Goldfields revenue.

Goldfields revenue is payable to local bodies under section 409 of the Mining Act, 1908, and subsections (1) and (2) of this section are as follows:—

"(1.) All fees, rents, royalties, and other moneys received under this Act or any former Mining Act in respect of Crown lands open for mining (not being moneys received for the sale of land or the leasing of land for agricultural purposes) shall be paid into the Public Account as goldfields revenue.

"(2.) All such goldfields revenue shall, subject to any lawful charges connected therewith other than the cost of collection, be paid by the Minister of Finance, in accordance with regulations, to the Council or Board of the county, borough, or town district in which the same accrued."

From the foregoing it will be seen that, pursuant to the legislative provisions referred to, local bodies were entitled (subject to special exceptions referred to in paragraph (*b*) of section 148 of the Mining Act, 1908, and subsection (2) of section 409 of that Act) to the whole of the timber revenue from Warden's timber areas and Midland Railway Mining Reserves and to one-half of the royalties received from Land Board's timber areas and other licenses for the cutting of timber and flax on Crown lands or national-endowment lands and payable to territorial revenue (Consolidated Fund) or National Endowment Account.

Interpretation of the word "royalty."

At this juncture it is necessary to refer to a special point in regard to section 319 of the Land Act, 1908. It will be observed that this section, which was originally enacted in the Timber and Flax Royalties Act, 1905, uses the word "royalty," and the legal interpretation laid down for departmental guidance is to the effect that where standing timber is sold for a lump sum and not on a royalty basis local bodies are not entitled to "halves."

It has been contended in the course of evidence before the Commission that this interpretation is open to doubt, and opposite opinions by legal counsel have been quoted in support of this contention.

It is not, however, for me to attempt to decide the issue. That is a matter for the Courts.

The interpretation of the law as indicated above has been accepted by the Government, and the Departments have acted in accordance therewith.

It is not a matter which has arisen consequent on the passing of the Forests Act, 1921–22, although it may be a factor in estimating actual or prospective loss to local bodies. For the purposes of this inquiry, however, I must accept the present interpretation of the law as laid down by the Law Officers of the Government.

"Halves" not payable from State forest lands.

Whatever may have been the intention of the Legislature when passing the Timber and Flax Royalties Act, 1905, in regard to the basis to be adopted n computing "halves" of timber and flax royalties from licenses where moneys are payable into the Consolidated Fund, it is quite clear that it was never intended that any portion of the moneys accruing from the disposal of timber in State forests and payable to the State Forests Account was to be paid to local bodies.

The power to proclaim Crown lands as State forests was not a new departure brought into existence in 1918. It dates back to 1885, when the New Zealand State Forests Act of that year was passed, and under that Act and the State Forests Act, 1908, extensive reservations were made.

"Halves" a contingent right.

The rights of local bodies to "halves," which first came into existence in 1905, have, therefore, always been contingent rights liable to be seriously curtailed whenever the Crown in exercise of its discretionary powers chose to set apart timber-bearing Crown lands as State forests.

In confining the rights of local bodies to royalties payable to the Consolidated Fund the possibility of further reservations for State forests must have been recognized, and therefore the reservations which have been made by the State Forest Service, although extensive in nature, are not, in my opinion, opposed to the contingency provided for when the original Act was passed.

Loss of Revenue from Royalties so far as Local Bodies are concerned.

Turning now to the first question referred to in Your Excellency's Warrant—viz., extent to which local authorities may have incurred or may incur loss of revenue from royalties consequent on the passing of the Forests Act, 1921–22—it is necessary to take into consideration the status of the 5,432,211 acres referred to in division (*a*) of Table (1) prior to the issue of the Proclamations which brought the areas within the provisions of the Forests Act and placed them under the