

1927—an agreement to mortgage was entered into between Mr. Philipps and the Tongariro Company, by which, after reciting the several sums due to Mr. Philipps, the Tongariro Company agreed to give him a mortgage to secure the full amount and to pledge debentures as collateral security.

In the second paragraph on page 9 of G.-7 you say that “the Egmont Box Co. has a statutory title to the timber on the Western A area and a legal charge on the lands specified in the Fifth Schedule to the agreement of 1913 made between the Tongariro Timber Co. and the Egmont Box Co. That Fifth Schedule comprises the areas known as ‘Western A’ and ‘Western B’”?—Yes.

I would like to hear what you have to say about Western B?—I do not know that I am concerned much with that charge. I think I would rather leave that, if you do not mind, until after Mr. Weir has put the Egmont Box Co.’s claim.

But they only claim Western A?—Yes, they only claim Western A. If they can get a title to Western A, then we take it from them.

Under what Act?—There is a statute. I do not think I have it with me, but I think it is referred to in this letter. I would like, sir, if I could leave that point until I can look up the statute. Well, in connection with Mr. Philipps’s claim an agreement was entered into on the 11th April, 1927, between the Tongariro Company, which, after stating that the Tongariro Company is the holder of the concession, goes on to refer to the agreement to mortgage of 1926, which I have read, and to the action which I referred to just now, and to the settlement of that action. The Tongariro Company then agreed that the sum owing to Bertram Philipps under the agreement of the 24th February, 1926, was £12,065 Os. 3d.; that the Tongariro Company would reimburse to Mr. Philipps certain other payments made by him, estimated to be £2,580; and that the Tongariro Company would, in addition, pay to Mr. Philipps the sum of £15,000, subject to discount as therein provided. Now, that £15,000 was the amount which Mr. Grace in his memorandum proposes to allow Mr. Philipps nothing for. I maintain, sir, that there was an agreement with the Tongariro Company, and that amount is a debt owing by the Tongariro Company. So that the total amount is £14,700 and £10,900; and the documents which I will put in, if required, give the details.

The £14,700 claim includes the sum of £10,900 paid in respect of royalties?—Yes.

And with reference to Western B?—I would like to look up the statute again. I will not delay the Committee with the charge on Western B; I will look it up, and say something about it later on. Now, when the question of this £15,000 was raised by Mr. Grace he said that Mr. Philipps had formed a company with no capital, and, as there appears to have been some feeling about that, it is necessary to make an explanation. Mr. Philipps left New Zealand on the 1st April, 1926, with a view to forming in England a company. He was not forming it here, because it was English capital he relied upon. And on the next day—the 2nd April, 1926—notwithstanding that the Tongariro Company had on the 24th February, 1926—only a month or two before—borrowed from him £10,900 with which to pay royalties, they sent him a notice saying that in terms of clause 20 of the agreement of the 30th March, 1925, between him and them, they required him to forthwith incorporate a new company. Well, Mr. Philipps was at sea at the time, and he wrote from Suva to my firm saying that he had got this cabled notice; that it was entirely unexpected; that he thought he should be allowed at least two months in which to get to England and see his financial friends. If, however, the Tongariro Company would not allow that delay, could we incorporate a company? Well, we applied to the Tongariro Company for further time, and that was refused. In order to comply with the notice we did form in New Zealand a company which, at the time, had no capital, or next to none, because the capital expected was in England. There was in England at that time a committee known as the Trades Facilities Committee. It was formed for the purpose of lending money for colonial enterprises where the promoters of the enterprise would agree to purchase goods and material required in England. It was formed under the aegis of the English Government of the day, with a view to keeping local industries going to as full an extent as possible after the war. Well, sir, Mr. Hichins, the Chairman of Cammel, Laird, and Co., had something to do with that committee, and I think it was he who started the financial arrangements for the construction of the railway. When Mr. Philipps took over the concession he continued that arrangement through Cammel, Laird, and Co. for the supply of material from England and the advance of money from the Trades Facilities Committee. That is why he wanted to form his company in England and not here. So that there was not only the capital arranged for with the Trade Facilities Committee, which, as far as I recollect, was limited to £150,000, but there was the capital arranged for by Mr. Philipps himself and his friends. After Mr. Philipps got to England he received from us information as to the establishment of this company in New Zealand, and decided he would make use of it.

Is it necessary to go into all this?—Well, sir, I will leave it for the Committee to say. But there is no question that it is part of Mr. Grace’s scheme to eliminate part of Mr. Philipps’s claim. So long as there is no question of crossing part of his claim out according to the suggestion made by Mr. Grace, I am quite content to make no further reference to the details.

But that is Mr. Grace’s scheme?—But, sir, if the Committee take the same view as Mr. Grace and the Duncan syndicate, it will mean the omission from Mr. Philipps’s claim of this sum of money. There was another reference in Mr. Grace’s memorandum which, although I do not think the Committee will be influenced by it, I must refer to. Mr. Grace said, as far as I recollect, that the Armstrong, Whitworth, representative came to New Zealand, looked round, did nothing, and sent in a bill. That Cammel, Laird, and Co. did the same; that Bertram Philipps did the same; and that the only work done was performed by the Duncan syndicate, with the result that in Mr. Grace’s order of sequence of the various claims he puts the Duncan syndicate at the top, to be paid in full, and he puts Mr. Philipps near the bottom, to be reduced by approximately 50 per cent. The result of that would be a complete reversal of the legal position. If the Tongariro Company were in liquidation, the liquidator would have to prepare a list of claims, and Mr. Philipps, as a secured creditor, would be right at the top, and the