

Supposing it does not make a profit: will the claims be waived?—That is a different matter. I do not admit that the Government will not make a profit.

On the figures quoted above, the total price payable by the Crown to the Native owners will be approximately £860,000 (1,035,000,000 log feet of totara, matai, rimu, and kahikatea at 1s. 8d. per 100 ft.)

I may mention incidentally that there is also 123,000,000 log feet of miro, which is thrown in. It has a value of at least 1s. per 100 feet. Then—

The price can be paid in the manner following :—				£
(a)	In cash, and as soon as State acquisition is decided upon .. .. .	..	..	10,000
(b)	In annual instalments spread over twenty-five years .. .. .	..	..	300,000
(c)	In 5-per-cent. bonds having a term of thirty-three years, in lieu of the balance outstanding (£550,000) of the £860,000 .. .. .	..	..	250,000
				<u>£560,000</u>

I think some provision of the kind last mentioned should be made, otherwise the Native owners will eat up all their royalties, and no provision will be made for posterity. If they are paid in bonds, they and their descendants will have the bonds for all time, and incidentally the bonds can be tied up so that the owners can have only the interest.

If effect is given to this proposal the annual outgoings of the Crown would be—

For each of the first twenty-five years—				£
(a)	Annual instalment on account of the £300,000 .. .. .	..	..	12,000
(b)	5 per cent. interest on the £250,000 bonds .. .. .	..	..	12,500
(c)	1 per cent. sinking-fund charge for the redemption of the £250,000 bonds in thirty-three years .. .. .	..	..	2,500
				<u>£27,000</u>

At 3s. per 100 log feet, an annual output of 18,000,000 log feet (*i.e.*, an actual output of approximately 12,000,000 sawn feet) would cover these outgoings.

For each of the next eight years—

(b) and (c) above	£15,000
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At the end of twenty-five years the £300,000 will have been paid off.

At the 3s. mentioned an annual output of 10,000,000 log feet (*i.e.*, an actual output of approximately 6,700,000 sawn feet) would cover these outgoings.

At the end of thirty-three years, and by paying the outgoings out of revenue derived from output, the Crown would have paid off the whole of the price, and will be in a position to redeem the £250,000 bonds out of the sinking fund created for that purpose.

It will not be necessary to make provision for the acquisition of the land on which the timber is growing, as that has been provided for in the Native Minister's scheme for the settlement of the territory generally, the scheme being that the Native owners consolidate their interests into the open parts of the territory.

Then I come to "the Crown's margin":—

After making provision for the Native owners, and on the basis of the value of 3s. per 100 log feet mentioned above, the Crown will have a margin of 1s. 4d. per 100 ft. on its purchase of the Native timber. This margin works out at £690,000 (1,035,000,000 ft. at 1s. 4d. per 100 ft.). Then, in addition to this, there will be the Crown's margin on the purchase of its present holdings. As already mentioned, the total cost of the holdings was £77,000-odd; but, as against that, the value of the timber acquired is actually £645,000 (430,000,000 ft. at 3s. per 100 ft.), so that the margin on this transaction is £568,000, which added to the £690,000 mentioned above gives the Crown a total margin, on a royalty basis, of £1,258,000 over what it paid and will pay to the Native owners. This is a very substantial margin indeed, and the Crown could well make equitable provision for the other interested parties and still leave itself with a handsome profit.

Mr. Williams.] In the section of the memorandum where you say "It will not be necessary to make provision for the acquisition of the land on which the timber is growing," who does this plain country belong to now?—Partly to the Natives, and partly to the Crown. The total area of the territory, if I remember rightly, is 135,000 acres.

You propose that the owners of the bush land should move into the open country. Is there enough open country to provide for them?—Yes. The total area of the blocks affected by the scheme is 135,000 acres. Of that, 59,000 acres is bush.

Is there enough Crown interest in the open country to follow up the bush natives?—There will be, ultimately.

Has this open country been subdivided between the Crown and the Natives?—No. The interests of the Crown and the Natives are all intermixed. They are undivided interests. Next I deal with "the other interested parties":—

The proposal is that there be allocated to these parties a sum of £223,800, to be paid in 5-per-cent. bonds having a term of, say, thirty-three years. This £223,800 can be apportioned among the parties in manner following:—

(a) *The Company's Creditors.*—Under the Duncan project the creditors would have received among them in cash and second debentures (mostly the latter) a sum of £225,000 in full settlement of their claims, and, but for one or two exceptions, they were ready to accept the provisions so made for them. Moreover, the respective merits of all claims were carefully and fully investigated by Mr. Duncan, and the £225,000 was apportioned among the creditors strictly in accordance with the merits of their claims.

In these circumstances it is suggested that there be allocated to the creditors £180,000 of the bonds, and that the same be apportioned among them *pro rata* to the amounts which they, respectively, would have received under the project. This actually involves writing down the provisions of the project by exactly 20 per cent., but it is considered that the fact that the creditors are receiving Government bonds in lieu of second debentures is a heavily loaded undertaking would of itself warrant the writing-down.

I again draw your attention to the fact that, so far as the company and its creditors are concerned, the provisions of the Duncan project were an ultimatum to the company and its creditors.