

and they withdrew because of the cost of the railway. Then Cammell, Laird, and Co. came forward, and they withdrew because of the cost of the railway. It was then handed over to Bertram Philipps, and Bertram Philipps spent two years in London trying to get the money for that railway, and failed. The high standard of the railway was going to cost £13,000 a mile, without any prospects of revenue, excepting the carriage of timber one way. Then Mr. Coates, in a very fair and generous way, told Mr. Duncan that he would allow him to revert to the original standard of railway which the Tongariro Company had contracted to complete; and then in a few weeks Mr. Duncan was able to raise amongst his friends £240,000, the whole amount required to float his company and fulfil the Tongariro Company's obligations. And he offered to the Aotea Native Land Board the payment of all the arrears of royalties, and to go on with the obligations as soon as he could get the consent of the Government. And that consent had been consistently and persistently withheld. This Government has persistently and consistently refused every endeavour of the Duncan syndicate on behalf of the Tongariro Company, and every appeal to them to consent to the wish of the Natives. There was a unanimous resolution passed by the Natives. Something like four hundred Natives were present, and there was only two dissentients. The Natives considered their own interests in the matter, and wanted to get the £22,000. Mr. Duncan said he would pay them out of his own private account as soon as the Government's consent was given. It was the first time in the history of the Tongariro Company that the whole thing was a going concern. All the money was available, and terms were available to satisfy all the creditors and all the shareholders. At that moment the State steps in. At the same time, I must say that I approve of what the Government did. I heartily approve of the Act. I consulted my friend Sir Robert Stout, and he said to me, "Are you in favour of the State acquiring the property?" and I said, "I cannot object. No reasonable man can object to the State acquiring it; but if the State acquires private property, and dispossesses private people, then it should pay reasonable compensation."

Is it not a fact that the change in the standard of railway was provided for by an extension of time?—No. That is a fiction. I know that a number of members have that notion. It was not so. The extension of time was consequential on the moratorium Act of October, 1915, and we were entitled to it. It was a consequential provision, and this Order in Council was necessary under Native law provisions in order to fix the time.

Did the moratorium protect the company from any action whatever?—Yes. No action was taken against the Tongariro Company during the moratorium.

They were relieved of all responsibility?—Yes, of all responsibility and liabilities. In referring to liabilities I am referring to consequential activities. The war and the delay in issuing the Order in Council of September, 1921, quite paralysed the company as to raising money. As I told you, I was eighteen months in London, and I interviewed no less than forty-eight financial firms and persons in London, and placed before them the whole of the facts of this complex problem, and no one would look at it until the Order in Council was issued. I was asked at a great meeting of the Armstrong, Whitworth directorate what was the title to this property, and I said, "The title to this property is an Act of Parliament, and the honour of the New Zealand Government." I would like to be able to return and tell those men that an Act of Parliament and the honour of the New Zealand Government are a good title. I really want to be very explicit about this, Mr. Chairman, and I hope I have made myself clear that the Order in Council of 1921 killed the Tongariro Company. And Sir Francis Bell admitted it to me on the 31st July, 1922, when he said that no one would invest money to build a railway for timber purposes with the onerous conditions of a Government standard. The Armstrong, Whitworth Company withdrew, and all the others withdrew. And no one has succeeded except the Duncan syndicate, and they succeeded on the promise of Mr. Coates' terms. Mr. Coates recognized that it was only fair, if investors would not find the money for a Government standard railway, to revert to the old standard. What the original contract required was that the Tongariro Company should build the railway for timber purposes, and the specifications were for 30 lb. rails, with a track 3 ft. 6 in. wide.

*The Chairman.*] Was a time specified for the construction of that line?—Yes; I think they got to 1916 for the completion of part of the line to open up the forest; then they had to build twenty miles beyond the forest at a later period.

What portion did they build prior to the expiration of their contract?—Three miles of railway and two miles of earthworks.

What was the total length to be done by 1916?—I think, twenty miles. They entered into a contract with the Egmont Box Co. to do the three miles for them at the ultimate cost of the Tongariro Company.

For timber purposes?—That was their contract, and they completed three and did the earthworks for two, and put a large amount of plant and material on the ground for the purpose of finishing the five miles. That is all there now. The Box Company claimed £18,000 for the railway-construction, and they had, in addition, to build that railway with 30 lb. rails for timber purposes only. The Tongariro Company had paid their royalties right up to the date at which all those engineering firms reported that they would not undertake the work with the Government standard rail; and they have not been able to do it since. We were ready and willing to pay through the Duncan syndicate all arrears of royalty, but no one would do this until the Government gave its consent to revert to the original standard of railway. The difficulty had been got over for the Tongariro Timber Co., and the whole thing was a going concern when the Government stepped in and made provision to acquire it. Up to the time when the engineers reported to their respective firms that the thing was not a safe investment because of the standard of rail required, the whole of the royalties paid to the Natives amounted to £53,000, on timber worth six times as much as the royalties paid. So that the royalties already paid have bought timber for the Tongariro Company to-day worth £320,000, according to the