

ever occupied. Thirdly, the syndicate had a mandate from the Native owners themselves. None of the other speculators or company-promoters had that. Finally, I would point out that the company and its creditors are really climbing to recognition on the back of the Duncan syndicate, and it would be most ungenerous and ungrateful on their part to object to the syndicate being paid in full.

Always remembering the *tertium quid*, the Government?—These are the proposals I submit for the consideration of the Government. To continue with my memorandum and as to the cost of State acquisition—

This may be summarised as follows :—

	£
(1) Price payable to Native owners in bonds and annual instalments	560,000
(2) Amount allocated to the company and its connections in settlement of their claims	223,800
(3) Cost of the Crown's present holdings	77,000
	<hr/>
	£860,800

Captain Rushworth.] Does the £860,000 represent roughly five-ninths of the estimated value of the timber at 1s. 8d.?—The estimated value of the timber is £2,000,000. The State Forest Service valuation is £3,000,000, but I write that down by 25 per cent. In Part III of my memorandum, as to working the timber, I say :—

Owing to the commitments involved in the transaction, the Crown could not treat the timber acquired entirely as a holding proposition. It would be necessary for it to realize on part, at any rate, of the timber. Undoubtedly, the best way for it to do this would be to subdivide the timber into suitable holdings, and sell the rights over the holdings to millers in the usual way.

With sixteen miles of road built, all that the Crown would have to do would be to subdivide the territory into long strips having a frontage to the road. That will mean that the millers would, in addition to the bush growing on their strips, also have a certain amount of open land, on which they could install their mills and erect dwellinghouses and such like for their employees.

The Crown could arrange for the timber operations to start straightaway, for, as pointed out above, over one-fifth of the timber is already accessible. Ultimately, however, the sixteen miles of road previously mentioned will have to be constructed in order to provide access to the rest of the territory, and, as shown, the cost of construction will be about £40,000. Provision will also have to be made for the preliminary expenses of the undertaking, which might amount to £5,000, but no more.

Those expenses would be subdividing the territory, expenses of sale, and so forth.

When the timber is sold, it is suggested that an annual output of 20,000,000 sawn feet (the equivalent of 30,000,000 log feet) of totara, rimu, and kahikatea be arranged for during the first twenty-five years, and of 15,000,000 sawn feet (22,500,000 log feet) during the next eight years. Intermixed with the kinds of timber just mentioned there is also a certain proportion (about one-twelfth) of miro, which will, of course, have to be sold along with the other kinds of timber, and should realize, at any rate, 1s. per 100 ft.

The Duncan syndicate had no difficulty in arranging to sell 800,000,000 log feet on the basis of 3s. 1d. per 100 log feet, and I am sure that the millers who were prepared to buy in this way will be prepared to buy now.

It may be objected that a production of 20,000,000 ft. per annum would be too much for the market to absorb at present, but it is pointed out that round and about the central portions of the Main Trunk line there are millers whose present annual output is 23,000,000 sawn feet and more, who will all have cut out their present holdings by the end of the year 1931.

The Chairman.] Are you aware that the millers at the present time are unable to get sale for what they have?—I am not aware of that. It may be so this year, but surely that state of affairs is not going to continue for ever. We must have timber.

It is assumed that the timber will be administered by the State Forest Service or some such Department, and, so administered, the administration expenses would be very low. Two supervisors on the territory itself could cope with all the outside work, and a clerk at headquarters could deal with all the inside work. The administration expenses should not in these circumstances exceed £2,000 per annum.

The Duncan syndicate was composed of sound business men, and its total administration expenses, which involved the running of a railway-line, were estimated at £12,000. Of that, £10,000 was assigned to the running expenses of the railway.

It might be mentioned that in addition to the timber itself there is another very considerable source of revenue—viz., adjacent open land which can be leased by the Crown to millers and their employees, &c., for mill-sites, homes, &c. There will probably be at least ten mills operating at a time on the territory, with at least ten separate sets of millers and employees, and they must all have land for the purposes mentioned. This land they can only get from the Crown, and it would be putting the revenue at a very low figure to say that the land will bring in at least £200 per mill.

Then I give figures showing the profit of the Crown after providing for all outgoings, after which I conclude the memorandum as follows :—

It will be observed that no provision is made in the foregoing account for the £77,000 expended by the Crown in acquiring its present holdings. Such provision is omitted because there is a complete set-off to this amount in the land which the Crown will possess after the timber has been removed. An official of the Lands Department who has inspected the territory informed the writer that it was eminently suited for sheep-farming. His view was that the territory should be settled as the timber is cleared, and when so cleared each settler's holding should comprise part of what is now timbered land and part of open land. He was of opinion that if the territory was settled in this way the holdings would be capable of carrying a sheep to the acre, which would give it a value of at least £6 per acre. Such being the case, and as the greater part of the clearing of the timber (which is a very costly proceeding to the settler) will be done by the millers, one could safely put a potential value of £3 an acre on the territory when cleared of timber. The entire Crown holdings in the territory would be about 75,000 acres, so that the potential value of those holdings is £225,000, which, as already stated, afford a complete set-off to the £77,000 already expended by the Crown.