. By this means the saving in handling and other costs will be considerable.

KAURI-PEAT OIL.

An area of 3,000 acres at Kaimaumau, north of Mangonui, was set apart under section 3 of the Kauri-gum Industry Amendment Act, 1915, and has been taken up by the New Zealand Peat Oils Company (Limited). A good deal of preliminary work has been done by the company under rather disadvantageous conditions. The management are sanguine of eventually establishing a successful industry.

In response to my request the secretary of the company has supplied a summary of progress made during the past year:—

Since 1917 the development of the kauri-peat oil-extraction industry has been progressing slowly but surely—slowly because of the amount of investigation required, surely because such investigation has been in the hands of experts. It may be said at once that many super-optimistic anticipations, advertised by irresponsible amateurs in practical work, are not warranted by facts. At the same time reliable tests go to show that kauri peat has a real, a unique value. It is much richer in oil-producing quality than European peat, which has now been found a payable proposition when treated for gas, alcohol, ammonia, &c. Kauri peat contains only a small percentage of ammonia, but this is probably more than made up by other products.

A satisfactory trial of the fuel oil produced by the New Zealand Peat Oils, Limited, was made by the Northern Steamship Company in the a.s. "Paroto" at the beginning of the year. This was the more satisfactory because the oil was very crude for want of proper appliances at Kaimaumau. The following was reported by the Chief Engineer: "The run was from Auckland to Whakatane, a distance of about 170 miles. The trial was with two 60 h.p. Beardmore engines, which gave very little trouble. Actual oil received, 180 gallons; hours run to date, 20 (neutral 3 hours); speed, 8.5 miles per hour; consumption, 4.3 gallons per hour; oil remaining, 77 gallons. On removing the cylinder-covers very little residue was found, the cylinders appearing to be much clearer than on Australian oil. The vessel was propelled beyond her average speed."

An up-to-date plant which is now being erected will shortly treat our peat on a commercial scale, and if the results are, as may be anticipated, about on a par with those obtained in the laboratory an important industry should eventuate.

Professor F. P. Worley, M.A., D.Sc., Lond., of Auckland University College, consulting chemist to the company, gives the following return from kauri peat, per ton: Oil or tar, 32 gallons; aqueous, 64 gallons; gas, 5,000 cub. ft.; ammonia, 7 lb. 6 oz.; acetic acid, 10 lb. 12 oz.; charcoal, 7 cwt. Ammonia is reckoned as sulphate of ammonia.

But the industry can only be a success if carried out on a large scale and under careful expert supervision. Under the circumstances the future may be looked to with considerable confidence, for there are apparently sound grounds for believing that the peat lands of the north will become a valuable asset, apart from the marketable gum that is still to be won on fields hitherto considered to have been well dug.

Samples of the Kaimaumau peat taken out in the presence of Professor Worley, of Auckland University College, and of myself, in November last, were sent to Dr. Maclaurin for analysis. The samples were carefully taken from a hole 12 ft. deep sunk through the peat. After being roughly dried the samples were divided by Mr. F. J. Hagger, of Kaimaumau, into two similar lots, one lot being sent to Professor Worley in Auckland and the other to the Dominion Laboratory, Wellington. The following results were obtained by Dr. Maclaurin:—

	Sample No. 1.	Sample No. 2.	Sample No. 3.	Sample No. 4.	Sample No. 5.*
Total crude oil, in gallons per ton	29.8	17.3	20.2	40.9	29.0
Gas (cubic feet per ton)	11.9	13.2	11.2	10.5	4,300
Ammonia sulphate, in pounds per ton .. ..	..	..	..	..	14.1
Charcoal (hundredweight per ton) .. ..	..	..	..	..	7.2
Acetic acid (pounds per ton) .. ..	..	..	..	..	8.0

In the course of his report Dr. Maclaurin says,—

"In the present investigation it has not been found possible to make an exhaustive examination of the oils, but further work on them will be carried out as opportunities arise.

"Owing to the very high prices of sulphuric acid and caustic soda in New Zealand the manufacture of refined burning and lubricating oils is out of the question, but it would be quite feasible to redistill the crude oil into fractions suitable for motor-spirit and fuel-oil. The results show that in the composite sample (No. 5) the fraction up to 200° C. is 8.8 per cent. of the crude oil. This fraction would no doubt prove suitable for use as motor-spirit without requiring much, if any, refining. It could be increased to 10 or 12 per cent. by raising the temperature of distillation a few degrees higher. With 11 per cent. of light oil and 9 per cent. of coke the loss would be 80 per cent. of fuel-oil.

* A composite sample of the different layers of peat.

"Prior to the war the local prices of petrol and the cheapest petroleum oils used in Diesel engines were approximately 1s. and 6d. per gallon respectively. At these prices the value of the oils distilled from No. 5 sample would be,—

"Motor-spirit (3 gallons at 1s.)	...	...	...	s. d.	
Fuel-oil (23·2 gallons at 6d.)	...	...	...	3 0	per ton of peat.
				11 7	"
Total	...	...	...	14 7	"

"To this must be added the value of the ammonia recovered in the process. The pre-war price of ammonia sulphate in Britain was about 2d. per pound. At that price the ammonia recovered would be worth 2s. 4d. per ton of peat. From this must be deducted the cost of the sulphuric acid required to combine with the ammonia; but on the large scale, with a properly constructed retort, it is probable that the yield of ammonia sulphate would be considerably increased. About 1s. may also be added for the acetic acid, making a total value of approximately 18s. per ton of peat. This does not give a very large margin for cost of treatment, but it should be sufficient, provided that the industry is carried out on a sufficiently large scale with an efficient plant and under capable management."

THE KAURI-GUM LANDS OF NEW ZEALAND A VALUABLE NATIONAL ASSET.

These lands lie scattered throughout that portion of the North Island lying between latitudes 34° 20' and 38° 20' south, approximately north of a line drawn from Kawhia on the west coast to Tauranga on the east.

The total area of the gum-bearing lands was estimated in 1898 at 814,000 acres; of this area 435,000 acres were then Crown lands, the balance being made up of privately owned lands and Native land which had not then been through the Court. Of the Crown lands 276,000 acres were set aside in 1898 as kauri-gum reserves; since then about 120,000 acres have been withdrawn from the reserves for settlement and other purposes, the greater proportion of the land having been found to be not gum-bearing.

The gum lands are of two main classes, the "clay lands" and the peat swamps. The clay lands are practically exhausted as far as the ordinary methods of the gum-digger are concerned, but the kauri-peat swamps still contain valuable products which can be exploited with profit to the State, and the land afterwards utilized for agricultural purposes.

I have from time to time, since my first association with these lands early in 1914, drawn public attention to the value of the gum lands and the possibilities of their successful development. Owing perhaps to the lands being situated in a locality somewhat out of the beaten track their value has not been properly appreciated by the people of New Zealand.

The more I have become familiar with these lands the more I have realized the wealth contained in them and their value to the State. One of the first acts of the Royal Commission which reported on the gum lands in June, 1914, at its first meeting at Houhora about the end of March, 1914, was to have a sample of kauri peat sent to the Dominion Analyst. Dr. Maclaurin's report on this sample was published in C.—12, 1914, page 90.

From that time onwards, as various possibilities of the products of these lands presented themselves, samples have been sent on for investigation by Dr. Maclaurin. First the kauri-peat timber was investigated; next the problem of separating the dirt and foreign matter from the fine gums was considered, resulting in the invention of the salt vacuum process; again, the present gum-content of the peat-swamp areas, and the best methods of winning the gum and other valuable products from the soil, have received consideration.

As a consequence of the work he has done up to the present it is satisfactory to be able to place on record the fact that Dr. Maclaurin is now as much impressed with the great value of these gum lands as I am. In a letter of the 9th November, 1917, he says, "As you are aware, I feel strongly that the Government, instead of disposing of any kauri-gum lands, should increase the amount they already hold."

I may say that this goes further than anything I have urged. I have always been contented with affirming that the Government should retain all the gum lands they now possess until such time as all the kauri-gum and other valuable products have been extracted from them.

With the knowledge I have now acquired of the value of these lands I find it difficult to view at all calmly the way in which this valuable asset has been in such a large measure wasted owing to the failure in past years to recognize their value. I have before directed attention to the fact that some of the peat swamps contained kauri-gum to the value of from £2,000 to £3,000 the acre, and there were many thousand acres of such lands. Altogether there were upwards of a million acres of gum lands which were thrown open for indiscriminate digging upon the payment of a license fee of a few shillings a year.

The value of the kauri-gum exported from New Zealand to the 31st March last, as will be seen by the table on another page, was over eighteen and a quarter millions sterling. A considerable part of that large sum passed into the hands of the Austrian (Dalmatian and Croatian) gum-diggers, thousands of whom swarmed on to the gumfields over twenty years ago, and very soon much of this wealth found its way to Austria.

But in spite of these facts, and in spite of the fact that the best of the gum lands have been intensely potholed, these lands are still valuable, and, as I have before said, probably still contain as much wealth as up to the present has been won from them. As a result of the face-digging operations it has been proved that there are large areas of the shallow peat swamps—that is, swamps where the peat is 3 ft. to 6 ft. deep above the sandstone—which contain at least three shillings' worth of kauri-gum to the cubic yard. From tests which have been made of the

kauri timber which lies buried in these swamps in such vast quantities it has been ascertained that the kauri-gum can be extracted from a large proportion of the timber on an economic basis, while the peat itself is known to contain a valuable oil. So that every product of these peat swamps can be turned to account, and all that is necessary to achieve these results is the adoption of scientific and up-to-date methods of handling the various problems.

In regard to these kauri-peat areas and their proper utilization it is important there should be a detailed geological survey made of them. I am fully satisfied that in no part of the Dominion could the services of a portion of the Geological Survey staff be more advantageously employed than in making this survey. And I can say this advisedly, for I was a member of that staff for the three years 1905–8 during the time Dr. J. Macintosh Bell was Director.

THE AUSTRIAN AND THE GOVERNMENT GUM LANDS.

A matter deserving of most careful consideration is the question of allowing the Austrian gum-diggers, many of whom have now been drafted to public works in various parts of the North Island, to return to the gumfields. I am firmly of opinion that these men should be altogether excluded from the Government gum lands, and the lands retained for the digger of British birth and for the Maori people. This was the original intention of the Legislature when the Kauri-gum Industry Act was passed, and the large reservations of gum land were made for the purpose of giving effect to that intention. Since the first influx in about the year 1896 these men, who have lately been referred to as Jugo-Slavs, have had the unrestricted run of the gumfields. By one means and another, especially by an easy procurement of naturalization referred to later, in the past they seem to have had little difficulty in evading the pronounced intention of Parliament. I think the present is an opportune time to go back to the original idea and retain the lands for British subjects by birth and for the Maori, and I strongly urge that this course be adopted.

I have been informed from time to time that certain of the Justices of the Peace before whom these Austrians appeared when applying for naturalization were very free-and-easy in their methods. It is common talk in the North that the fee charged was from £5 to £7 10s. a head, and it mattered little whether the candidate for naturalization had been only a few days in New Zealand or whether he could speak a word of English—as long as he could pay the fee he was put through. I do not think this is at all an exaggerated account of the state of affairs which has prevailed on the gumfields in regard to the granting to the men referred to the privilege of becoming a British subject. It is highly desirable that measures should be taken which will prevent a recurrence of such practices.

In any case, when the question of these Austrians being allowed to return to the gumfields, and of those still on the gumfields being allowed to remain there, comes up for consideration, the fact that many of them have been permitted to become naturalized British subjects should not carry much weight.

SERIOUS DAMAGE TO THE GUM LANDS BY FIRES.

At various times I have called attention to the very serious damage to the gum lands by the indiscriminate lighting of fires by gum-diggers and others. So far no effective measures have been taken to grapple with the question. I cannot too strongly urge that prompt action be taken at once to prevent the serious damage being continued. An expenditure of £500 a year would suffice, and I suggest that this is a small insurance fee to pay for the safeguarding of such a valuable portion of the public estate.

DREDGING FOR KAURI-GUM.

During the last four years persistent efforts have been made by private enterprise to utilize the dredge in the winning of kauri-gum from the peat swamps of the North. Within the past year a company, with which Mr. F. V. Raymond was associated, was formed with the object of engaging actively in gum-dredging. Almost at the inception of the enterprise a serious loss was suffered by the company in the almost total destruction of the plant by fire. Undismayed by this check the company set to work to repair the damage, but owing to the adverse conditions prevailing in the iron trade, and the difficulty of obtaining suitable labour, progress has been much retarded. Although not a great quantity of gum has been recovered up to the present, the results show that the company is on the right track, and offer encouragement to proceed with the enterprise, I hope, to a thoroughly successful issue. Up to the present the expenditure on dredging for gum at Awanui, where the works are in progress, amounts to about £10,000.

PLANTATION OF FLAX AT THE BIG FLAT, WAIHARARA.

The suitability of the kauri-peat swamp lands of the North for growing flax (*Phormium tenax*) was frequently discussed during the inspection of the lands by the Kauri-gum Commission early in 1914. Later on reference has been made to the growth of flax on the face-digging areas as a result of the drainage work. Towards the end of last year a trial plantation of about half an acre was made at the Big Flat. Although the planting was done very late in the year—in December—and although after the planting there was a spell of two weeks' dry weather, the plants did very well. Six hundred plants were put in, and there were only eighteen which did not take.

This year an area of over 50 acres was planted. The plants were put in 6 ft. apart with a 12 ft. space every twelfth row. The plants have taken well, and the plantation promises to be very successful.

Great interest has been manifested in the work by the residents of the district, who have expressed confidence that the action taken will result in the establishment of the flax industry in their district on a sound basis, which will be the means of employing a considerable amount of labour in a few years' time.

I have, &c.,

The Hon. D. H. Guthrie, Minister of Lands.

R. P. GREVILLE,

Kauri-gum Superintendent.

STATEMENT OF ACCOUNTS (AS REQUIRED BY SECTION 5 OF THE KAURI-GUM INDUSTRY AMENDMENT ACT, 1914) FOR THE YEAR ENDED THE 31ST MARCH, 1918.

1917. Receipts.				1918. Payments.			
		£	s. d.			£	s. d.
April 1. Balance .. ..	..	11,178	2 2	March 31. Wages and bonuses to workmen, overseers, and gum-buyers .. ..	..	1,785	3 5
1918. Machinery, plant, &c. .. ..	..			..	..	1,253	16 7
March 31. Sales of kauri gum .. ..	..	28,120	19 2	Final payments to gum-diggers and purchases of gum .. ..	..	10,585	18 0
				Travelling-expenses of Superintendent, staff, gum-buyers, and overseers ..	..	160	8 1
				Office expenses, administration, &c. ..	..	1,676	9 4
				Freights, &c. .. ..	..	3,081	17 4
				Balance: Cash in Public Account ..	..	20,755	8 7
		<u>£39,299</u>	<u>1 4</u>			<u>£39,299</u>	<u>1 4</u>

Examined and found correct.

ROBERT J. COLLINS,

Controller and Auditor-General.

R. P. GREVILLE,

Kauri-gum Superintendent.

Loan Account.							
		£	s. d.			£	s. d.
1918. March 31 To Balance .. ..	..	47,000	0 0	1918. March 31. By Debentures issued under the Kauri-gum Industry Amendment Act, 1914 .. ..	..	47,000	0 0
		<u>£47,000</u>	<u>0 0</u>			<u>£47,000</u>	<u>0 0</u>

Examined and found correct.

ROBERT J. COLLINS,

Controller and Auditor-General.

R. P. GREVILLE,

Kauri-gum Superintendent.

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