

assurance can be given that the claims of the shareholders and the company's creditors will receive fair and equitable consideration and treatment in the circumstances. For this reason, and for the purpose of assisting you in such consideration, we take the liberty of bringing under your notice certain aspects of the matter bearing on the consideration of the claims of the company and its creditors.

The company has expended the whole of its paid-up capital, amounting to £25,000, together with another £15,000, making £40,000 in all, in appraisalment of the timbers on the block and the survey of the proposed railway-line Kakahi to Taupo, and in part construction of permanent-way.

The company has paid in advance royalties £53,553 15s., or more, in respect of which less than £8,500 represents the value of royalties on timber cut by the Egmont Box Co.

The position in which the company found itself in 1928 was almost entirely due to the imposition of most onerous conditions in regard to railway standards, imposed by the Government of the day in 1921, and again in 1925, when further conditions were imposed requiring a still higher standard of the railway from that of a tramway to Government standards, thereby increasing the costs by £9,000 a mile, or thereabouts. It was undoubtedly due to this action of the Government that the company found itself unable to complete negotiations with English capitalists for the carrying-out of its undertaking. In this position of affairs the Duncan syndicate was formed in 1928, and this syndicate, after making representations to the then Prime Minister, the Right Hon. Mr. Coates, received an assurance that the Government would permit what in effect was a reversion to the original standards, on certain conditions which were agreed to by the syndicate, subject only to the consent of the Native owners.

This consent was finally granted at a meeting of the Native owners under your chairmanship on the 21st day of February, 1929. At the end of October, 1929, more than eight months after the resolution of the Native owners was passed, the present Government, instead of confirming the arrangement, which it was repeatedly urged to do, submitted the whole position to the Native Affairs Committee, and, after inquiry, the latter recommended the Government to acquire the property. In pursuance of that recommendation, section 29 of the Native Land Amendment and Native Land Claims Adjustment Act, 1929, was passed. This enactment authorized steps for the acquisition of the property, subject to parliamentary confirmation, and the first step in this direction is the notice above mentioned, purporting to determine the company's rights. Quite clearly the Act of Parliament contemplated the settlement of claims by the creditors and shareholders of the company as part and parcel of the terms of acquisition of the property by the Crown (*vide* the provisions of subsection (6) of section 29 of the above-mentioned Act). An outstanding feature of the position is that the Act, section 29 (1), removes a statutory moratorium created in 1915 and extended by the Act of 1923, against proceedings against the company in respect of the Aotea District Maori Land Board, for the purpose of determining the company's agreements; but this provision removes the moratorium for this purpose only, and, in effect, continues the moratorium as far as the company's shareholders and creditors are concerned. It is not correct to say that this moratorium extended only to the 15th day of September, 1922.

The clear effect of section 28 (1) (e) of the Native Land Amendment and Native Land Claims Adjustment Act, 1923, was to create a moratorium without limit of time, and this moratorium exists to-day against both creditors and shareholders of the company. Thus, while directing that steps be taken for the determination of the company's rights, and consequently the creditors' right also, the Government retains the power to refuse permission to the shareholders and creditors to enforce their claims against the company or protect themselves in any way.

In these circumstances we respectfully submit that some indication should be given by your Government as to what attitude it proposes to adopt in regard to the shareholders and creditors in anticipation of acquisition by the Crown.

The company has always been, and still is, prepared to proceed with the Duncan project, which made equitable provision for shareholders and creditors, and which had the consent of the Crown, but the Government having determined to acquire the property in pursuance of its statutory authority, we respectfully submit that the first matter for its consideration is the question of negotiating a fair and equitable settlement of all claims. To this end the company is quite prepared to recommend to its creditors and shareholders the making of a transfer to the Crown of the whole of their rights, leaving to a Court of Arbitration or other fair tribunal the question of the amounts that should be paid to them respectively, and we are instructed to say that if the Government will indicate its willingness to act on this suggestion we will take the necessary steps to secure consent to this course.

We respectfully request that you place the whole position of the matter before Cabinet, as we consider that should the steps now contemplated be carried out without taking some such course as that indicated, the Administration will lay itself open to grave criticism that it is proceeding in an unconscionable way, which we feel confident it has no wish to do.

We should be grateful for a reply as early as possible, as, failing some such solution as that outlined, the directors of the company will be reluctantly compelled to call its creditors together, with a view to taking concerted action for the purpose of protecting the interests of all concerned.

*Hon. Sir Apirana Ngata* : Is the Tongariro Timber Co. standing on that to-day ?

*Mr. Perry* : Well, it finds itself in a difficulty to-day.

*The Chairman* : Is it not rather an extraordinary contention ?

*Hon. Sir Apirana Ngata* : Is it not a matter for the Courts ?

*Mr. Perry* : I have read the letter to show that there may be two views as to whether the moratorium expired in 1922 or not. I do not know at the present moment that the Tongariro Timber Co. is going to push that aspect of the matter very far. The view we take now is that if an equitable arrangement is made by all parties, we are perfectly willing, and most of our creditors have agreed, to fall in with it.

*Hon. Sir Apirana Ngata* (to Mr. Grace).] Now we come to the proceedings which are characterized as an imposition—the imposition by the Government of a very substantial increase in the standard of the railway-line. Was not the position that for thirteen years the company had defaulted ?—Yes.

And that the time had arrived, and the Natives had been keeping themselves out of one thing and another right up to that ?—For ten years.

Even to the extent of assisting the company before this Committee to get its extension ?—I am aware of that. But they did not ask for an increase in the standard of the railway-line.

They were asking Parliament to make a further variation of this agreement, and one function of Parliament is the consideration of the public interest, and the interests of the parties ?—I submit that it was not acting in the interests of the Natives in imposing that increase in the standard. They should have done something else. It would have been far and away better to have increased the royalties.

Was not the Government in a position at that time to use its own judgment as to what conditions it should impose ?—I do not know that I can agree with that. I think the Government should have taken the Native owners into its confidence. I doubt if the Government owned at that time one-sixth of the territory. I have no doubt that the Government thought at the time that it was doing the right thing, and it appeared that it was, but the result was that it killed the company.