

1929.
NEW ZEALAND.

NATIVE AFFAIRS COMMITTEE.
TONGARIRO TIMBER COMPANY AND WEST
TAUPO FOREST LANDS

(REPORT OF NATIVE AFFAIRS COMMITTEE ON STATEMENT OF MINISTER REGARDING), TOGETHER
WITH MINUTES OF EVIDENCE AND APPENDIX.

(MR. C. H. CLINKARD, CHAIRMAN.)

Report brought up 1st November, 1929, and ordered to be printed.

ORDERS OF REFERENCE.

FRIDAY, THE 2ND DAY OF AUGUST, 1929.

Ordered, "That Standing Order No. 219 be suspended, and that a Native Affairs Committee be appointed, consisting of sixteen members, to consider all petitions, reports, returns, and other documents relating to affairs especially affecting the Native race that may be brought before the House this session, and from time to time to report thereon to the House; with power to call for persons and papers; three to be a quorum; the Committee to consist of Mr. Broadfoot, Mr. Clinkard, the Right Hon. Mr. Coates, Mr. Healy, Mr. Henare, Mr. Howard, Mr. Makitanara, Mr. McDougall, Mr. Martin, Mr. O'Brien, the Hon. Sir Maui Pomare, Mr. Rushworth, Mr. Smith, Mr. Waite, Mr. Williams, and the mover."—(Hon. Sir APIRANA NGATA.)

WEDNESDAY, THE 16TH DAY OF OCTOBER, 1929.

Ordered, "That Paper No. 231 ('Statement regarding the Tongariro Timber Co. and West Taupo Forest Lands, by the Hon. Sir Apirana Ngata, Minister of Native Affairs') be referred to the Native Affairs Committee."—(Hon. Sir APIRANA NGATA.)

REPORT.

PAPER NO. 231.—STATEMENT BY THE HON. THE NATIVE MINISTER REGARDING THE TONGARIRO
TIMBER CO. AND THE WEST TAUPO FOREST LANDS.

I HAVE the honour to report that the Native Affairs Committee has duly considered the above-mentioned paper, and makes the following recommendations:—

1. That the Aotea District Maori Land Board be permitted to give the six months' notice for termination of the agreement with the Tongariro Timber Co.

2. That the Board be empowered to represent the Native owners as from the passing of the Act.

3. That it is desirable that the Crown should acquire the timber and lands upon terms to be arranged by the Government with the Native owners of the lands concerned; or, alternatively, that the Crown and Natives as owners of the freehold join in a scheme for the management, control, and disposal of such timber.

4. That the Government formulate a scheme for the settlement of the lands comprised in the agreement, to be effective in regard to open country, and to timber lands as the timber is worked out.

1st November, 1929.

CECIL H. CLINKARD, Chairman.

STATEMENT REGARDING THE TONGARIRO TIMBER CO. AND THE WEST TAUPO FOREST LANDS,

By the Hon. SIR APIRANA NGATA, Native Minister.

THIS statement has been prepared in view of the proposal to refer the question of the Tongariro Timber Co., and its rights over certain lands in the West Taupo district, to the Native Affairs Committee.

HISTORY OF THE TRANSACTION.

This is summarized in a report prepared for the Commissioner of State Forests by officers of his Department, attached hereto and marked "A." That summary may be supplemented as follows:—

(1) In regard to the railway, the provisions in the 1908 deed were briefly as follows:—

- (a) The line is to be 3 ft. 6 in. gauge; 2,200 sleepers, of heart totara or matai, to the mile; not less than 30 lb. steel rails; curves not less than 2 chains; grade not steeper than 1 in 40; bridges of heart totara, iron, or concrete; cuttings at least 9 ft. and banks 10 ft. wide at formation level (clause 9).
- (b) The line was to be completed and supplied with the necessary rolling-stock by the 23rd December, 1913 (clause 10). This date was extended to the 1st March, 1916, by clause 5 of the deed of 1910, so that the company is now in default on this account.
- (c) The Board is to transfer to the company the fee-simple of the land necessary for the railway, so that the railway becomes the property of the company and not of the Natives, subject to the terms of the deed (clause 11).
- (d) The company undertakes "if it legally may" to "carry goods (other than timber and green and dressed flax) and passengers" at Government rates, but it is provided that "it shall not be compelled to work the said railway unless there is a payable traffic thereon" (clause 17). It is, however, provided by clause 19 that if the company fails during a continuous period of three months to run at least one train per week each way, and continues that default after notice, the Board may purchase the railway and rolling-stock at a valuation not exceeding cost. It is further provided (clause 30) that after the cancellation of the deed for any reason the company shall carry timber and green and dressed flax from the lands in the deed at Government rates.

The Natives claim that in consideration of this covenant they accepted one-half of the royalty payments they would otherwise have insisted upon; and emphasis has been laid upon the value of the railway to the interests of the Natives by the Commissioners in the report (G.-1T), 1908, by the recitals in the 1910 deed, by the President of the Aotea Maori Land Board in his report to the Native Department of the 17th September, 1914, and by the Natives in a petition to Parliament in 1920.

(2) In regard to the Egmont Box Co., preliminary to the agreement of the 23rd October, 1919, between the Tongariro Co. and the Egmont Box Co., by a further deed between the Board and the company dated the 24th October, 1913, approved by the Native Minister, the lands shown on the plan "B" as Western Divisions A and B, being the nearest blocks to the Main Trunk line, containing 259,305,000 ft. of timber, mainly rimu and white-pine, were put into a separate proposition, freed from the obligations under the main deed but subject to the obligation of constructing the first nine miles of the railway from Kakahi, and to the payment of the same royalties as in the main deed, with one-tenth of the payments in advance therein provided for. The reasons which induced the Board to enter into this agreement are referred to in paragraphs 10 and 11 (c) of the President's report above referred to.

The company then entered into a deed of agreement dated the 23rd October, 1919, with the Egmont Box Co. (the shareholders of which are the principal Taranaki dairy companies), which agreement has been approved by Order in Council published in *Gazette* No. 94, of the 18th November, 1919, under section 32 of the Native Land Amendment and Native Land Claims Adjustment Act, 1919. This agreement takes the place of the agreement referred to in section 5 of the Native Land Claims Adjustment Act, 1914. Its effect is that the Egmont Co. acquires the timber on the Western Division A Block (104,568,000 ft. log measurement), part of the separate area provided for in the 1913 deed, at a royalty of 3s. per 100 ft. (sawn measurement), and undertakes to find the capital for the construction of the first five miles of the railway from Kakahi, and, if called upon, to guarantee a sum of £30,000 and interest thereon towards the cost of a further four miles of the line, receiving in return (see clauses 26 and 30) the right to have any timber it may have on the company's line and its goods carried at Government rates till 1969 (? 1959. See clause 3 of Egmont deed).

The Committee will need to consider specially the position of the Egmont Box Co., and it would be advisable to hear that company in the present proceedings.

(3) The Crown is interested in the freehold of these lands. The Crown has acquired an area of 35,054 acres out of a total of 134,500 acres, of which 82,000 acres is stated to consist of millable timber. The cost to the Crown of the interests acquired is £77,304. (Schedule attached marked "A.") The proportion on an area basis acquired by the Crown is therefore $\frac{35,054}{134,500}$.

Sir John Salmond, Solicitor-General, advised on the 9th July, 1919, as to the position of the Crown on these purchases, and suggested that legislation would probably be necessary to define the relative position of the Crown, the Natives, and the company.

(4) Representatives of the timber-millers, on the issue of the prospectus of the Duncan syndicate, interviewed the former Government and pointed out the danger of the market being over-supplied by the exploitation of the Tongariro Co.'s area. This is a matter of policy that must be taken into consideration.

THE PRESENT POSITION.

The present position is well summarized by the Forestry Department in a report, a copy of which is attached, marked "B."

At a meeting held at Waihi, Tokaanu, in February, 1929, between the Native Minister and the Ngati-Tuwaharetoa Tribe, a series of resolutions were passed, a copy of which is attached, marked "C."

There is also the question of rates due to the Taumarunui County Council, which has a judgment against the Tongariro Timber Co. for the sum of £1,349 14s. 3d., being rates for the year ending 31st March, 1927. It has made every endeavour to obtain payment, but without success. Nothing can be done to force liquidation without the consent of the Governor-General in Council. The Council apprehends that it may by the delay lose its right of action against the owners of the freehold. The arrangement was that the company paid the rates and deducted the same from royalty. But, as already indicated, the company has not been able to pay royalty for some years. The latest development is that bodies of owners, exasperated at the delay and disappointed at not receiving any royalties, have taken the law into their own hands and have either re-entered to cut timber, or have granted cutting-rights to contractors for posts and railway-sleepers.

THE EXTENT AND VALUE OF THE TIMBER-LANDS.

This is well summarized in the report of the Forestry Department, a copy of which is attached, marked "D."

The estimates are reputed to be conservatively accurate. The trees in relative order of economic importance are matai, totara, rimu, miro, and maire. Four experts who examined the area agree that in size, dimension, quality, and general merchantability the stumpage of this concession is unique, and they cannot speak too highly of the excellent condition and unexcelled milling-quality of the concession's timbers.

The opinion is expressed that "there is no body of timber in New Zealand to-day that presents such an attractive and so desirable an opportunity for cheap and effective extraction." In computing the stumpage value of the concession's timber it is assumed that a main line of railway will be constructed and operated between Kakahi and Lake Taupo. The stumpage values of the timber are estimated as follows:—

Timber Volume Type : Designation.					Total computed Quantity of Timber expressed in terms of Sawn Output.	Total Mean Realization Stumpage Value.
First or premier	..	..	..	..	Superficial feet. 820,350,000	£ 2,784,500
Second or intermediate	..	..	..	..	339,750,000	963,000
Grand total	..	..	..	..	1,160,100,000	3,747,500

THE FACTORS IN THE PROBLEM FOR CONSIDERATION.

The Freehold Interest.—The Natives as to three-fourths, and the Crown as to one-fourth, are the present owners of the freehold. In regard to the Crown, it has kept in the background as a partner in the lands affected by the Tongariro concession. It has so far been content merely to take the place of the Natives who sold to it, to accept its share of royalty advances when available, to suffer proportionately with the Native partners from delays, postponements, and the involved relations between the Tongariro Timber Co., its creditors, and the interests that have attempted and are attempting to acquire its rights and assume its responsibilities.

The Native Interest.—So far as the Native owners are concerned, the pursuit of their remedies against the company for default and breach of agreement has been postponed and interfered with by Parliament, at the request of the company, or by the Government where the discretion rested with the Government. It is true they have received cash payments on account of royalty between 1911 and 1926 amounting to £53,553 15s., or 8s. an acre altogether, between the date of the original agreement (1908) and the present date—twenty-one years in all.

AA.

SCHEDULE SHOWING BLOCKS SUBJECT TO TONGARIRO TIMBER CO.'S CUTTING-RIGHTS IN WHICH CROWN HAS ACQUIRED INTERESTS.

Block.					Area acquired.			Purchase-money paid.		
					A.	R.	P.	£	s.	d.
Hauhungaroa 1D 1	..	..	..	..	3,000	0	0	4,125	0	0*
" 2D	..	..	..	..	6,377	0	12	8,319	18	9
Okahukura 3	..	..	..	..	441	1	0	1,346	8	8
" 4B	..	..	..	..	726	2	27	468	16	4
" 6	..	..	..	..	1,822	3	33	4,223	11	6
Pukepoto 1	..	..	..	..	1,631	0	0	4,892	19	10*
" 2	..	..	..	..	1,301	0	0	3,903	0	0*
" 3	..	..	..	..	1,022	0	0	3,066	0	0*
" 4	..	..	..	..	696	0	0	2,435	19	10*
Waimanu 2G	..	..	..	..	5,603	3	0	7,909	13	7
Waituhi-Kuratau 1B	..	..	..	..	752	0	9	376	9	4
" 4A	..	..	..	..	4,610	0	0	14,982	9	6*
" 4B 1	..	..	..	..	4,089	1	8	13,287	1	4*
" 4B 2	..	..	..	..	2,208	0	23	7,769	18	9
Waimanu 1	..	..	..	..	173	0	9	196	10	9
Totals	..	..	..	..	35,054	1	1	77,303	18	2

* Proclaimed Crown land.

The area of land subject to the Tongariro Timber Co.'s rights is shown in G.-1T, 1908, as 134,500 acres, of which 82,000 acres consists of millable timber.

A.

HISTORY OF THE TONGARIRO TIMBER CO.

In 1906 an agreement was entered into between the Tongariro Timber Co. and the Native owners of certain lands situated in the West Taupo district whereby the company was given timber-cutting rights over the areas, but no right to the land, which remained the property of the Natives. Under this agreement the company undertook to construct a railway from Kakahi, on the North Island Main Trunk line, to Lake Taupo, a distance of approximately forty miles. Under an Order in Council dated the 22nd January, 1908, the Native owners were to sell to the company the fee-simple of the necessary land at £1 per acre, the railway to be completed and furnished with rolling-stock within a period of five years from the date of the acquisition by the company of a registrable title to the timber: provided that if the company, proceeding with all due diligence, were unable to complete the construction within the time specified it might obtain from the vendors a reasonable extension of time, not exceeding twelve months.

If (1) the agreement was cancelled, or (2) the company failed to continue running the railway, or (3) after a term of fifty years, the Maori owners were to have the option of purchasing the railway at £1 per acre for the land and paying for lines, bridges, &c., on valuation.

No definite time was fixed within which the work of felling and removing the trees was to be commenced and completed, the Board relying on a sliding scale of royalties with what was intended to be a prohibitive royalty of £100 per acre after the expiry of fifty years from the 1st March, 1911.

Royalties were payable on the 1st day of March in each year after any timber was felled, at the following rates: £10 per acre for fifteen years ending 1st March, 1926; £12 10s. per acre for ten years ending 1st March, 1936; £15 per acre for ten years ending 1st March, 1946; £17 10s. per acre for ten years ending 1st March, 1956; £20 per acre for five years ending 1st March, 1961; £100 per acre thereafter: provided the company might within twelve months from the 1st day of March, 1961, cease cutting and surrender its rights.

A deed of 1908 provided that whether any timber was felled or not there should be paid on account and in anticipation of royalties £2,500 per annum from the 1st day of March, 1906, until the execution of the deed, and thereafter £5,000 per annum.

In 1908 the Stout-Ngata Commission took evidence on the question of the equity of agreement between the vendors and the company, and came to the conclusion that it was in the interests of the Natives as well as in the public interest. (See parliamentary report G.-1T, 1908.)

By an agreement dated the 21st December, 1910, between the company and the Aotea District Maori Land Board (trustees for the owners), the rate of royalty was reduced to—£7 10s. per acre for fifteen years ending 1st March, 1926; £9 7s. 6d. per acre for ten years ending 1st March, 1936; £11 5s. per acre for ten years ending 1st March, 1946; £13 2s. 6d. per acre for ten years ending 1st March, 1956; £15 per acre for five years ending 1st March, 1961; £100 per acre thereafter: provided the company might within twelve months from the 1st day of March, 1961, cease cutting and surrender its rights.

Under this agreement the sums payable on account of and in anticipation of royalty were varied as follows: £1,000 to be payable within three months from the date of approval of the 1910 agreement by the Native Minister; £1,500 per annum to be paid within twelve months from the 1st day of March, 1911; £2,500 per annum thence until the 1st day of March, 1916; £5,000 per annum thereafter. Under the agreement also the date by which the railway had to be completed was extended to the 1st day of March, 1916.

In 1915 the company petitioned Parliament for protection and assistance, and under the provision of section 19 of the Native Land Amendment and Native Land Claims Adjustment Act, 1915, no remedies for default by the Tongariro Timber Co. were to be exercisable by the Aotea District Maori Land Board until after the expiration of two years from the date when the Great War should cease. By the Native Land Amendment and Native Land Claims Adjustment Act, 1922, this was amended to read "16th September, 1922."

Egmont Box Co.—On the 23rd day of October, 1919, the Tongariro Timber Co. entered into an agreement with the Egmont Box Co. by means of which the latter company acquired certain timber in the Whangaipeki Block at 3s. per 100 ft. (sawn measurement), and undertook to find the capital for the first five miles of railway from Kakahi, and, if called upon, to guarantee a sum of £30,000 and interest thereon towards the cost of a further four miles, receiving in return the right to have any timber and goods carried at Government rates until 1959.

In September, 1921, the company obtained an Order in Council (gazetted 16/9/21) extending the period in which the railway had to be constructed, and imposing certain conditions, as follows: Period to be extended for seven years, provided the following sections were completed within the time specified: Kakahi, 0–5 miles, two years; 5–9 miles, three years; 9–18 miles, six years; 18–Lake Taupo, 7 years—in each case from the date provided in the Order in Council. This line was to be constructed of 45 lb. steel rails (instead of 30 lb. as originally agreed), according to plans lodged with and approved by the Public Works Department, and within twelve years of the date of the Order in Council the company was to reconstruct the whole line up to Government standard as required by the General Manager of Railways, considerable deviation and tunnelling to reduce curves and grades being anticipated; and to ensure completion by due date a substantial start had to be made with the reconstruction programme within ten years of the date of the Order in Council.

Provision was also made whereby the company was to set aside the sum of 1s. 6d. per 100 ft. (sawn measurement) from the date of commencement of cutting operations, the sums not to be less than £5,000 per annum.

The proposed terminus of the line was near the mouth of the Kuratau Stream on Lake Taupo, about four miles from Tokaanu; and if the construction of this extra section of line (four miles to Tokaanu) was authorized by Parliament, then the company was to reconstruct this section within nine years of the date of the Order in Council according to Government standard, but if not so authorized within seven years the company's obligations should cease.

The provisions of this Order in Council did not take effect unless and until, within twelve months from its gazetted date, a certificate signed by the President of the Aotea Maori Land Board that all moneys due to the Natives for royalties accrued under the company's agreement up to the date of the certificate had been paid had been published in the *New Zealand Gazette*.

Under section 19 (6) of the Native Land Amendment and Native Land Claims Adjustment Act, 1921, the company was required to pay a sum of £6,000 on or before the 30th day of June, 1922. On the 30th day of June, 1922, the company paid to the Board the sum of £6,000, and on the 5th day of September, 1922, a further sum of £29,000, thus fulfilling its monetary obligations to that date.

In 1922 a petition from the Native owners was presented to the House praying that legislation might be promoted declaring that the sanctioning by special legislation of the various extensions of time for payment of royalties should not affect, alter, interfere with, or cancel the petitioners' right (if any) to claim interest from the Tongariro Timber Co. thereon. During the session of 1926 this petition was referred to the Government for consideration by the Native Affairs Committee.

On the 19th May, 1923, a deputation consisting of Sir John Findlay, Mr. R. H. Holmes, Mr. Tudor Atkinson, and Mr. Wilson (representing Messrs. Armstrong, Whitworth, and Co.) waited on Sir Francis Bell in regard to the construction of the railway. Mr. Atkinson had at the time induced Messrs. Armstrong, Whitworth, and Co. to enter into a contract for the construction of the railway at a price fixed at £650,000 (to include actual costs of construction, interest, and all other expenses). Sir John Findlay said the company could complete the line on the Holmes standard (30 lb. rails, &c.), but could not possibly carry out the requirements of reconstructing the line to full Government standard. The company had no assets and no means apart from its forests. If Armstrong, Whitworth's contract had to be abandoned, there was no hope of the company constructing any kind of line. Negotiations between the company and Messrs. Armstrong, Whitworth, and Co. eventually fell through.

By section 40 of the Native Land Amendment and Native Land Claims Adjustment Act, 1924, the Aotea District Maori Land Board was empowered (subject to the approval of the Governor-General in Council, but not otherwise) to vary all or any of the conditions of the existing agreements between the Board and the company in such manner and to such extent and subject to such conditions as the Board might deem just and not prejudicial to the Native owners of the land affected.

On the 27th June, 1924, a letter was received from Mr. Harding by the Prime Minister suggesting that the Government should acquire the Tongariro Co.'s rights. On the 28th June, 1924, a communication was forwarded by the Secretary of Forestry to the Lands Department stating that it would be greatly to the advantage of the State if these rights could be acquired.

On the 4th July, 1924, a communication was received from the Under-Secretary, Lands Department, asking for particulars as to the area, value of the timber thereon, and the price it was

considered the Government might pay. On 10th July, 1924, a memorandum was forwarded to the Under-Secretary, Lands Department, giving particulars as to the area, &c., and stating that £500,000 might with safety be offered as a basis of negotiations.

In 1925 a further Order in Council, dated the 25th day of August, 1925 (see *N.Z. Gazette* No. 61), was proclaimed whereby the date of the completion of the railway from Kakahi to Tokaanu was extended for a period of seven years as from the 1st day of January, 1925, provided the first eighteen miles of this railway were completed within three years from the 1st day of September, 1925, to be constructed in accordance with new specifications agreed upon by the company and the Public Works Department. The carrying-out of these provisions was dependent on the company or its assigns procuring Messrs. Cammell, Laird, and Co., with whom they were negotiating, or some other approved firm, to enter into a contract for the construction of the railway. The company failed to comply with these provisions.

In 1927 a petition was presented to the House by Keru Kapu and forty-seven others praying for legislation authorizing (1) the cancellation of the Tongariro Timber Co.'s agreement, and (2) the incorporation of all blocks subject to the agreement. The report of the Native Affairs Committee, of which the Hon. Sir Apirana Ngata was Chairman, recommended as follows: "That the petition be referred to the Government for consideration, with a recommendation that no extension be granted after the end of March, 1928, of the term within which the company may make financial arrangements for the construction of the railway."

In 1928 a petition by Te Pau Mariu and forty-one others was presented to the House repeating the petition of 1927 *re* the cancellation of the Tongariro Timber Co.'s contract. The report of the Native Affairs Committee, of which the Hon. Sir Apirana Ngata was Chairman, was, "That these petitions should be referred to the Government for consideration."

This brings us to the present position.

PRESENT POSITION.

The Tongariro Timber Co. has not carried out its undertakings with respect to the construction of the railway-line, has cut no timber, and is indebted to the Native owners in respect of royalties to the extent of approximately £22,000, in addition to owing various creditors a sum estimated at somewhere between £200,000 and £300,000. It is understood that, apart from the survey, the only work carried out in connection with the railway project was the formation of two or three miles by the Egmont Box Co. under its agreement with the company.

The following cash payments on account of royalty have been made by the company:—

Date of Payment.	Amount.		
	£	s.	d.
23rd May, 1911	1,025	0	0
12th April, 1912	1,537	10	0
12th November, 1913.. .. .	2,562	10	0
20th October, 1920	2,500	0	0
30th June, 1922	6,000	0	0
5th September, 1922	29,000	0	0
18th March, 1925	5,000	0	0
5th March, 1926	5,928	15	0
	<hr/> £53,553 15 0 <hr/>		

The total amount outstanding at the 28th February, 1927, was £11,187 10s., which, together with the two annual payments of £5,000, plus £250 commission, which fell due on the 1st March, 1928, and 1st March, 1929, respectively, gives a total of £21,437 10s. now owing, apart from any question of interest.

Some twelve months ago a syndicate known as the Tongariro Timber Syndicate was formed, its object being to form a new company to take over the rights of the Tongariro Timber Co. and discharge its obligations, computed to be somewhere in the vicinity of £300,000. This syndicate, represented by Mr. K. Duncan, approached the Hon. the Minister of Native Affairs, the Right Hon. J. G. Coates, with the following requests: (1) That the times for building the railway be extended by three years and ten years respectively; (2) that the time for payment of royalties due on the 1st April, 1928, be extended to the 1st September, 1928; (3) that a modified standard of line be agreed to, provided the consent of the owners be obtained; (4) that these concessions be granted to Mr. Duncan alone.

In his reply, dated 14th February, 1928, the Hon. the Minister of Native Affairs informed Mr. Duncan that with respect to (1) the Government could not see its way to grant any extension of time within which the company was bound to complete the construction of the line, but with regard to the other requests it was prepared to give sympathetic consideration to them, and also protect the company's rights in the meantime by refusing consent to any application under subsection (1) of section 19 of the Native Land Amendment and Native Land Claims Adjustment Act, 1915, as amended by section 19 of the Native Land Amendment and Native Land Claims Adjustment Act, 1921, and section 28 of the Native Land Amendment and Native Land Claims Adjustment Act, 1923: provided that on or before the 12th September, 1928 (being the date on which the company was required by the Order in Council of the 12th September, 1921, to complete the construction of the line), the proposed company was floated, arrangements made for the necessary finance for building the railway, all arrears of royalty were paid, together with 6 per cent. interest thereon while unpaid, also pay all outstanding rates and taxes, Board commission, and any other sums due by the Tongariro Timber Co., Ltd., under

its agreements with the Aotea District Maori Land Board. It was also stated that, in the event of the above decision being acceptable and the requirements enumerated being fulfilled, it was possible certain conditions would be imposed in consideration of the concessions being granted, in addition to which it might be found necessary to obtain the consent of the Native owners to any concessions as to the standard of the railway-line to be constructed which it might be decided to grant.

In a further letter from Mr. Duncan, dated the 15th February, 1928, agreeing in general terms to the conditions laid down, he asked whether the Hon. the Minister, when writing the letter of the 14th instant, had in mind the modification of the standard line of railway and the Native owners' approval, and, if so, suggested that if, in addition to the conditions already mentioned, he obtained the Native owners' consent to the modification of the line, he increased the royalties as at present existing to figures that the Native owners agree to, the Government on its part would admit he had completed his part of the bargain, and that no further terms or conditions would be imposed on him in consideration of the concessions asked for being granted.

On the 21st February, 1928, the Hon. the Minister, in his reply, referred to this communication, and in doing so stated that in addition to the above he had in mind the possibility of a further request from Mr. Duncan as to an alteration in the route of the proposed line, and that, subject to his obtaining the consent of the Native owners through the Aotea District Maori Land Board to (1) the modification of the standard of the proposed railway-line (including radius or curves and grades), (2) the modification or alteration of the route of the proposed line, (3) the acceptance of any increase offered by him in the amount of the royalty payments to be made for the timber on the lands subject to the Tongariro Timber Co.'s agreements, then the Government would not, in the event of it being decided to grant the extension of the time within which the Tongariro Timber Co., Ltd., was bound to complete the construction of the proposed line, impose further or other terms in consideration of the concessions asked for being granted.

So far as is known, the conditions specified in the Hon. the Minister's letter of the 14th February, 1928, had not been complied with at the date on which the company's rights under the Order in Council of the 12th September, 1921, had lapsed, so that it would appear somewhat doubtful whether the company now possesses any rights whatever, as no extension of time appears to have been sought or granted.

Mr. Grace, one of the Native owners, now proposes the formation of a new company in conjunction with the aforementioned syndicate, this company to have a nominal share capital of £250,000, the shares to be issued as fully paid up and allotted as follows:—

(a) To the owners (<i>i.e.</i> , Native and Government <i>pro rata</i> according to land holdings)	£ 100,000
(b) To the syndicate and subscribers of first debentures (one share for every six debentures)	100,000
(c) To the Tongariro Timber Co.	50,000
	<hr/>
	£250,000

In addition, he proposes to raise, by means of the issue of a series of first debentures bearing interest at 10 per cent., rising with the dividend on share capital to 14 per cent., the sum of £300,000. This £300,000 would form the working capital of the company.

In addition, he proposes to issue a series of second debentures, amounting to £200,000, carrying interest at 7 per cent. per annum, to be allotted to certain creditors of the old company.

Of the £300,000 cash received on the sale of the first debentures he proposes to pay some £50,000 in satisfaction of certain claims of the owners in respect of arrears of royalty, and in the payment of from 10 to 20 per cent. of the claims of certain other creditors entitled to preferential treatment.

The allotment of 50,000 shares to the syndicate is in consideration of it raising its capital and transferring it to the new company, and by way of *compensation*, and for its services. "Compensation" evidently refers to a payment for the loss of timber rights transferred by the Tongariro Timber Co.

The allotment of 50,000 shares to the Tongariro Timber Co. is stated to be in consideration of the transfer of its equity in its rights and assets.

The present position of the Egmont Box Co. is somewhat obscure. In a letter dated 11th April, 1927, addressed to the Hon. O. J. Hawken, the company, through its solicitors, Messrs. Symes and Weir, of Eltham, requested that before any decision is made with regard to the affairs of the Tongariro Timber Co., or any action determined upon, that it should have an opportunity of being heard in the matter and of stating its case in so far as it may be affected by anything that is contemplated.

It appears that the Egmont Box Co. sold its interest in the Whangaipeke Block to one B. H. Phillips; but, as the block is subject to a charge of £26,000 for debentures which the Egmont Box Co. has guaranteed, it might happen the Egmont Box Co. will have to take back the block should it be called upon to pay these debentures. The proposed company makes no mention of the Egmont Box Co. or its interests.

RESOLUTIONS PASSED BY THE OWNERS OF THE TONGARIRO TIMBER CO.'S TERRITORY AT A MEETING
HELD AT WAIHI, LAKE TAUPO, ON THE 21ST FEBRUARY, 1929.

1. That as a final concession to the Tongariro Timber Co., Ltd., this meeting approves of and agrees to join in and support the project outlined in the memorandum attached hereto.

2. That a period of six months from the 31st day of March, 1929, shall be granted (a) for the making of the cash payments set out in paragraph 6 of the project, (b) for the consummation of the

project. The project shall be deemed to be consummated when and as soon as it can be shown to the satisfaction of the Minister in charge of Native Affairs that the promoters of the new company contemplated by the project are ready to register the company, and that when registered it will have at its command at least £240,000 of the £300,000 working capital for which provision is made in the project: Provided, however, the Minister aforesaid may extend the said period by three months if he is satisfied that good and substantial progress has been made in carrying out the project, and if there has been paid before the expiration of the six months aforesaid at least 25 per cent. of the cash payments aforementioned.

3. That if the cash payments aforementioned be not made, and if the project be not consummated within the period or periods hereinbefore provided, then the project shall be deemed to be abandoned, and all and singular the rights of the Tongariro Timber Co., Ltd., shall be finally cancelled and determined.

4. That the Tongariro Timber Co., Ltd., and its creditors must agree to the project and accept the terms set out therein. If that company or any creditor refuses or fails to accept the provision made for it or for him in the project within a period of three months from the 31st day of March, 1929, then the company or such creditor shall be entirely excluded from any benefit under the project. To ensure that this will be so the owners will stand ready to divest the Tongariro Timber Co., Ltd., of all its rights (by cancelling and determining them), and to vest the same, or similar ones, in the new company, subject to the terms of the project and the provision made therein for the assenting parties, and to the conditions imposed by the two preceding paragraphs, but omitting from the project all provision made therein for dissenting parties—i.e., those who refused or failed to accept as aforesaid.

5. That six months' formal notice of cancellation or determination be given to the Tongariro Timber Co., Ltd. Such notice shall be so given as to take effect as from the 31st March, 1929, or the first date thereafter as can be conveniently arranged, but shall be withdrawn if that company and all its creditors accept the provision made for it and them in the project within the three months aforementioned, and if the provisions of paragraph 2 hereof be complied with.

6. That the task of promoting and forming the new company and of raising its working capital shall be entrusted to the Tongariro Standing Timbers Syndicate of Wellington. This syndicate is itself engaged in a project which also concerns the Tongariro Timber Co., and its project can conveniently and advantageously for all concerned, be merged in the present one.

LOCAL AND PHYSICAL CONDITIONS.

General.—The area was examined by Mr. G. B. Sealey, employed by the company in July, 1908 (see report attached), whose operations were inspected and results verified by Mr. R. P. Greville, District Surveyor, in March, 1911 (see report attached).

For the purpose of examining the forest resources of the area a general reconnaissance and inventory survey was carried out by the State Forest Service, and a report presented in March, 1923 (see attached). A summary of this report is as follows:—

Area and Location.—The territory over which the Tongariro Timber Co. held concessions contains 134,500 acres, situated to the east of Taumarunui, between the Main Trunk Railway and Lake Taupo, as shown bordered red on map A attached.

Timber.—Of the total area held, 82,000 acres carry bush, while the remainder is open tussock pumice land and swamp. The State Forest Service report of 1923, however, discloses that only 49,382 acres carry timber which can be profitably worked, and contains a total of 1,160,100,000 sup. ft. A summary of the estimated quantities carried by this area is as follows (see report of 1923):—

Type 1, premier volume type (25,139 acres): This type contains 820,350,000 sup. ft., of the following six species: Matai, 35·7 per cent.; totara, 30·3; rimu, 25·3; miro, 7·6; maire, 0·4; white-pine, 0·7. The type is estimated to yield from 20,000 to 100,000 sup. ft. per acre.

Type 2, intermediate volume type (24,243 acres): This type contains 339,750,000 sup. ft., of the following four species: Matai, 40·3 per cent.; totara, 25·3; rimu, 24·2; miro, 10·2. The type is estimated to yield 8,000 to 20,000 sup. ft. per acre.

Type 3, inferior-timber volume type: This is characterized by a yield of 0 to 5,000 sup. ft. per acre, containing stunted matai, totara, rimu, and miro, which would not permit of profitable exploitation except under very favourable circumstances. This type accounts for the remaining bush-clad lands not included in types 1 and 2.

Geology.—The whole area is classed as pumice country, varying from pure pumiceous loams, 3 in. to 9 in. deep.

Climate and Stream-flow.—The rainfall over the area is heavy, and the climate variable, with extremes of heat and cold. Owing to the Waipari Gorge being very rugged and inaccessible, and the quality of timber being poor at the headquarters of the Pungapunga and Taringamutu, it will be many years before milling operations have any serious effect on the flow of the Wanganui River.

Settlement and Industries.—There is very little settlement, the activities being confined to a few Natives. A butter-factory was established by a company (Tuwharetoa Co-operative Co.) formed amongst the Natives, and cream is packed from the surrounding district. Towards the north and south are undeveloped forest lands, while on the west settlement and development have taken place, due to the Main Trunk Railway. The timber industry is the chief activity of this section. The attached plan B illustrates the operations of the various sawmill companies and their relation to the towns on the Main Trunk Railway.

Markets.—Kakahi, the outlet for the proposed railway, is situated 184 miles from Auckland and 242 miles from Wellington, and is therefore ideally situated as a central distributing station for the North Island.

Timber-supplies—Position and Outlook.—In December, 1923, a supplementary report of the timber-supplies, position and outlook, in the North Island, with particular reference to the Tongariro concessions, was prepared, and a copy is appended herewith. The position thus disclosed is briefly as follows :—

Present position : For the year ended 31st March, 1928, the output of sawn timber in the North Island was approximately 150,000,000 sup. ft., and the chief contributing district for the particular species—viz., totara and matai—are the Main Trunk and Rotorua regions. It is considered that within a few years production will diminish in these regions.

Future outlook : The wood requirements of Taranaki, Hawke's Bay, and Wellington Provinces must come from the Main Trunk region, and, as the end of available supplies within economic tramming distance of the Main Trunk Railway is in sight, the Tongariro area must be considered as the chief future source of supply of totara and matai, if it can be produced at a price in competition with imported redwood, cedar, &c., which will involve a reduction in the selling-price of approximately 30 per cent. The Auckland market will also have an important bearing upon the marketing of timber from this area, particularly in view of the rapid exhaustion of kauri resources.

MINUTES OF EVIDENCE.

TUESDAY, 22ND OCTOBER, 1929.

PRELIMINARY.

The Chairman : I will ask you, gentlemen, to state your names, and the interests you represent, as the evidence will be taken down.

Mr. W. H. Grace : As far as I am concerned, sir, I represent myself as an owner, and I represent the Grace party, who are both owners and have large interests in the Tongariro Timber Co., and I also represent quite a big section of the Native owners. So far as those Native owners are concerned, I may say that I represent the majority of the Native owners. I represent the majority of the Native owners, the Grace party, and my own particular section.

The Chairman : I think it is right that at this stage I should read a telegram that I have received with reference to this matter of representation. It is from Mr. John Cullen, and is as follows : " Very many owners, including myself, seriously object Tongariro Timber Co. being granted any further time or concessions. Also notify you that W. Grace has no authority to appear before your Committee on our behalf."

Mr. W. H. Grace : Of course, I do not claim to represent Mr. John Cullen. I do not think he is of any consequence at all. Mr. Cullen is well known to the Native Minister, and to the ex Native Minister.

Mr. H. Hampson : I represent the Native owners not represented by Mr. Grace. Mr. Grace has said that he represents the majority of the Native owners. I do not desire to join issue with him on that point, because we are not at loggerheads over this matter at the present time ; but, as the Hon. the Minister knows, I think I can claim to represent the great majority of the Ngati Tuwharetoa on this matter.

The Chairman : Is there anybody representing the Tongariro Co. ?

Mr. W. H. Grace : Yes. Mr. D. M. Findlay, who represents the Tongariro Timber Co., is at present at another parliamentary Committee. He will be here presently.

Hon. Sir Apirana Ngata : Who represents the syndicate ?

Mr. W. H. Grace : The representatives of the syndicate will be Mr. Findlay and myself. Mr. Duncan, the manager and organizer, is away at present, but he will be here in Wellington on Thursday.

Mr. J. B. Murdoch : I represent the interests of the Egmont Box Co.

Dr. Chapple : I am here in the interests of some of the English creditors, to whom is owing the £35,000.

Mr. A. J. Seed : I represent the Dominion Federation Sawmillers' Association.

Mr. C. M. Malfroy : Mr. Raich and myself represent the State Forest Service.

Mr. H. HAMPSON examined. (No. 1.)

The Chairman.] Will you now proceed, Mr. Hampson ?—Well, Mr. Chairman, I will be very brief, because all I have to say with regard to what has occurred in the past has been said before before this Committee, and it is on record. At the request of the then Prime Minister, the Right Hon. Mr. Coates, I gave evidence before the last Native Affairs Committee. Briefly, I just desire to say now that I would like you to bear in mind that this is a matter between the owners of this land—in which the Natives have a three-quarters and the Crown a one-quarter interest—and the Tongariro Timber Co., and that the other parties interested, particularly the creditors, should be subordinate to those interests. I am materially interested in this matter myself on behalf of the Natives who have waited so long to have their rights attended to, as is set out in the printed statement which is before you. During the last ten years I have appeared before you at different times on behalf of these Natives, and I do not propose now to go further into that aspect of the matter. The position now briefly is this : In February of this year, at a large meeting at Tokaanu, at which the Hon.

the Minister was present, resolutions were passed by the owners, and those resolutions are now before you. The effect of those resolutions is as follows: That six months' notice was to be given as from the 31st March for the consummation of the project, so that if the project was not consummated by the end of September the Tongariro timber contract would be gone for all time. During that six months they were to pay certain cash payments for registering, and were to have an opportunity of seeing whether they would be in a position to carry out the project. But before the Natives agreed to those resolutions we very expressly asked the Hon. the Minister the question which I myself put to the then Prime Minister at the last Committee meeting, that question being this: Whether the Native owners could obtain—as we considered they were entitled to obtain—from the Crown an absolute indemnity against any claims on behalf of the creditors. The Hon. the Minister said that he thought the Crown's hands might be tied in giving that indemnity, but that he hoped to get a settlement for all time of this very difficult matter. Well, the Natives agreed to those resolutions provided the Hon. the Native Minister carried out what he had stated. Broadly, the Native owners placed themselves in the hands of the Native Minister. But of course that notice was not given in March, and has not yet been given; and so the position remains the same to-day as it was then. We agree that there is some justification for what has been stated by the syndicate—that the delay is not entirely theirs. There has been a change of Government, and certain difficulties have had to be attended to in bringing forward this project of theirs. But there is one point that the Native owners now desire, and that is this: that there must be no further delay. They are emphatic that their present desire is that this six-months notice shall be given forthwith; that the Board be authorized to give the six-months notice to make this contract, and that if at the end of the six months the new company is not registered, and the back royalties not paid, then we have an end to the contract for all time. We ask that that notice be given forthwith. I would just like to make this point perfectly plain. The desire of the Natives is to have the matter settled, and they have agreed to these terms as proposed by the company, after consultation with the members of the syndicate, in the belief that that is at present the only possibility of any immediate settlement.

What are the terms you refer to?—They are set out in that printed statement you have before you. They are embodied in the resolutions agreed to in February last. They were agreed to on the basis that notice should be given from March, and that notice has not yet been given. The Natives are most desirous that that notice should be given at the earliest possible moment.

Captain Rushworth.] Why did not the Natives give the notice in March?—That notice can only be given by the Maori Land Board.

Mr. O'Brien.] Has not over £53,000 been paid to the Natives?—Yes.

That was for royalties, I understand?—That was on account of royalties.

But the company has not done any cutting?—No. There was some timber cut under the agreement with the Egmont Box Co., but that was under a separate agreement.

Did not the Tongariro Co. in 1923 petition Parliament in connection with putting down heavier rails?—The position was that an Order in Council was passed then, laying down that additional heavy rails would be required, and giving the company an extended time to construct the railway. But that Order in Council could only come into existence if and when a contract was signed by Armstrong, Whitworth, and Co., or some other similar firm abroad, and consequently that Order in Council has never yet been operated on.

Hon. Sir Apirana Ngata.] What would be the position if the Egmont Box Co. was obliged to carry out their agreement?—Well, sir, the position of the Egmont Box Co. has been considerably sanctioned by legislation. We have never been able to say that the Egmont Box Co. have not complied with their contract; but they have not. They were to guarantee £30,000 towards the expenses. I have previously stated the position before this Committee. We claim that if the Tongariro Co.'s contract goes, then the Egmont Box Co.'s contract must go with it. That is our view. But the Egmont Box Co. takes a different view.

Do you know anything about the timber royalties?—Well, sir, only what the State Forestry has laid down. In regard to what is set out in the syndicate's project, I consider that the syndicate's proposition of 4s. 6d. per hundred feet is a reasonable royalty to pay. The Forestry Department pays, I think, about 3s., log measurement.

4s. 6d. per hundred feet?—Yes. That was an arrangement that was made, I understand, by Mr. Grace.

Mr. W. H. Grace: Yes. That is the royalty that the new company is offering; 4s. 6d. board measurement is equivalent to 3s. log measurement.

Mr. W. H. GRACE examined. (No. 2.)

The Chairman.] Will you now proceed, Mr. Grace?—Yes. Mr. Chairman and Gentlemen, I appear here to-day primarily to present to this Committee the project to which my friend Mr. Hampson made reference just now. I might mention, of course, that, being interested as I am in the company, I have devoted a lot of time to the matter generally, and have actively interested myself in that direction. But I think, before I come to present the project, I would like to bring under your notice certain aspects in connection with the history of the Tongariro Co. They have a bearing on the project, and I think it is as well that you should have them. The whole idea of a company was conceived by my father, Mr. L. M. Grace, and my uncle, the late Te Heu Heu Tukino. That was in 1905. At that time there was established at the northern end of Lake Taupo what is now known as the Taupo Totara Timber Co. That was an undertaking which benefited the people at the northern end of the lake, and my father and uncle thought that they would provide a similar organization for the southern people, with the result that they approached Mr. E. T. Atkinson, and

he agreed to float a company, and the three of them worked in conjunction with each other and finally floated the Tongariro Co. As to the history of the company, I think that is very ably and fully set out in the statement which is at present before you. I come now to the period commencing about two years ago. The affairs of the company, so far as the Natives were concerned, had been steadily drifting to the bad. At that time Mr. Duncan and various other gentlemen interested themselves in the company, and finally decided to enter on a project whereby they would float a company, take over the rights of the Tongariro Timber Co., and adjust the claims of the various parties interested in a fair and equitable manner. Mr. Duncan got in touch with me, and asked me to associate myself with him in his venture, which I readily agreed to do. Well, the basis of our venture was to form a new company with a working capital of £300,000. But there were two main conditions on which the new company was to be founded. The first condition was that the standard of the railway-line should be modified. With regard to the railway-line, the position is as set out in the statement. The position originally was that a light railway-line was contemplated, but in 1919 the standard of that line was altered to that of a standard second-class Government railway-line. The effect of that alteration was that it doubled the cost of construction, and the general situation did not warrant it. So that the first condition of the new company was that there should be a reversion to the original light standard of railway. The other condition was that the new company should be given leave to deviate the route of the railway. Mr. Duncan and I waited upon the then Prime Minister, and we laid the position before him, and he said that his Government was prepared to give us until the 16th September, 1928, in order to float our company, and that if we did that the Government would give us the conditions mentioned sympathetic consideration. We took that to mean that it would approve of the project. But there was one condition that the Right Hon. Mr. Coates imposed at the time, and that was that the syndicate should find and pay by the 16th September, 1928, all arrears of royalty payable to the Native owners. Mr. Duncan and the syndicate proceeded with their project. They raised the money that was required. Then they approached the creditors for their consent to the project, and the majority of the creditors agreed; but there was one section of the creditors that did not agree, and that was the English creditors: they held out for their pound of flesh. The proposals involved all the creditors reducing their claims by 25 or 30 per cent., and the English creditors were not prepared to do that. The result was that on the 16th September the syndicate had its working capital of £300,000 subscribed; but the consent of the entire body of creditors was outstanding, and without the consent of the entire body of creditors the new company could not be floated; so Mr. Duncan could not pay the £26,000 arrears of royalty then owing, and he therefore could not fulfil the condition imposed by the then Native Minister. The position was that the English creditors held up the formation of the company. In all other respects Mr. Duncan had fulfilled his obligations. Mr. Duncan then asked me to approach the Native owners and obtain their consent to an extension of time for the payment of the arrears of royalty, and incidentally also to obtain their consent to the modifications in the standard and route of the railway-line. I did that, and I got the consent of some 160 of the owners, the people whom I represent and whom I mentioned earlier in the proceedings. They consented to the modifications in the standard of the railway-line and the deviation of the route, and also agreed that the time for the payment of the arrears of royalty should be extended to the 12th December, 1928. Shortly after I left the district and had obtained this consent, one Pau Mariu, who is quite a big owner, and certain other Native owners took it on themselves to petition the House asking, I think, for the cancellation of the company's contract—in other words, a counter-proposition to mine. Well, the matter came before this Committee, and the petitioner and his party, who were represented by my friend Mr. Hampson, held a conference on the matter, and decided that it was useless for us to be fighting each other, and it was finally decided that his party would approve the project, and would give the company until the 31st January in which to pay the arrears of royalty. A memorandum was drawn up and signed by all the parties present at the hearing—namely, Mr. Hampson, Mr. D. M. Findlay, myself, Mr. R. W. Smith, and Mr. Duncan. That was the position at the end of last year. The syndicate had until the 31st January last in which to carry out its undertaking. It had its capital assured, but there was still outstanding the consent of the Government and the consent of the creditors. Well, it was useless going on with the procuring of the consent of the creditors unless the consent of the Government was first obtained. Mr. Duncan and I pressed for the consent of the Government, but owing to various causes—there was an election and a change of Government—the 31st January came along, but we had not procured that consent, and as a result the bottom fell out of the project for the time being, at any rate. Now, coming to what I take to be the legal position at that time: The Tongariro Co.'s obligations were two. One was the payment of royalty. That royalty was on a sliding scale, on an acreage basis, and made payable over a term of fifty years from the 1st March, 1911. For the first fifteen years, from 1911 to 1926, the company was to pay the Native owners £7 10s. per acre for all timber taken during that period. That is equivalent to about 6d. per hundred feet. The next ten years, from 1926 to 1936, the company was to pay £9 7s. 6d. per acre for the timber taken; for the next ten years, from 1936 to 1946, the company was to pay £11 5s.; from 1946 to 1956 the company was to pay £13 2s. 6d.; and from 1956 to 1961, £15 per acre.

What does it amount to, approximately, per hundred feet?—£7 10s. would be equivalent to 6d. per hundred feet; £10 would be, roughly, 8d. per hundred feet, log measurement. The average stand of timber is 30,000 ft. to the acre, and on that stand and at 1s. a hundred feet the royalty value of the timber on an acreage basis would be £15 an acre; so that that means that £7 10s. an acre is the equivalent of 6d. a hundred feet. Well, so far as these royalties are concerned, the Tongariro Co. was frequently behind in paying the royalties; but the position is that at the present time the company has paid to the Native owners in round figures £55,000.

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

and everybody is quite satisfied that it can be raised. The £300,000 of working capital will be employed to build, at any rate, the first twenty miles of the railway-line, assuming the original standard is reverted to. Then there will be a payment of £55,000 to the creditors, including the arrears owing to the Native owners; and the balance would be used to cover outgoings generally until such time as the undertaking becomes revenue-producing.

Hon. Sir Apirana Ngata.] Will the arrears of royalty be paid in full?—Absolutely in full and in cash. I now come to the creditors of the Tongariro Timber Co. The Tongariro Timber Co. owes something like £330,000, including what it owes to the Native owners and to the English creditors. The creditors, including the English creditors, are all going to have their claims reduced, and they will be paid by the new company £55,000 in cash and £200,000 in debentures—debentures which will, of course, rank after the working-capital series. (This series of £300,000 working-capital debentures will after this be referred to as the "B" debentures, and the debentures going to the creditors as the "C" debentures.) Out of the £55,000 cash the Native owners will receive £35,000 to pay off their arrears of royalty, in full and in cash.

What do the rates amount to?—About £1,600 in all. The company pays rates out of royalties. That is the position so far as the Native owners are concerned. I now come to the creditors, and will deal with the first class to whom preference will be given. They will reduce their claims by 20 per cent., and they will be paid 20 per cent. in cash and the remaining 60 per cent. in C debentures. That 20 per cent. in cash will absorb £12,000 of the £55,000 just mentioned. These creditors are the Heuheu-Grace party: that is my party. As I have already told you, the leaders of my party were my father and my uncle. They were the originators of the scheme, and they have fostered it and have worked for it for the last twenty years. They are the old company's oldest creditors, and beyond a small payment made in 1920 for interest they have not received anything. That payment has been all that has been received by them for all their services during the last twenty-four years. So I think they should be entitled to preferential treatment.

What is the amount of the debt owing?—In round figures, £60,000 principal and interest. Our position is that we drop £12,000; we get £12,000 in cash and £36,000 in C debentures. That preference is given for services rendered by my father and my uncle, and particularly by my father. From 1905 up to 1912 he put in a great amount of solid hard work, and incidentally I may say that our family also sold the company their present township-site for £8,200, which has not been paid, and which with interest is included in the £60,000. Then there is another creditor who should receive preferential treatment, and that is the company's solicitors. Their position is much the same as ours. They have been working for the company for the last twenty-five years. They do the same as we do: they reduce their claim by 20 per cent., receive 20 per cent. in cash and 60 per cent. in C debentures. They will receive £1,200 in cash and £3,600 in C debentures. Other creditors who will be preferred and treated in the same way as my party will be the officers of the old Tongariro Co. Like the rest of us, they have had to do a lot of work, and they have got nothing. They are Mr. Atkinson, who is now dead, Mr. Martin, and Mr. Ross. £1,500 will about cover the cash payments which will be made to them. That disposes of the preferred creditors. I will now take the other creditors. The next creditor is Mr. Bertram Phillips. Mr. Bertram Phillips acquired an option in 1925 from the old company with the idea of promoting a new company. He held the option for two years, but did nothing. He was going to raise capital in England, and was going to do all sorts of things; but nevertheless during those two years he did nothing. Notwithstanding that, at the present time he is claiming £33,000 from the company. That claim is made up of money expended by him in connection with his venture. The amount actually expended by him, as far as I can see, was not more than about £14,000, and of that £10,500 was paid to the Board in payment of arrears of royalty then owing. Apparently he had also out-of-pocket expenses travelling backwards and forwards, and that sort of thing. The Native owners would not object to a claim for that £13,000 or £14,000 plus a reasonable amount of interest. But there was also another claim made by him for £15,000, which was disputed by the old company; but in order to shorten proceedings the old company settled the matter by agreeing to pay him the £15,000 plus the £14,000. That is nothing more or less than blood-money, and I claim he is not entitled to any consideration for that claim. The company agreed to give him the £15,000 in order to get rid of him. What we say is that we are settling with the creditors on the merits of their claims, and there is no merit in that claim of £15,000, and therefore it should be disallowed. That is the attitude certainly of my section of the owners. He is entitled to £14,000 plus a certain amount for interest and expenses—or, in other words, he will get £20,000 of the C debentures in settlement of his claim. Mr. Bertram Phillips also comes into the matter in another way—namely, in connection with the Egmont Box Co. All that I know about that is that he took an assignment from the Egmont Box Co. of their cutting-rights. He has cutting-rights over the western area, and has to pay 3s. per hundred feet royalty. He will retain these rights subject to the payment of this royalty. The next creditor I will deal with is the Egmont Box Co. The Egmont Box Co. is one of the few big creditors who have rendered valuable service. They came to the rescue of the company at a very critical time. They advanced money to the company, and they raised money for the company; and they have done practically all the railway-formation work that has been done. The Egmont Box Co.'s claim against the company amounts in round figures to £23,000. It is proposed that they should reduce their claim by £5,000: that would make it £18,000. Of that £18,000, £5,000 would be paid in cash: that is about the value of the railway-construction work they have done. After all, it comes down to this: that work will have to be done in any case, and is really a charge against the railway. The remaining £13,000 will be paid in C debentures. I understand that the Egmont Box Co. agreed to this arrangement about eight months ago. The next creditor is the Houghton-Chapple party. This group in 1922 or 1923 found the sum of £36,000; £35,000 was paid to the Maori Land Board in payment of arrears of royalty. For this money they

received a debenture charge over a specified portion of the Tongariro territory, the portion that is known as the Western B area, but it was never put in the same position as the Western A area—that was separated from the rest of the territory, but the Western B area never was; so that, as far as the Native owners are concerned, the Western B area still remains part of the one big area. This £36,000 was charged on this Western B area, and there is no doubt that this group has a good claim, and as far as that claim is concerned the provision that will be made for the party will be the allocation of 50,000 C debentures; that is, £36,000 plus £14,000 on account of interest. The interest payable to this party under the original arrangement was 10 per cent., but I do not think that rate is equitable. We will not allow 10 per cent.

They receive no cash?—No. An A series of 50,000 shares is to be issued, but that is only to be used for bank-accommodation purposes. The B series of £300,000 is for working-capital purposes, and the C series of £200,000 will go to the creditors. The Houghton-Chapple party has also another claim, no doubt as a reward for their services. In addition to their debentures and mortgage they were granted a royalty charge of 6d. per hundred feet on all timber taken from the Western B area. Well, the amount of timber on that area is estimated at 150 million feet, so that 6d. per hundred feet would mean that they would receive by way of bonus £37,500. But we want to bear in mind that that money is not going to be paid immediately, but as the timber is cut: in other words, it will take about thirty years before that money is paid in full. It is a question of arriving at its present-day value. That value is under £15,000; and, as all the creditors are being asked to reduce their claims, this party will be allotted £10,000 worth of C debentures, so that they will receive in all 60,000 C debentures—50,000 on account of their mortgage and debenture charge and 10,000 on account of their royalty charge. They have a specific mortgage charge over this Western B area, and there has been some talk of these moneys being advanced on standing timber. Well, the new company, as an alternative, is prepared to let them take over their security in full satisfaction of their debt, and to indemnify them against royalties payable to the Native owners up to £50,000, which will more than cover the royalties that the Natives will derive from that particular area. That is the position as far as this party is concerned. Still another creditor is one which is associated with the Egmont Box Co.—that is to say, the party which advanced £26,000 to the Tongariro Timber Co. in 1920. This party holds as security that for money a mortgage and debenture charge over the company's cutting-rights over the Western A area. This party is known as the Egmont Box debentures party. Of that £26,000, £6,000 has been paid off by the Egmont Box Co., and that is included in their claim for £23,000. I think that this particular party is in a very strong position. Western A has been severed from the territory, and they have got a perfectly good security which they can realize. There is only one thing to do, and that is to pay them £20,000 in C debentures in full satisfaction of their claim. It will be of some benefit to the new company to retain that area, and my view is that the holders of those debentures could sell up the Western A area and get their money back in that way. In making provision for all these creditors 100,000 of the 200,000 C debentures will have been allotted, and the remaining 100,000 will go among the other creditors of the company. They are all practically unsecured, and they will all reduce their claims by 25 per cent. and will be paid in C debentures. That is the whole scheme of settlement.

Mr. O'Brien.] Is that the whole of the creditors?—Yes. That is the proposed scheme of settlement.

Hon. Sir Apirana Ngata.] What is the total cash payable?—£55,000, of which £35,000 will go to the Native interests.

Captain Rushworth.] Do you include the county rates?—Those are included in the £35,000. The project is an attempt to make fair and equitable provision for all the various parties interested. With regard to the Native owners, as I have pointed out, their benefits from the project will be (1) increased royalty, which, as I say, works out at 1s. per hundred feet in the log.

Mr. Williams.] All classes of timber?—Yes.

Hon. Sir Apirana Ngata.] For how many years?—Over thirty-five years—until 1965 or 1966. Then, in addition to that, they will have their 120,000 shares, which they will get for nothing, while we confidently anticipate that the new company will pay a dividend of at least 10 per cent. on these shares. So we come to this: the benefits which the Native owners will derive will be, first of all, 1s. per hundred feet on all their timber. The company has based all its figures upon a stand of 1,400 million feet, though I notice that the State Forest estimate is 1,100 million feet, but its estimate was somewhat conservative. That means that the Native owners are going to receive 1s. per hundred feet on 1,400 million feet—in other words, £700,000 royalty. Then they are going to receive 10 per cent. on their shares, which works out at £420,000: £700,000 plus £420,000 is what they will receive. Then, of course, when the new company is wound up they will be paid the capital value of their shares, £120,000. In one way and another the Native owners will receive, if this project is carried out, one and a quarter million pounds—or, in other words, something that is equivalent to 1s. 8d. per hundred feet on their timber. The question is, can the Natives do any better in any other way? Of course, as far as they are concerned, there is one obvious course open to them, and that is the cancellation of the rights of the Tongariro Timber Co. It is their right, and they can do that; but is it in their interests to do so, if there is any chance of the new company going through? I venture to suggest it is not. The territory comprises 60,000 acres, of which possibly 15,000 is accessible: the rest is not. In other words, 15,000 acres may be saleable, but the other 45,000 acres are not. There is only one means of access, by the Waimarino-Tokaanu Road. It is at best a bad road, and can only serve the timber within a radius of ten miles of that road. The length of the territory is over thirty miles and the breadth twenty miles. It is true that from the 15,000 acres which is accessible and saleable the Native owners may get 1s. 8d. per hundred feet, but I venture to suggest that they will not get 3d. per hundred feet for the remote portions of their territory, so that they will get a very

much better bargain out of the project. In regard to myself and my party, I mentioned that we were owners. We are in rather a more fortunate position than the rest of the owners, inasmuch as we have quite a substantial holding in the accessible portions. We will be able to sell our accessible holdings and live on the proceeds of the sale until the remote portions have become accessible, which I do not think will be for twenty, thirty, or forty years. We are all right; but what about the others? This timber is their only asset, and under cancellation they will not get anything for twenty, thirty, or forty years. As it is, and under the project, they will get 1s. 8d. per hundred feet. I venture to suggest that as between the two—the project and cancellation—the project is the best for the Native owners. Of course, there is another course open to the owners—co-operation and consolidation. Both these courses have been mentioned, and it has been suggested that the Native owners should themselves raise the money and build the railway-line, as without a railway-line three-quarters of the timber is of comparatively little value, and it will only become of value when a railway-line has been built. This course is all right, but I do not think the owners would be able to raise the money, and it is therefore my view that it is in the best interests of the Native owners that the project should be gone on with. Now, that closes my exposition of the project, but there are one or two aspects of it upon which I wish to touch. The first is that the project is the last and the final concession to the Tongariro Co. When and if the Government's consent is granted to the project, notice of cancellation must be also given to the company, so that if for any reason the project is not carried out the Native owners get their land back, and there is wiped out and cancelled all the rights of the Tongariro Co. and its connections. The other point to which I want to draw your attention is this: This project emanates from the Native owners. It is an honest endeavour on their part to afford the Tongariro Timber Co. and its connections a reasonable opportunity to get something in return for their efforts. The position is that the Native owners have now, and have had for the last year, the legal right to cancel the rights of the Tongariro Timber Co., which means that it is only through their forbearance that that company and its connections have any prospects of getting anything out of their venture. This being so, the Native owners take upon themselves the right to determine what the company and its connections are to receive, and what they are to receive is set out in the project as outlined by me. In other words, as far as the Native owners are concerned, the project is an ultimatum to the company and its creditors, and they will not have any cavilling or bargaining for further benefits on the part of the company and its creditors.

Mr. Howard.] Mr. Grace, do you suggest that the notice of cancellation should be decided on here by this Committee?—Well, my suggestion is that the notice should be issued at the same time as the Government grants its approval to the project. The date should be fixed from which the Government's approval should take effect and when the notice of cancellation shall be given.

The Chairman.] And you want the notice to be given as early as possible?—We want the consent of the Government to the project and the giving of the notice to be made as early as possible—the notice to be in the terms of the resolutions which are on the file.

Captain Rushworth.] I am not quite clear as to what happens to the County Councils: are they going to recover their back rates under this scheme?—Yes, they will be paid about £1,600—whatever is owing to them—out of that £35,000 that I mentioned.

The Chairman.] That is covered by the provisions of this project you have outlined?—Yes.

Mr. Martin.] Do those County Councils get paid in full?—Of course, in full—to all they are entitled to.

Mr. O'Brien.] Mr. Hampson has said that you do not represent the majority of the owners interested?—Well, the names of my supporters are on record, and the matter can be very easily proved. The records will show that my own party and its connections own over one-fifth of the territory.

Is it in the interests of the Natives to pay this huge sum of money to the different syndicates that have got hold of the land from time to time?—I think it is. It is the only way. What is the alternative?—Cancellation.

Right Hon. Mr. Coates.] Mr. O'Brien is asking whether, by the mere process of cancellation, the opportunity to recover for their debts disappears?

Mr. Hampson: Well, if that question were put to me my reply would be that if we can get an assurance from the Crown that the Crown will stand between the interests of the English and other creditors, and protect the Natives from any claim by the English and other creditors, then the Natives would not have consented to these proposals; but because from neither yourself, Mr. Coates, nor the Hon. Sir Apirana Ngata, was it possible to obtain that assurance, and because, on the contrary, the Hon. Sir Apirana Ngata told the Natives that he feared the opinion of the Cabinet would be that if they washed out the English and other creditors very much the same furore and trouble would be occasioned as was occasioned in connection with the Midland Railway—in other words, if the claims of the English creditors were not protected the Government would not agree to the project; so it was decided by the Natives to make some provision for the English and other creditors. Of course, the Native owners have the first claim in respect of the royalties, but before they can get any profits the creditors must get their proportion. But it is only right that you should bear in mind that by legislation years ago the Crown prevented the Natives and any other creditors from taking action to liquidate the Tongariro Timber Co. It has been set up by the creditors that the Crown has debarred the English creditors from taking their legal rights, and it has been said that it is for the Crown therefore to protect the English creditors and reimburse them for the moneys they might have got. Now, as far as the Native interests are concerned, we are not concerned in that. We say we did not ask for that legislation. We protested against it. I placed on record the objections of the Natives to it.

Right Hon. Mr. Coates: On behalf of your section.

Hampson : All the owners that were debenture-holders. Anyhow, the fact remains that despite that protest that legislation went on to the statute-book, and consequently the creditors say they have been prevented by the Crown from taking their legal steps.

Right Hon. Mr. Coates : Did you say that you were prepared to treat with the creditors ?

Mr. Hampson : No. I asked you to give us an assurance that the Crown—

Right Hon. Mr. Coates : Is that what you meant : that you were prepared to throw the forest open so that the creditors might claim against the owners ?

Mr. Hampson : No. We say the creditors have no claim against the owners, and we say that the Crown has stepped in and prevented the creditors making a claim against the company. The creditors will claim an attachment upon the land, and, unfortunately, the Natives will have to pay. When I came before you a year ago we had a very influential body of sawmillers who were prepared to come in with us on a fifty-fifty basis to find the railway and share the profits, and when that proposition was put to the Crown we asked for an assurance that the Natives should cancel their contract, and that the Crown would protect the Natives from any claim by the English creditors. That was not acceptable, and because we realized then that these claims of British creditors would fall upon the unfortunate Natives we agreed to this proposition, much against our will. We have no desire that this £2,000,000 should be preferred to our interest in the profits, but still I have my doubts whether this project will come into force. But if it comes into force we are prepared to accept it.

The Chairman : Were you present at the meeting on the 21st February ?

Mr. Hampson : Yes.

The Chairman : And your people agreed to this proposition ?

Mr. Hampson : Yes. We put it to them just as I have put it before you now.

Mr. Martin : You agreed to this as a final effort on the part of the company to get out of their difficulties ?

Mr. Hampson : Yes.

Mr. Martin : If not, you desire the cancellation of that within six months ?

Mr. Hampson : Yes ; we want that six months' notice to start at the earliest possible moment.

Mr. O'Brien : Mr. Grace, I think when you were speaking you said that the Tongariro Timber Co., because of its failure to carry out its contract, had forfeited its rights ?—No ; I said that they were forfeitable.

And it would be subject to the consent of the Government ?—Yes.

That is the position at the present time ?—Yes.

And if those rights are forfeited the creditors lose, too ?—Yes ; but they may take steps against the Government.

Mr. Williams : You spoke of the Native owners being allotted 120,000 shares ?—Yes.

How are those shares going to be allotted—individually ?—I have not considered that. I do not think it would be advisable to allot them individually ; you should vest them in the Board. That is a matter that would have to be considered, but we can easily come to some arrangement about that. They certainly should be safeguarded. It would never do to issue the shares to the individuals—they would go and sell them.

You have not definitely decided that ?—No.

Mr. Martin : You said, Mr. Grace, that the object of this project was to give the company another opportunity ?—Yes.

And that practically all their rights are forfeited ?—They are forfeitable.

And this is just to give the company another opportunity ?—Yes—for six months, with the right of an extension for another three months.

Do you consider that, with the opportunities the company has already had, they can in six months bring this matter to a successful issue ?—Yes, by building on the work that has already been done by the Duncan syndicate. You must remember that the Duncan syndicate has been working at this thing for two years, but they had to call a halt.

Are there any documents on record to show that ?—You can take our word for it. We are all perfectly satisfied that the Duncan syndicate will be able to do it. If the new Government is prepared to do the equivalent of what the late Government was prepared to do it will be all right ; but the Government should not come in, as it did in 1919, and buy the land, timber, and everything at £2 5s. or £3 an acre.

Why should the Government dispose of these important interests to this company ?—For the reason that it bought its 15,000 acres from the Native owners : in other words, it stepped into the shoes of the original owners.

Mr. Broadfoot : Has there been any provision made for properly settling this land after it has been overhauled by the timber-millers ?—Not as far as I know.

Mr. Martin : There are records from the Commissioner of Crown Lands regarding it, in which he suggests that the great bulk of it would be fit for settlement afterwards ?—I think that is a matter for the Native owners to decide.

Mr. Findlay : That was provided for by the Stout-Ngata Commission—as it is cut out it is to be handed back to the Native owners.

Mr. Broadfoot : In what state ?

Mr. Findlay : Clear of the timber.

Right Hon. Mr. Coates : Mr. Grace, what do you value the Native interest in the timber at ?—I value it at about one and a quarter millions. That would be a fair value.

In your evidence I understood you to say that you valued it at £700,000 plus £400,000—that is £1,100,000 ?—Yes ; but plus £120,000 for the return of capital when the company is wound up—that puts it at one and a quarter millions.

Would they accept £1,225,000 for the timber, spread over a period?—I have not discussed it with them, but I should say Yes; as an individual owner I would accept it.

Have you negotiated with the creditors in regard to the settlement as set out by you to-day?—With some of them, yes; with the majority of them, no.

Do you assume that they would accept a £20,000 reduction on the total claims?—Yes.

That would be a total loss of £215,000?—Yes—in settlement of debts which amount to £300,000.

Now, I will leave it at that. Do you remember either yourself or Mr. Hampson approaching the Crown in connection with the State purchase of the forest?—I have never approached the Crown at any time.

Have you any knowledge that the owners did approach the Crown?—No, I have no definite knowledge. I never considered State acquisition, for the simple reason that I did not consider that the State would give value.

Are you aware that the State was purchasing in that area, right through there, until 1920?—Yes. I was a member of a deputation that went up and waited upon His Honour and protested against it.

I dare say Mr. Hampson will remember it—that the Crown was approached in connection with the State purchasing the Native interests within the area, and asked that the State should no longer purchase there?

Mr. Hampson: That is so.

Witness: I made that application strongly. I pointed out that in the opinion of the Natives it was a wrong thing to do for the Crown to go round buying individual interests from those unfortunate Natives when they were hard up, and taking advantage of their poverty in that fashion.

Right Hon. Mr. Coates.] And the reason for that was—if I may put it in this way—that in the opinion of the bulk of the owners the amount offered to the Natives by the State for the timber was insufficient?—That is so.

Did the Crown do the right thing or the wrong thing in agreeing to the representations made by the owners of the Tongariro area?—I say without hesitation that, just as the Crown did the wrong thing in buying those interests before, so the Crown did the right thing in stopping the purchase. I do not know whether it was your Government that was in power at the time.

Right Hon. Mr. Coates: No; but the position was put before me, and the force of the argument appealed to me, that the Natives were entitled to the value of the timber accruing to it, and as there were entanglements extending over many years we thought we should look round and see whether there were any further entanglements.

The Chairman.] Mr. Grace, will the representatives of the Egmont Box Co., and the Chapple party, and the Tongariro Timber Co. give evidence in regard to the matters that you have raised to-day?—I think so. I understand they are here for that purpose.

JOHN BRYON MURDOCH examined. (No. 3.)

Witness: Mr. Chairman and gentlemen, first of all, to explain clearly what I represent, I wish to say that I represent the Egmont Box Co. Our company is composed entirely of co-operative dairy-farmers. There are no proprietary interests connected with this company which I represent. Further, in their representation by myself here to-day I am representing the dairy-farmers of practically the whole of Taranaki, and a few farmers in the Wairarapa district who are shareholders in our company. Now, I wish to explain how the Egmont Box Co. came to be interested in the Tongariro Timber Co. The company acquired rights across the Wanganui River in what is known as the Taurewa Block. This block extends for about sixteen miles up the Wanganui River from the Main Trunk end. Practically its only ingress and egress was over land held by the Tongariro Timber Co., and in those days, before I was Chairman of the Egmont Box Co., arrangements were made with the Tongariro Timber Co. to advance certain moneys for the construction of this line. The Egmont Box Co. agreed to find the money for the completion of five miles of this line as an advance to the Tongariro Timber Co. The object was for the purpose of getting a right of ingress and egress to the company's own timber, which was required for its industry. The schedule of the line was published at the time, but it was afterwards materially altered; in fact, eventually the company did not know what was the style of line prescribed to be built and required by the Tongariro Timber Co., but at the same time the Egmont Box Co. advanced up to about £18,000 for the construction work in connection with the line. That is how the position stands at the present time—that the Tongariro Timber Co. has exhausted that money on the formation work of the line and also the purchase of a considerable quantity of material, which is still available for the building of the line. In 1919 the company secured from the Tongariro Timber Co. under a royalty basis the portion of their area known as the Western A Block. In procuring that territory the company paid to the Tongariro Timber Co. the sum of £15,000, which practically included prepaid royalty on a 3s. basis. That area the company cut in for a number of years, and roughly cut out £10,000 of royalty timber. That has been accounted for in the sum of £15,000 that we had originally paid. Then we came into contact with Mr. Bertram Phillips, of London, and we thought it wise to make arrangements with him to take over our rights in the Western A Block. That was done on the understanding, as far as we were concerned, of his going on with the purchase of the title of the Tongariro Timber Co.'s undertaking, which, however, eventually did not transpire. Now, in this Western A Block my company had to guarantee an issue of debentures of £26,000. Those debentures are still a charge upon that block. My company is liable for those debentures if the holder of the block fails to carry out his obligations, or, possibly, if the cancellation of this block takes place by the Government cancelling the rights of the Tongariro Timber

Co. Now, what I wish to be borne in mind is this : We have tentatively gone through the proposals of the Duncan syndicate as placed before you by Mr. Grace this morning, and the proposals they have put to us in regard to our position as creditor we have, to an extent, approved : that is to say, that of the sums of money that I have mentioned to you we are prepared to cut off 20 per cent. of their face value. That is the amount of money that we are prepared to throw away if they will carry out their proposition. I would request that, in consideration of that position, and of the carrying-out of these proposals, the company finding a certain amount of cash and relieving us of certain of our obligations, that you facilitate the carrying-out of the company's proposal. It is not for me to say what otherwise may happen, but that is the position. As the representative of the Egmont Box Co.—which is a creditor of the Tongariro Timber Co.—I would ask your Committee to give that proposal your consideration. We have a mortgage over the railway rights, which are the private property of the Tongariro Timber Co.

The Chairman.] In the event of the Tongariro Timber Co.'s rights being cancelled, would that affect the title you have referred to ?

Mr. Hampson : No ; it is freehold.

Witness : This railway route is practically the route of ingress and egress for the Egmont Box Co. across the river, and the facilities proposed to be given to this company to carry out their proposals would also give us facilities to carry on our work. We have approved these proposals, and I hope that you will do your best to see that we are protected.

Captain Rushworth.] The position then is that the Egmont Box Co. stands to save something from the wreck if this venture materializes ?—That is so.

But supposing the alternative is adopted and the Tongariro Co.'s rights are extinguished, what is the position of your company then ; has your company any rights apart from the rights of the Tongariro Timber Co. ?—We may have some rights under the special legislation that was put through in 1918, but just how far those rights go I would not like to say. I am sorry that through having such short notice of this meeting I was not able to bring down my office solicitor.

Are you satisfied that it is in the interests of the Egmont Box Co. that this project should go through ?—Yes, we have considered it in every way ; that is why we have approved tentatively of it.

Mr. O'Brien.] What do you consider is the total value of the Egmont Box Co.'s interests in the Tongariro Timber Co.'s concessions ?—The total value of our interests is the amount of work and material that we have put into the construction of the railway-line leading to their block.

But you have not the total value of your interest in the concessions ?—That we put down at £23,000.

Plus the work done on the railway-line ?—No.

That is the value of your total interest ?—Yes, except in Western A area, where we have 26,000 debentures.

Making £49,000 all told ?—Yes.

You were guarantors of the £26,000 ?—Yes.

Mr. Martin.] You feel, Mr. Murdoch, that the interests of the company would be safeguarded better by the financing of this Duncan syndicate proposal ?—I feel that, under the Tongariro Timber Co., and after the many years we have been with them, we never know whether they are going to live to see it out, and we feel that with this Duncan proposal, as far as we understand it, coming to a head within a reasonable period, we see that something is to be got out of the business which is more satisfactory than we have had before.

Are you satisfied that in the event of cancellation all your rights and interests would go ?—No, I do not say that they go at all : that is a question.

You said that the Egmont Box Co. had paid approximately £10,000 in royalties ?—That is in connection with the timber we have cut. We have cut out timber to the extent of £10,000. We paid them £15,000. The rest is the mortgage from Mr. Bertram Phillips, of England, as he is the present holder of the Western A Block.

Mr. O'Brien.] If this syndicate's proposal goes down, there is nothing to stop another one starting in six months' time ?—It would take the same period to eventuate as this company took.

Mr. Martin.] Is that not a case of " Better the devil you know than the devil you don't know ? " —There is quite a lot of truth in that.

The Chairman.] The interest of your company amounts to £50,000 at the present time ?—Yes. The first portion I mentioned was absolutely developmental work ; the rest is debentures used by the company for paying royalties.

But your company is a purely developmental company for the utilization of material for the purposes of the industry in which you are interested ?—That is so, entirely.

And at the present time you have a sense of insecurity ?—Yes.

And you are willing to fall into line with the proposals brought forward, on account of the stability which you expect to derive from those proposals ?—Yes, that is so.

Assuming that that stability could be obtained by any other course, you would be equally well satisfied ?—Quite so.

Captain Rushworth.] That £23,000 has to be reduced to £18,000 ?—Yes.

The Chairman.] You are going to sacrifice that 20 per cent. in order to secure that stability ?—Yes, that is our position.

Mr. Hampson (to witness).] There is one question I want to put to you, Mr. Murdoch. Realizing, as I am sure you do, that the proposal now suggested means that the Natives are prepared to postpone their interest in profits behind the debentures you are to get, are you prepared to undertake that in the event of the company not carrying out its obligations within the six months—to undertake on behalf of your company that you will make no claim on the Natives or their interests ?—No, I am not prepared to make any such undertaking.

I would like that recorded?—No, I have not had the proposition put that way; I have not discussed that matter with my company.

Will you put that proposition to your company—whether, in the event of this six-months extension being granted, and at the end of that time the Duncan project not materializing so that the Tongariro Timber Co. falls to the ground, that your company, in such case, will undertake that it will then make no claim upon the Natives or their interests in respect to any moneys?—I think that position is very clear. If that were done by the creditors the Natives would say, “Cancel the whole job.”

No, we do not say that?—I would say straight out, “No.” I think my company will say “No” to that question.

ARTHUR JAMES SEED examined. (No. 4.)

Witness: I want to submit to you, Mr. Chairman, and to the Committee, copy of a letter which my federation wrote to the Prime Minister in September last, as follows:—

The Dominion Federated Sawmillers' Association,
Employers' Federation Buildings, Wellington, 19th September, 1929.

The Right Hon. the Prime Minister, Parliament Buildings, Wellington.

DEAR SIR,—

Tongariro Timber Areas.

As it has been the policy of this federation and of the sawmillers of New Zealand for a number of years past to use every means possible, and encourage and support every movement, for the true conservation and proper utilization of the Dominion's remaining forest resources, and as we understand that a favourable opportunity is now available for your Government to acquire the interests of the original Tongariro Timber Co. over the last remaining considerable area of mixed milling-timber lands in the North Island, we would most strongly urge that your Government should so acquire it.

The annual report of the Director of Forestry—recently presented to Parliament—stresses the fact that the sawmills already established in the Dominion “have a producing-capacity at least 100 per cent. in excess of the present consumption.” This circumstance will tend to perpetuate the sorely depressed state of the industry and lead to great waste in conversion. It also tends to prevent the possibility of any higher degree of efficiency in production.

If, therefore, the Tongariro area were to be brought upon the market under conditions that would of necessity entail its immediate development and the throwing upon an already saturated market of a considerably increased volume of sawn timber—as, indeed, we understand, is the intent of the development syndicate—then the present confusion of the sawmilling industry would be worse confounded, and the general security and value of standing timber of whatever tenure would be seriously depreciated. This depreciation would, of course, affect all timber holdings, including the great reserves of State forests, as well as the Tongariro area itself.

The most serious result of any such early development of the Tongariro block, however, would be the enormous waste in conversion in all our forests, already referred to. Such inevitable waste spells the unnecessarily early destruction of the Dominion's remaining forest resources.

To us, therefore—who have some comprehensive knowledge of the general timber situation in New Zealand—the right and proper thing to be done with the Tongariro Block seems to be that it should be made the property of the State, to be conserved and jealously rationed out to the sawmilling industry as and when the necessity arises for greater supplies of timber for community needs.

We again strongly urge the necessity for your Government to acquire the Tongariro timber area, and respectfully submit these representations for your serious consideration.

Yours faithfully,

For the DOMINION FEDERATED SAWMILLERS' ASSOCIATION,
W. J. BUTLER, President.
ARTHUR SEED, Secretary.

I have very little to add to that letter. The reference I have made to the State Forest report is to the last annual report of the Department presented to Parliament. In the first place, they say that the average mill value of timber produced in New Zealand depreciated for the year ended 31st March, 1928, to 18s., as compared with 19s. 2d. for the preceding year. This decrease in the general value of the timber produced in New Zealand is due to overproduction, and this overproduction of timber entails enormous waste. When the market is saturated the demand is only for the higher grades, and the lower grades that are mostly found in the top logs are left in the bush to rot. The miller, when he is able to find a market for only the higher grades, naturally severs the lower grades from the log at the first point of working. The other statement of the Director of Forestry in respect to the milling industry was as to the causes for this decline in production. He says: “The causes for this are all interrelated and more or less well known. New Zealand mills have a producing-capacity of at least 100 per cent. in excess of present consumption.” I do not propose to say any more, Mr. Chairman.

The Chairman.] You have heard of the sliding scale—how it rises over a series of years to the highest stage?—I am not very intimate with that.

But you have heard the evidence given here this morning?—No, unfortunately; I was called away to another Committee.

Well, the proposal is that for a series of years the amount would be £9 per acre, and then £13: would that have the effect of hastening the utilization of the timber within the earlier years of development?—I think that would be very natural—if the sawmiller had the capacity to utilize it in the earlier period.

But it certainly would not tend to conserve the timber for future use?—That is so.

Mr. Martin.] Have you considered what would be a fair value for that property?—No.

Have you any knowledge of the values of that area at all?—Very vague. I have not spent a great deal of time in that particular district, except around the mills that are operating there.

Captain Rushworth.] What do you think of 1s. per hundred feet in the log as a royalty?—That would be equal to 1s. 6d. in sawn measurement.

What do you think of that as a royalty?—According to species, it is quite high enough for rimu. It depends upon the accessibility. Accessibility, quantity per acre, and contour or physical characteristics of the country upon which the timber is growing fix the royalty value.

You have no particular comments to make upon that royalty?—No.

You mentioned the fact that the market is saturated: is it not a fact that a good deal of timber-substitute is being used?—Yes. The position of the timber-market is such at the present time that it is very difficult to accurately tie down to any one cause the slackening in demand.

Is it possible that the slackening in demand could be caused by too high prices?—It is possible, of course, yes.

If the prices were too high?—The present prices may be such as to allow substitutes to come in and undersell our timbers.

If prices were too high the natural effect would be to encourage the use of substitutes?—Yes; and on broad principles I consider that it is the proper function of the Government to use some measure of control over a national asset such as timber. Where it is held by the Crown and private owners the Crown or the State should exercise some governing influence on the rationing of available and possible supplies of timber to the requirements of the country, because it is not an easily replaceable State asset.

This timber, of course, is the property of the Natives, and it is a business proposition that they are considering?—That is so.

Do you suggest that the Government should interfere in business?—Where the interests of the State are paramount, certainly—where the interests of the people are paramount—it is being done every day.

And if the Natives do not wish to sell they should be compelled to sell?—I would not go that length.

You think that the Government should make a better offer?—I think that the Government should exhaust every possibility of State acquisition, if it can be got at a price that will leave the State with a reasonable margin for its rational exploitation as the years go by.

The Chairman.] You are not suggesting that the State should utilize it themselves: you are suggesting that the State should utilize it as a State asset, and then allow, if necessary, private enterprise portions from time to time as the demand grows?—Yes, as the demand warrants.

You do not suggest that the State should take the timber and run a State mill?—Certainly not. God forbid!

Mr. O'Brien.] Mr. Seed, you say that were this area to be cut out it would flood the market; yet if the timber-millers had their Australian trade back, and the importations were kept out of the country, could not this area be exploited if there were about 100 million feet a year affected in comparison to what was done fifteen years ago?—The production of timber for 1926 was 356 million feet; the production for 1928 had fallen to about 270 million feet: the fall in two years was nearly 100 million feet.

Mr. Findlay.] Due to a shortage in supplies?—No.

Mr. O'Brien.] A few years ago we exported nearly 100 million feet a year to Australia, and we were milling about 30 million feet a year less than we are milling to-day, which is a rather big quantity. If that trade were got back this timber could be exploited. It has been said that about 30 per cent. of the timber in these blocks is totara. What would you consider a fair royalty for totara? I understand that some millers pay 8s. per hundred feet for it?—I have instances of that being paid; but a large part of the value is represented by ease of access, its proximity to rail, the quantity per acre, and the ease of working.

But a large portion of this area is easy of access, so they tell us?—I understand that there was a large capital outlay to be expended before they could reach it.

Mr. Martin.] You referred to the possibility of the millers leaving the poor timber and taking out only the best of the log, and leaving the rest to rot: with the substitutes that are now being used, is it not a fact that various timbers are being used?—There has been no utilization of such timbers in New Zealand; there is a certain type of wallboard which is not proving satisfactory to this climate.

You take the large number of ferro-concrete places that are being built: what about all the boxing—that is a poor kind of timber?—That is very largely *Pinus insignis* which is being used for that now.

On account of its lightness?—Yes, and because it does not stain. A number of New Zealand architects would not permit the use of any New Zealand timber save *Pinus insignis* for that purpose, owing to the fact that our other woods are supposed to leave a stain on the concrete.

Can you tell us the result of investment in timber-mills in recent years: are they paying good dividends?—I know of none that are paying good dividends; I know of quite a number that have not paid any dividends for quite a number of years.

Mr. Hampson.] Mr. Seed, your association would not desire the Crown to acquire timber from the Natives at a price that was less than a fair proposition?—No.

Mr. Findlay.] There is a statement made that the output of sawn timber in the North Island was approximately 150 million superficial feet, and the chief contributing districts for totara and matai are the Main Trunk and Rotorua regions, and that it is considered that within a few years production will diminish in these regions: do you understand that it will diminish there because it will be cut out?—There are some mills which will be cut out in a certain number of years.

But not of totara and matai?—Possibly not.

Here is another statement before the Committee: The wood requirements of Taranaki, Hawke's Bay, and Wellington Provinces must come from the Main Trunk region, and the end of available supplies within economic tramming distance of the Main Trunk Railway is within sight?—It was within sight twenty years ago.

This is another statement: The Tongariro area must be considered as the chief future source of supply of totara and matai, if it can be produced at a price in competition with the imported redwood, cedar, &c.?—I do not know about that.

You do not know this area?—No.

You do not know whether it is correct, as has been reported, that the timber can be handled at 30 per cent. of its regional cost?—I do not know that.

That is contained in the Forestry Report, and you can find it there. I take it that the object of your association is to jealously protect the forests?—To protect the depletion of the forests.

Well, the point that struck me as important is this: Why your anxiety in regard to the forests if there is plenty and more than plenty of timber?—Because it is absolutely spoiling the market.

Is it not a fact that really you think that this native timber should be conserved in order to supply our needs if properly handled?—That is so.

TUESDAY, 29TH OCTOBER, 1929.

(In the absence of the Chairman, Mr. Broadfoot took the chair.)

DR. CHAPPLE examined. (No. 5.)

The Chairman.] We will now take your evidence, Dr. Chapple?—Mr. Chairman and Gentlemen of the Committee: I have been associated with the Tongariro Timber Co. in everything from 1920 onwards, and I negotiated with Armstrong, Whitworth, and Co. for the construction of the line. That contract was later transferred to Cammell, Laird, and Co. I also negotiated with the British Labour Government of 1924, which is now the Government in office in Britain, and which granted, under the Trades Facilities, £250,000 for the construction of the line. I raised also £35,000 from myself and my friends in order to comply with an Act of Parliament which required £35,000 to be paid over to the Aotea Native Land Board in order to keep the concessions alive. Armstrong, Whitworth, and Co. sent out their engineer, Mr. Wilson, and subsequently Mr. E. H. Hiley was sent out by Cammell, Laird, and Co., and those engineers reported to their principals that the line was going to be a very costly one, because, owing to the new specifications set out in the Order in Council of 1921, the standard had been raised from an original tramway standard, at a cost of £4,000 a mile, to a Government railway standard, costing £13,000 a mile. When Armstrong, Whitworth and Cammell, Laird respectively, discovered that the amount they were required to find to build the railway was so high, and moreover when they discovered that there was no settlement along the line—no towns along the line, no town at the terminus, and that there was only one kind of freight, and only one-way traffic—they all “got cold feet,” and they escaped from their written contract under a provision which enabled them to retire unless the investigations of their engineers—Mr. Wilson on behalf of Armstrong, Whitworth, and Mr. E. H. Hiley on behalf of Cammell, Laird—was satisfactory. The original contract between the Tongariro Co. and the Natives was for a tramway with 30 lb. rails, and this standard having been raised by the Order in Council of 1921 put the raising of the funds for the construction of the railway practically beyond the scope of financing. I want to say here that the Tongariro Co. has been upbraided, it has been criticized, it has been attacked for a lack of business enterprise and a lack of confidence; but I want to say emphatically that, in my opinion, if the best business brains in New Zealand had been on the board of the Tongariro Timber Co. it could not have done more under those circumstances than has been done by the present directors of the Tongariro Co. They were up against this problem: The investors would not put in any money for the high standard of railway required. The railway would cost £13,000 a mile, where there was only timber traffic, and no settlement, and no prospect of settlement. I say that, because the freehold of the land did not belong to the Tongariro Timber Co., and they could do nothing towards settlement. If it was in the hands of the State, however, the position would be entirely different, because the State could acquire the freehold. No private individuals can acquire the freehold, but the Government can acquire it, and as a freehold proposition close settlement is a perfectly simple problem. The Tongariro Timber Co. floated a company in 1914 in London. I met the principals, and I know the facts. But the war broke out, and all the money had to be returned. Then the war came, and the Government very generously passed a Moratorium Act postponing the obligations of the Tongariro Timber Co. until after the war. The war was over in 1918, but not until 1921, three years afterwards, did the Government issue an Order in Council, and when that Order in Council came to be critically examined it was found that it had raised the standard of the railway beyond the reach of any financing; and it is beyond the reach of any financing now. The new company, the Duncan syndicate, could not finance a Government standard railway any more than the Tongariro Co. could do so. It was beyond financing. The Tongariro Co. could not settle the land along the line, because it had not the freehold. We found that quite fatal. Well, that £35,000 was found by myself and my friends at Home. The Cammell-Laird people were interested in it, and Armstrong, Whitworth, and their shareholders were interested in it, and there was a number of private people, and Mr. Houghton and myself. I suppose there are no less than one thousand people financially interested in the Tongariro Timber Co. and awaiting the decision of the Government. Now, to come down to the present time: I do not wish to delay the Committee, and I am trying to keep as much as possible to the relevant facts. As has been pointed out, the late Government, of which the Right Hon. Mr. Coates was the head, gave the new syndicate, the Duncan syndicate, permission to approach the Natives on the subject of reducing the standard of the railway. The Duncan syndicate was brought into the enterprise by the prospect of getting the railway reduced to a tramway standard. No one would think or dream of looking at this project unless permission was given to investors to find only enough money to build a timber tramway for timber purposes only. Mr. Coates, undoubtedly recognizing this position, said that if the Natives agreed he would raise no objection to reverting to

the tramway standard. But the Natives' consent could not be got before his Government went out of office and the new Government came in. But in February of this year, three months after the present Government took office, the Natives did meet, under the chairmanship of the present Native Minister, Sir Apirana Ngata, and then and there renewed the concession to the company, and permitted the reversion to the timber tramway. This made the financing of the railway possible and within reach, because the money was available for the construction of such a line; and moreover, the new syndicate entered into a written and binding contract to dispose of 800 million feet of timber for over £2,500,000 in royalties and freight; and on the strength of that contract all the money was available, and is available now, providing the Government confirms the Native resolution—that is to say, providing the Government confirms the Native resolution without any embarrassing or harassing conditions. That is essential. If the Government confirm the resolution but attach embarrassing conditions, the money probably would not be available. That was the position which arose in 1921, when those embarrassing conditions—those fatal conditions—were issued by the Order in Council of September, 1921. Now, I claim that the Tongariro Co. has been re-established by that resolution of the 21st February, re-established by the only people who could re-establish it, the Native owners, overlooking any faults of the past, any delay, and recognizing, no doubt, as they must have recognized, as anybody must recognize who looks into this question, that the responsibility for this delay does not rest upon the shoulders of the Tongariro Co.—not one iota. I make bold to say that there is nothing before any right-minded man to support the contention that the Tongariro Co. has not fulfilled its obligations, up to the limits imposed upon it.

Hon. Sir Apirana Ngata.] Is not that pretty strong?—It is pretty strong. I claim that the Tongariro Co. has fulfilled its obligations, up to those limits.

What about the element of time?—The element of time does not come into the responsibility. I regret the delay on behalf of the Natives, who have been deprived of their full royalties all these years. But I assert that if it had not been for the raising of the standard to an insuperable level, the railway-construction would have gone on immediately after the war. I had the money in London for that purpose. I could find the money for that purpose now, provided it is for a railway at £4,000 a mile, and not for a railway at £13,000 a mile—£9,000 a mile more. When I was in London they asked me this: "What is your source of revenue for the railway?" "The carriage of timber." "What else?" "Nothing." "Any towns?" "No." "Any town at the terminus?" "No." "Any settlement?" "None." "Then, what on earth do you want with a railway costing £13,000 a mile, where there is no traffic but timber, and that only one way?" I want to give an explanation of the delay, and I say that the directors of the Tongariro Co. are not responsible for that delay. If you insist upon a Government standard railway it is impossible to find the money even now. Mr. Duncan has said so. His investors have already said, "We will find £4,000 a mile, but not £13,000 a mile." Criticism has been made against the Government over this, and I have always defended the Government. It has been stated that the Government deliberately raised the standard of railway. There is no doubt that the Government were thinking of the difficulty they had had with the low-standard railway on the Taupo Totara Timber Co.'s railway, and they thought they would get a railway here that would form part of the Main Trunk line from Kakahi to Rotorua, and be able to take it over without any loss to the company. I am quite sure that the Government issued that Order in Council in good faith, and I have consequently taken up that attitude, and have constantly defended the Government against this criticism.

Mr. Martin.] Then, what are you complaining about now?—I am not complaining: I am explaining.

Captain Rushworth.] Do you think it has only been a blunder?—No; I have no doubt the Government thought that as the timber had increased in value the Tongariro Co. could well find the money out of such a handsome property to build a Government standard railway, and that the Government could then take it over. They made provision to take it over. They intended to make it part of the Main Trunk line to Rotorua. Then there was a change in policy, and the Government ceased putting in branch lines; and Mr. Jones, the late Chairman of the Railway Commissioners, told me that under the new circumstances they were not building branch lines, and he did not think it fair to call upon any company to build a branch line of railway. So that the whole position from the Government point of view has changed since then. The new company should be permitted to revert to the original tramway standard, and that has been granted by the Natives, subject to confirmation by Cabinet. I only want to say a few words more and then I will have finished. The directors of the Tongariro Co. have come to the conclusion that, as eight months or more have been allowed to pass since the Natives passed that resolution on the 21st February, 1929, the Government must have in its mind a notion, which has always been present in the minds of every Government, and of everybody who knows anything about Tongariro, that this is a property that should not be in the hands of private speculators, but should belong to the State. Sir Robert Stout and Sir Apirana Ngata were members of a Commission that in 1908 reported to the Government that alienation should not be allowed—that this enormous property was sufficiently large to disorganize the whole of the timber industry, sufficiently large to be deemed a monopoly in the hands of a few people; that this 60,000 acres of solid timber—almost solid totara and matai—should not be in the hands of private individuals and be a monopoly for private enterprise. Sir Apirana Ngata and Sir Robert Stout reported to the Government that it should not be alienated—that is their report of 1908—but that, if the Government was not prepared to open the country up, then the terms between the Tongariro Co. and the Natives were fair and reasonable, and should be confirmed. Well, the Government was not prepared to open it up and work it, and consequently they ratified the agreement between the Tongariro Co. and the Native owners. The directors of the Tongariro Co. have now come to the conclusion that the Government must wish to take over this block, and prefer to do that, rather than

confirm the Native resolution, and they have authorized me to state—and they have also sent a letter to the Chairman of this Committee to the same effect—that if the Government does not wish to confirm the Native resolution, without imposing embarrassing conditions or restrictions of any kind to hamper them in the development of the property, the Tongariro Co. would accept an amount equivalent to its debts, and a refund without interest of the royalties already paid to the Natives. Those royalties were paid at the rate of a few pence for timber that is now worth shillings, the difference being the sum of £300,000. The position is that the Tongariro Timber Co. has paid for £300,000 worth of that timber. That timber is now worth £300,000 free of royalty. That £300,000 worth of timber is owned by the Tongariro Co. in equity, but not in law. I am not dealing with the legal aspect of this matter at all. But in equity it belongs to the Tongariro Timber Co., and it would be taken over if the Government takes over the assets of the company. And not only have Sir Apirana Ngata and Sir Robert Stout reported in favour of it being owned by the Government: that is also the view of the Forestry Department. That was the view of Captain Ellis. Captain Ellis told me, “This large estate should belong to the Forestry Department, and it should be made available to the sawmilling industry and not allowed to become the monopoly of the few.” That was also the view of Sir Francis Bell. He personally expressed to me the opinion that this estate was so large, that it was such a huge part of the remaining forest, that if the State lost control of it it would mean that the sole source of supply so far as totara was concerned would soon be in private hands. Now, I have not much more to add, but simply to say this: that if the Government wish to take this over, it may have it on any equitable terms without leaving any grievance in any way. I think the Government and Parliament should deal equitably in this matter. There is a saying that a Government should be a model employer, a model financier, a model negotiator. This is a question between the Tongariro Co. and the Government. The Governments have played their part and looked after the interests of the State, and they should now take this opportunity of getting the block at a bedrock price. I am speaking on behalf of myself as a public man in saying that. The new company of course wants the resolution confirmed; and the sawmilling syndicate wants it confirmed. As a matter of fact, we all want it confirmed. I am putting this proposition in case the State does not wish to confirm it. We place this alternative at your disposal. The proposition is that the Government should pay the Tongariro Co. the amount of its debts, and refund to them, without interest, the royalties already paid by them. The value of the timber owned and paid for by the company covers more than that. The Government are in the box seat. If they are not prepared to do that, they might dictate terms to us. They might say, “We will give you so-and-so”; and if they give the Tongariro Co. a sufficient length of time—say, six or twelve months—to get their creditors to make *pro rata* reductions, the Government might have it very largely at their own price. I am not saying that on behalf of the company. I never saw a property in this country so well and favourably reported on by the Government’s own experts. Mr. R. P. Greville, one of the finest Civil servants of this country, reported that most of the Tongariro land was practically level or of very easy slope, the soil being good and intermixed with humus, and that it would cut up into areas of 200 or 650 acres, and make valuable dairy-farms and sheep-farms. Any one who has gone over that country, as I have, knows that that is true. It is well watered. There is a beautiful waterfall quite close to the township-site. I would undertake to secure from the present British Government all the money required to purchase, road and settle the property at $2\frac{1}{2}$ per cent. Australia has a contract of that kind now, that was drawn up between Messrs. Bruce and Amery before I left London. The terms agreed upon were that £34,000,000 should be made available for developing the land by the Overseas Settlement Committee, the British Government paying half the interest—that is, $2\frac{1}{2}$ per cent. That money is being used now in Australia. It has been used for several years in developing the country, and they have had already £9,000,000 of that money. It could be secured for New Zealand for the same purpose and on the same terms. Now, if a private company could develop that country and pay 10 per cent., what would the Government be able to do, seeing that it can secure the freehold. It could secure the freehold of the land and develop it with the money at $2\frac{1}{2}$ per cent. I venture to say that that is the right thing to do. The Government should first acquire the Tongariro rights, then acquire the freehold, then put a dirt road diagonally through to the lake. The land is not all one solid block of timber. It is not all solid timber. There are great stretches of open country amongst it that could be settled now. That is what Mr. R. P. Greville has reported on. I have suggested a dirt road, but I think there should be a concrete road for the first five or six miles, to tap the first timber. The timber starts only six miles away from Kakahi. There is 200 million feet available when there is a concrete road for that distance. Sawmillers are now using six-wheeled lorries, and are carrying the largest forest logs over dirt roads, but it would require a concrete road in this case. This forest is upon a tableland, and if there was five or six miles of a concrete road, extended later to sixteen miles, they would be able to reach half the forest, and there would be £2,000,000 worth of royalties there alone. I have never seen in this country, or in any other country, a block so large and so valuable, and so favourable for the Government to acquire. The Government can acquire the freehold, and a private company cannot do that. I think that is all I have to say, gentlemen.

(At this stage Mr. Makitanara took the chair.)

Mr. O’Brien.] I think you stated that the company had £300,000 worth of timber there now, and your suggestion is that the Government should take over that timber. Does that £300,000 represent the royalties paid by the Tongariro Co., and the debts of the company?—No. The amount of royalty paid in advance comes to £53,000 odd. That is explained in that very excellent statement prepared by the Native Minister’s Department. That £53,000 was paid at a Native royalty rate that was fixed twenty-five or twenty-seven years ago between the Tongariro Co. and the Natives. But that timber has since increased in value, and is now worth £300,000. And I claim that this profit is the property of the Tongariro Co. in equity, though not in law. In law the Tongariro Co. has not a leg to stand on. In fact, the Tongariro Co. own the unearned increment in all the timber, which amounts to about £3,747,000, so that the Government would also get that.

Did you say that the Government should pay £300,000 in full settlement?—No, I did not suggest that. I said that they should make a refund of the royalties and pay the amount of the debts. The Tongariro Timber Co. authorized me to make that offer to the Government. They would then transfer all their freehold property and their timber and timber rights to the Government.

Which they have not got?—Legally they have not. Legally they have not a leg to stand on. But in equity they have.

Mr. Howard.] Can you give us any idea as to why that Order in Council was introduced?—I do not know. I was not here at the time. I had no knowledge of it at all. It was really a revelation to us all in London. The Order in Council also required tunnelling and a circuitous route; and the culverts required to be of steel, and the bridges were to be of steel, and all the other specifications were to be according to the specifications of the Railway Department. That proved an insuperable difficulty. Even Mr. Bertram Phillips told me he could not raise the money in London for £13,000 a mile. He told me he could have done it himself if it was only a question of £4,000 a mile. He is a very rich man.

If the State took it over, and paid those debts, would it still be a good proposition to the State?—There is no question about it. Here is the Forestry Department's report of the 28th June, 1924, in the statement you have before you: "On the 28th June, 1924, a communication was forwarded by the Secretary of Forestry to the Lands Department stating that it would be greatly to the advantage of the State if these rights could be acquired." And then, "On the 10th July, 1924, a memorandum was forwarded to the Under-Secretary, Lands Department, giving particulars as to the area, &c., and stating that £500,000 might with safety be offered as a basis of negotiations."

Is that in the Forestry Report of 1924?—No; that is extracted by the Native Minister's Department from the departmental documents upon the situation.

Do you know where I can find that report?—The Native Minister will show it to you.

Hon. Sir Apirana Ngata.] Have not the Natives a grievance against the Tongariro Co. because of the delay?—I do not think that any fair-minded individual would say that the Tongariro Co. is responsible for that. The company has been placed in this position because of the Order in Council. It had no control over that whatever.

But did not thirteen years elapse between the drawing-up of the agreement and the issuing of the Order in Council?—Well, the war was responsible for a good deal of the delay. The Tongariro Co. also spent money in surveying the block. They surveyed it into 100-acre blocks. And then the Government generously and rightly issued a moratorium extending the obligations because of the war. But they did that also for everybody else: everybody got the moratorium. But it was three years after the moratorium expired before the Order in Council was issued. During that time I was in London for a whole year trying to negotiate, but could not do so during that time because of the delay in issuing the Order in Council. The Government had promised to issue an Order in Council extending the period, and they issued that Order in Council in September, 1921.

After thirteen years were not the Natives entitled to ask for something better than was in the agreement?—I dare say they were entitled to ask for something better, but that was a matter for negotiation.

In regard to royalties?—Yes. It was a matter for negotiation as to what was fair.

If the Government controlled the position now, what basis would be fair regarding the timber?—I cannot tell you that. That would have to be worked out.

Could it be done under an agreement with the Tongariro Co.?—No. You must have the new company, if the Native resolution is confirmed.

A new company?—Yes. The Tongariro Co. has given the option to the new company over their interests and is practically wiped out if the Native resolution is confirmed.

MR. R. B. MARTIN examined. (No. 6.)

The Chairman.] What is your full name, Mr. Martin?—Richard Bowden Martin.

And your official position?—I am a director of the Tongariro Timber Co.

Will you proceed with your statement?—Mr. Chairman and gentlemen, Mr. Findlay unfortunately is confined to his bed with influenza, and I have received this letter from him this morning. He is representing the Tongariro Timber Co. I would like to read extracts from this letter. He says that—

(1) Shareholders of the company had never got anything in return for their money and enterprise. (2) The Natives had at least received nearly £1 per acre in royalties; have had a line surveyed and partly formed, &c. The late Mr. Tudor Atkinson's devotion to the enterprise, his self-denial, and his impoverishment, and finally his death. (3) Causes of the company's failure: There is no doubt had it not been for the war the company would have pulled through. (4) Then, after the war there were the long delays before we got from the Government the Order in Council of 1921. (5) It is clear that the Order in Council with its incubus of a Government standard railway was our undoing. No doubt Sir Francis Bell's object was to protect the Government against the possibility of taking over a badly constructed line, under local pressure; but quite clearly he did not want the forest milled, and if he had had his way would have acquired it for the State. (6) It took from 1918 to 1921 to get that Order in Council; and the rest of the story you know.

Captain Rushworth.] If the creditors were paid and the royalties refunded would you be satisfied?—Yes. That is Dr. Chapple's statement. But if our creditors were paid and the royalties were refunded we would be quite satisfied. As shareholders we would get our money back. The shareholders have been without the use of their money for over twenty years.

When the company was first formed was it formed on a capital of £25,000?—Yes.

Has there been any new capital?—No, nothing at all.

Nothing at all?—No.

Have you had no royalties outside the amount which has been paid by the Egmont Box Co.?—No, nothing. There has been a small amount received for totara posts only—a very small amount—£150 at the outside.

That is all you have had outside of what has been paid by the Egmont Box Co.?—That is all.

Can we get a copy of the Trading Account, and the Profit and Loss Account, and the Balance-sheet?—Yes; Mr. Ross, the secretary of the company, can supply that.

Mr. O'Brien.] Would the shareholders be satisfied if they get their money back?—Yes. But I should mention this: Of that £25,000 Mr. Atkinson was to get a share for every share issued, as promoter of the company, and remuneration for his services. So that the actual amount is £50,000 including his shares.

Mr. Howard.] Where did that money come from that was paid in royalties?—Well, the first amount was paid out of the subscribed capital, and then the rest was raised in London by Dr. Chapple. Mr. Bertram Phillips paid some.

Mr. O'Brien.] Can you give us the whole of the receipts and expenditure of the company?—Yes, certainly.

You will supply that to this Committee?—Yes, we will do that.

Mr. W. H. Grace: May I be permitted to say that the Tongariro Co. has done no business. It has done nothing.

Mr. O'Brien: Has it not paid out over £53,000?

Mr. W. H. Grace: Yes, it has paid that to the Natives for royalties.

CAMILLE MICHEL Malfroy examined. (No. 7.)

Witness: My name is Camille Michel Malfroy. I am a marine engineer, and have had active experience in sawmilling and the timber business for over twenty-five years. I have been Milling Expert for the State Forest Service for the last eight years. The Tongariro timber concessions are unique because they contain a very large percentage of totara and matai, approximately 60 per cent. being of these species, and only about 25 per cent. of the total is of the rimu species, which is the general building-timber of the Dominion and represents 58 per cent. of the total production for last year. The statement in the State Forest Service report that existing sawmills were capable of increasing their output by 100 per cent. is correct as it applies to the whole Dominion, but it must not be construed to apply to individual localities which can only be supplied economically by timber produced in that locality. The production in Westland could be doubled, but transport charges would prohibit Westland timber, which is practically all rimu, from being used in the North Island except at main ports. The standing timber available in the North Island Main Trunk region is certainly limited, and the following is an estimate of the life of some twenty mills in this region:—

					Feet per Annum.
Total present cut (twenty mills), Main Trunk	..	..	..	..	32,500,000
Cutting out in—					
1 year (four mills cutting)	..	..	..	..	6,500,000
2 years (one mill cutting)	..	..	..	..	1,000,000
3 years (one mill cutting)	..	..	..	..	2,000,000
4 years (one mill cutting)	..	..	..	..	2,000,000
5 years (one mill cutting)	..	..	..	..	1,500,000
5 years and under	..	..	..	..	13,000,000
10 years and under (eight mills)	..	..	..	..	11,500,000
10 years and under	..	..	..	..	24,500,000
15 years and under (four mills)	..	..	..	..	8,000,000
15 years and under	..	..	..	..	32,500,000

90 per cent. of the total production of totara timber is confined to a few operators in the King-country, and 84 per cent. of the production of matai is also confined to the Main Trunk sawmills. There is no totara or matai worth mentioning in the South Island. In regard to totara and matai, both these species have been gradually receding from the market during the last five years. Totara was used in 1923 to the extent of 21 million feet, and in 1928 only 11 million feet was consumed, a falling-off of 47.6 per cent. Matai was used to the extent of 25 million feet in 1922, and in 1928 only 15 million feet found a market, a drop of 40 per cent. It may be said that the drop in consumption was caused by shortage of supply. Well, that may have some bearing on it, but the main cause is that the price of clean totara in Wellington yard is 74s., while imported redwood is 56s. in the same yard, a difference of 18s. per hundred feet in favour of redwood. The price of matai weatherboards ex Wellington yard is 57s., while imported redwood and cedar weatherboards are sold at from 43s. to 45s., or 12s. to 14s. in favour of the imported timber. Despite this great difference in the same price the imported redwood is dry—in many cases kiln-dried—when it is imported, and this gives it a big advantage over the local article. The imports of redwood have increased. In 1926 the total was 3,500,000 ft., in

1928 7,600,000 ft., an increase of over 100 per cent. I want to explain here that though these figures are right, in 1925-26 the imports were even bigger than that, but they were cedar. The bulk of it was cedar. There was 8,900,000 ft. of cedar imported last year, and 3,000,000 ft. of redwood. Since then the redwood has displaced the cedar on the market. The redwood has really put out the cedar. Redwood is the better wood, but I have quoted these figures to show how it is gaining on the totara, the local article. These figures show the trend of the market, and if Tongariro totara and matai are to be exploited in sufficient quantities to make the expensive access railway pay them, it is suggested that the timber will have to be supplied at a price which will compete with redwood and will have to be conditioned for the market in the same manner. It will take time to recover the business which has been lost to redwood, but it can be done, and if the foreign timbers, redwood and cedar, are displaced by totara and matai, then the proposed cut of 30 million feet per annum, 60 per cent. of which will be of these species, should not disturb the market to any appreciable extent. I do not know if that is clear. What I mean is that the proposal to cut 30 million feet of timber and put it on the market will not, if I might venture the opinion, disturb the market, because of that 30 million feet the amount of totara would be 28 per cent. and the amount of rimu would only be 25 per cent.—that is, from the estimate of the bush.

Mr. Martin.] That is your answer to the evidence given by Mr. Seed?—Well, I am only stating the facts.

Captain Rushworth.] How do you suggest that the totara would affect the market—by lowering the price?—I do not want to express an opinion, but I think that is fairly obvious. The business that has been lost through the substitution of steel for all window-frames and sashes in ferro-concrete buildings is not likely to be recovered at all. There is no export trade to be done in totara and matai. Only rimu, kahikatea, and beech are required in Australia, they having plentiful supplies of their own durable species. If 30 million feet were produced annually from Tongariro, it would mean—matai, 38 per cent., 11,500,000 ft.; totara, 28 per cent, 8,400,000 ft.; and rimu, 25 per cent., 7,500,000 ft.; balance, 9 per cent., other species, would have to be absorbed. It has been stated that the Tongariro Co. had “definite appraisals” made of the quantity of timber on the concession. As far as the State Forest Service is concerned, no real appraisal has been made. In each case a reconnaissance only was completed, and the quantities given are only estimated. To make a proper appraisal to secure definite quantities in species would necessitate the concession being divided into blocks and grids; the blocks carefully measured and the grids appraised to the extent of 10 per cent. of each. This operation would take many months for the 50,000 acres. The necessity for a correct appraisal is evident where one considers that 1,000 ft. per acre of error either way means, at 1s. per hundred stumpage, £25,000 to the owners, and an advance in stumpage of 1d. per hundred feet would, on the estimated quantity of 1,160 million feet, give £48,333 extra to the owners. Another thing I might mention here is that the redwood imported for the first seven months of this year exceeds previous annual importations; the importation of this timber is higher now than it ever was before.

Mr. Waite.] But not of redwood and cedar?—Cedar has practically gone back. But those importations of foreign timbers are higher now than they have ever been before. There is a point here that is interesting in connection with totara and matai production: In 1921, taking the 1921 production as 100 per cent., the production of the two species ran from 100 per cent. to 102, then it fell to 99, then came back to 103, 112, 115, and then fell to 99, and down to 88 in 1928. In the case of totara, taking the production as 100 per cent. in 1921, it rose to 111, 117, and then fell to 78, and then to 66 per cent. in 1928.

Hon. Sir Apirana Ngata.] It is being displaced by the imported timbers?—It certainly is. The same thing applies to matai. These two timbers have been gradually receding. That is just a statement of facts.

Right Hon. Mr. Coates.] Imagine that the Tongariro rights were working, should there not be a limit to the production?—Well, I think it will limit itself. I do not think that anybody, with that price, could put more timber on the market than the market could consume. It is a question of price. I was just discussing the question of cutting that 30 million feet proposed.

Supposing they produced 100 million feet per annum?—They would cut out the block more quickly; they would put more timber on the market.

Supposing they cut 60 million feet?—It would be too much to put on the market. Under their proposal they are intending to put out about 30 million feet. That cannot have much effect, because the timber that would be in competition with the rest of the Main Trunk mills is the rimu; and that applies to the rest of New Zealand—there are very few cutting totara.

Hon. Sir Apirana Ngata.] What about the mills in the Bay of Plenty?—There is no totara cut there; this block is about the only block that would produce totara.

What about the mills at Te Whaiti, towards Galatea?—Yes, there is totara there, but it is a long way away. It will be a long while before that will be available. It is a question of transport—the railage will kill it. This place certainly has an advantage over a lot of other places. If the railway were through, or even if a good road were through, it would make a difference.

Right Hon. Mr. Coates.] What do you estimate the total amount of timber in the Tongariro concessions at?—We cannot give any more than the estimate made by the three people who have been through there, but they were only there for about a month, and it is impossible to do it justice in that time. They only took sample lots here and there.

Do you think they have estimated it correctly?—Yes. They make it about 1,160 million feet. The first man made it on the log measurement, but that is an old-fashioned way of doing it.

Mr. Grace: Mr. Chairman, you are concerned about the work of the assessors. The original assessment was made by Mr. Sealy in 1905-6. He was two years on the job.

Mr. Howard: By whom was he employed?

Mr. Grace: By the company.

Mr. Martin : Mr. Wilson, on behalf of the Armstrong, Whitworth Co., went over the bush with me, and we measured it at different places—an acre here and an acre there—and his estimate was considerably in excess of Mr. Sealy's. Mr. Snow, on behalf of Cammell, Laird, and Co., made a reconnaissance of the bush, and his estimate also was in excess, so that I think that Mr. Malfroy's statement about there being 1,600 million feet was quite true. Mr. Sealy's estimate was on the log measurement, but there is ample allowance for waste and bark. So that I think that the estimates have always been on the conservative side.

Mr. Howard.] Mr. Malfroy, do you think, if the company took over the cutting of this timber, that the market could absorb sufficient extra timber from this area to keep the company going—that is, with the cutting that is now going on : I mean, could they make it pay ?—There will be millions of feet dropping out within the next few years, and the users will have to get their timber somewhere.

I am looking to see where this Socialist push is coming from. All my Conservative friends are advocating that the State should do this job. I do not see why. When I advocated it there was opposition to it, and I want to see why there has been this change of front ?—You mean in connection with this co-operative effort ?

Yes. Supposing the State took it over, could they get sufficient timber on the market from this forest to make it a paying proposition ?—No, they would have to hold it back for years and years. If the State Forest Service got it to-morrow, we would have to hold it and let other people cut theirs first.

Mr. O'Brien.] There has been one statement made that the State Forest Service suggested the buying of the whole of the plant : has the present State Forest Service gone into that question at all ?—No, we have no funds with which to buy it. What is more, we have no machinery to function as transport ; that belongs to another Department.

Mr. Howard.] You do not view it very optimistically ?—We do not ; as a matter of policy, we have consistently kept off production cost. If you start putting in a railway at one place, you will have to put them in for other places. It is purely the function of the owner to put in his access.

Hon. Sir Apirana Ngata.] What do you think of the royalties ?—I think the royalties are as much as anybody could pay. If you could cut it out right away it would be all right, but when you have to hold it, it is a different matter. It is hard to say what will happen in forty years : a shilling becomes four shillings in twenty-five years. There are charges such as overhead and supervision that come into it. It would be thirty years in the ordinary way, but I consider that in twenty-five years, as far as the expense is concerned, it would have to be considered.

Mr. O'Brien.] But you say that the timber would be cut out in thirty-two years. Now, there are big areas in the South Island, in Westland ?—But they do not compete with this timber. This place will never export timber, it is too far away. The West Coast can beat them all the time, because the West Coast has only the sea freight to pay, while these people have freight to Auckland to pay. This block does not come into competition with Westland timber : that is all rimu and white-pine, whereas there is no white-pine in this block, and only 25 per cent. of rimu. There is no comparison between this and the West Coast timber.

This timber is all for home consumption ?—Yes.

APPENDIX.

TIMBER STATISTICS.

(Reference—Tongariro Timber Co.)

(1) PRODUCTION OF TOTARA AND MATAI (FEET B.M.).

Year ended 31st March,	Totara.		Matai.		All Species	
	Production (Million feet B.M.).	Per Cent. 1921 Production.	Production (Million feet B.M.).	Per Cent. 1921 Production.	Production (Million feet B.M.).	Per Cent. 1921 Production.
1921	18	100	21	100	308	100
1922	20	111	25	119	315	102
1923	21	117	24	114	304	99
1924—F. Comp.	19	106	24	114	317	103
1925	19	106	23	110	344	112
1926	14	78	26	124	353	115
1927	14	78	19	90	306	99
1928	11	66	15	71	270	88

It is to be noted that since 1921 (when no foreign competition was in evidence) the total timber-production has fallen to 88 per cent. of the 1921 production, whereas totara and matai have fallen to 66 per cent. and 71 per cent. respectively of the 1921 figures.

(2) IMPORTATION OF CEDAR AND REDWOOD.

Year ended 31st December,		Cedar, Feet B.M.		Redwood, Feet B.M.	
1924.. .. .	.. .. .	1,300,000	.. .. .	.. .. .	.. .. .
1925.. .. .	.. .. .	6,526,000	.. .. .	.. .. .	.. .. .
1926.. .. .	.. .. .	8,905,000	.. .. .	3,500,000	.. .. .
1927.. .. .	.. .. .	2,390,000	.. .. .	7,583,000	.. .. .
1928.. .. .	.. .. .	2,066,000	.. .. .	7,478,000	.. .. .
Seven months, 1929 .. .. .	.. .. .	729,000	.. .. .	7,612,000	.. .. .

It is to be noted that—(1) Redwood and cedar together have been imported in approximately the same total quantity during the past four years, but redwood is now displacing cedar; (2) redwood imported for the first seven months of this year exceeds previous annual importations.

(3) WHOLESALE AND RETAIL PRICES OF TOTARA AND MATAI, SEPTEMBER, 1929: KING-COUNTRY AND WELLINGTON.

Grade.	Size.	Totara.		Matai.	
		Sawmillers T.T. Co. (f.o.r.).	Rough and Co., Wellington.	Sawmillers T.T. Co. (f.o.r.).	Rough and Co., Wellington.
Clean heart	10 in. to 12 in.	50/-	74/- (+ 24/-)	.. .. .	.. .. .
Dressing heart	To 9 × 1	.. .. .	.. .. .	40/-	57/- (dressed) (+ 17/-).
Building heart	Scantling	27/6	42/6 (+ 15/-)	22/6	.. .. .
Rough heart	To 9 × 1	17/6	30/- (+ 12/6)	16/-	.. .. .
Clean O.B.	9 × 1	30/-	.. .. .	.. .. .	.. .. .
Dressing O.B.	9 × 1	27/6	.. .. .	18/-	32/- (dressed) (+ 14/-).
Building O.B.	Scantling	21/-	.. .. .	14/-	.. .. .

Basis.—Sawmillers Timber Trading Co.: f.o.r. rates (a) for totara on trucks, Ongarue, (b) for matai on trucks, Ohakune :—

Rail freight, Ohakune to Wellington, 202 miles .. .. .	.. .. .	s. d.
Rail freight, Ongarue to Wellington, 266 miles .. .. .	.. .. .	5 9
Rail freight, Kakahi to Wellington, 242 miles .. .. .	.. .. .	6 6
		6 2

(4) CORRESPONDING PRICES OF NATIVE AND IMPORTED TIMBERS (ROUGH AND CO., WELLINGTON, SEPTEMBER, 1929).

Heart.	Species.			Difference in Favour of Imported Timbers.
	Redwood and Cedar.	Totara.	Matai.	
Weatherboards	43/- to 45/-	.. .. .	57/-	12/- to 14/-
Joinery stock	56/-	74/-	.. .. .	18/-

25 per cent. reduction necessary to compete.

(5) QUANTITY AND VALUE OF TIMBER ON BLOCK.

						£
Totara	..	..	..	..	27 per cent. = 313,200,000 at 5/- =	783,000
Matai	..	..	..	..	39 „ = 452,400,000 at 4/- =	904,800
Rimu	..	..	..	..	25 „ = 290,000,000 at 2/6 =	362,500
Miro	..	..	..	..	8 „ = 92,800,000 at 2/6 =	116,000
White-pine	..	..	..	..	1 „ = 11,600,000 at 2/6 =	14,500
Average price = 3/9-12						<u>£2,180,800</u>

STATEMENT BY HON. SIR APIRANA NGATA, NATIVE MINISTER, REGARDING THE WEST TAUPU TIMBER LANDS AND THE TONGARIRO TIMBER CO., LTD.

Mr. SPEAKER,—

During the Committee stage of the Native Land Amendment and Native Land Claims Adjustment Bill last Saturday, the 2nd instant, I moved a new clause—31A—which dealt with the West Taupo Timber Lands and the Tongariro Timber Company. I made a lengthy explanation of the clause, which under the circumstances has not gone on record in *Hansard*. On the third reading of the Bill it was not found opportune to repeat the explanation. The right honourable the leader of the Opposition then requested that I present a statement substantially setting forth what I said in Committee, and afford him and other members interested an opportunity of also placing their views on record.

The clause referred to gives effect to the report and recommendations of the Native Affairs Committee on paper I.-3A referred to it by the House. The area of land affected by the clause is situated in the West Taupo district, between Lake Taupo and the Main Trunk line, and comprises 134,500 acres, of which the Crown has purchased 35,054 acres at a cost of £77,304. In some blocks the interests acquired by the Crown are defined, in others they are undivided. Roughly, then, the Crown owns a little over one-fourth, and the Natives a little under three-fourths. The whole area is affected by an agreement made in 1908 with the Tongariro Timber Company, which, after an investigation made by a Commission consisting of Sir Robert Stout and myself, was duly legalized, and has with variations and modifications been in existence now twenty-one years. The important provisions of the agreement are the payment of royalties on a graduated acreage basis, the company covenanting to advance specified amounts to the owners, and the construction of a tramway or, rather, a light railway from a point on the Main Trunk line to a point on the west shore of Lake Taupo. Both royalties—or, rather, advances on account of royalties—and the construction of the railway were major and very material conditions, in regard to which default would give rise to remedies that the Aotea Maori Land Board could pursue on behalf of the beneficiaries. In regard to the scale of royalties and the relative importance to the Natives of the railway project, it may be mentioned that the Natives claimed in 1908 that in consideration of the railway covenant they accepted one-half of the royalty payments they would otherwise have insisted upon.

I refer honourable members to the Summary A on page 3 of the paper referred to for a history of the Tongariro Timber Company and its connection with the lands comprised in its concession. It is a story of constant variations and modifications at the instance of the company, while endeavouring to exploit its options. The company, it can readily be conceived by members, did no development work, for its paid-up capital was only £25,000. In regard to the royalties and advances on account of the same, it secured a reduction in the former within two years of the date of the original agreement, and a considerable modification of the latter. It was in default by the year 1915 in regard to payments in anticipation of royalty. It was not till September, 1922, that the company, having in the meantime entered into an agreement with the Egmont Box Company and English capitalists, was able to bring up to date the modified payments to the Native beneficiaries. The subsequent keeping-up of these payments has caused the company serious inconvenience, but it struggled to make them up to the beginning of 1926. By March of next year the amount in default will have reached £30,000. In regard to the money condition of the agreement, even when modified greatly in favour of the company, it is in default, and the beneficiaries are entitled to pursue their remedy under the agreement.

The value of the timber lands included in the Tongariro concession may be gathered from the estimates of the Forest Service given on page 2 of the paper I.-3A, where it is stated that the estimated quantity of timber expressed in terms of sawn output is 1,160,100,000 ft., of the total mean realization stumpage value of £3,747,500. The stumpage value assumes the construction and operation of a line of railway between Kakahi and Lake Taupo.

In the meantime a similar course was pursued in regard to the other vital condition of the agreement—the railway. Under the original agreement the line was to be completed and supplied with rolling-stock by Christmas of 1913. When the clause regarding royalties was varied in 1910 the date for the completion of the railway was extended to March, 1916. Parliament in 1915, on the company's petition alleging difficulties created by the war, suspended any remedies at law for default until two years after the war, a term subsequently extended to September, 1922. During 1921 the greatest modification was made in regard to the railway. The company was then heavily in default in regard to royalty payments, and absolutely in regard to the railway. The Government insisted on an improved standard to the railway, 45 lb. rails instead of 30 lb., and improved grading and tunnelling, but extended the date for construction for seven years and longer if certain conditions were fulfilled. A necessary condition of this extension of the period for railway-construction was the payment of the overdue royalty advances, which was done by September, 1922. Since then, though there has been much bargaining, petitioning to Parliament, and negotiating with a new syndicate, there has been almost total failure in regard to the railway. Almost, but for a survey of the proposed line, and the formation by the Egmont Box Company of two or three miles under its agreement with the Tongariro Company.

That the company has been active enough in interesting capital, both in the Dominion and abroad, in its project the statement in the paper referred to bears witness. The result has been to place the company heavily in debt to both local and overseas creditors. The position of the Egmont Box Company may be briefly referred to, for it is fully set out in the statement I.-3A. Its legal position to-day will be a matter for the lawyers and the courts. It is the only concern subsidiary to the Tongariro Company that carried out any development work. For the rest, the Tongariro Company's interested overseas interests are represented by the Houghton-Chapple group, Armstrong-Whitworth, and Mr. Bertram Phillips. The claims of these for cash paid amount to £50,000. Recently a syndicate was organized to take over the Tongariro Company's rights, provided they could be patched up by legislation or administrative action through an Order in Council. But already other considerations had emerged which made the previous Government reluctant to consider with favour the representations of the syndicate and the present one careful to resubmit the whole question to the review of Parliament. The agreement had tied up valuable assets for twenty-one years. The whole of the timber position in the Dominion had assumed a different aspect, and this area was the last great reserve of millable timber. The State had acquired by purchase of the lands a one-fourth interest, and the opinion was gaining ground that it should acquire the whole. On the other hand, the royalty basis for timber had altered considerably in the time, and the beneficiaries must be expected to take advantage of the remedies available to them for the manifest default of the company. These remedies had been suspended by statute and Government action.

The question of settling the area as farm-lands has also come to the front. In this respect, little of any value can be said. We have on record the enthusiastic expression of opinion by a Mr. Greville; but in the absence of a proper survey and exploration, and in the face of evidence about the pumice lands generally on the east and north-east of Lake Taupo, the farming aspect is not a prominent consideration.

The Native Affairs Committee, after hearing all interests, has made its report and recommendations, and the clause 31A that I moved in Committee is to give effect to the same. Briefly, it removes the bar to the Maori Land Board giving six months' notice for the termination of the agreement with the Tongariro Company. Here enters a very important and essential consideration, and that is that during that period and for some time after there must be some authority to represent the beneficiaries and to hold the titles to the lands involved. If such an authority is not established there will ensue the wildest scramble and the greatest confusion it is possible to imagine. An onslaught will certainly be made first on the totara, and later on other classes of timber, and members may visualize mushroom syndicates cutting timber, owners helping themselves, and storekeepers and others making contracts for the cutting and removal of valuable posts and sleepers. The trouble is there now, but will be immensely accentuated unless some authority exists that may assert itself as against all parties, including the owners. This authority is constituted in the clause in the Aotea Maori Land Board. A second sound reason for the Board's agency is that it may represent the owners not only as to the remedies the owners may pursue, but also in the claims and actions they may be faced with. The House may have noticed that the Committee is silent in regard to the claims of the Tongariro Company and its creditors. It was considered best for these to be made and tested in the Courts. They are bound to be made, and the Committee was not in a position to pronounce upon them, neither was it necessary.

The further recommendation of the Committee that the State should acquire the timber, or timber and lands, or, in the alternative, arrange with the Native beneficiaries for joint action in regard to management, control, or disposal of the timber and lands, is provided for. The negotiations will be undertaken by the Native Minister at the right time and after due consideration by the Government and the Departments concerned. I presume that the Minister will not approach the Native owners until the position in regard to the Tongariro Company and its creditors is clarified, and until the proposals of the Government are prepared in detail. The honourable member for Waimarino raised the question whether some private company might intervene during the six months of the notice. There should be no danger of that, for such a company would be in no stronger position than the Tongariro Company is in to-day. It would in fact be weaker, for it faces now the declared policy of Parliament.

The last provision in the clause enables the Crown as a one-fourth owner of the freehold to act in common with the Native owners in regard to terminating the agreement and the claims that may be made, and to preventing waste of the timber and other assets.

I trust that this clause may be regarded as a praiseworthy attempt to advance a solution of this particular and long-standing problem. It will certainly force the parties to face the position; it will define the position to all claimants; it will compel the State to consider this aspect of the timber problem. The matter must come before Parliament again, assuming negotiations with the beneficiaries result in reasonable proposals being tentatively approved. It is bound to come up again in connection with the claims that are sure to be made by way of petition.

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