

1877.
NEW ZEALAND.

SALE OF THE “LUNA.”

(REPORT OF THE DISQUALIFICATION COMMITTEE, TOGETHER WITH MINUTES OF PROCEEDINGS
AND EVIDENCE.)

Report brought up and ordered to be printed 26th November, 1877.

ORDERS OF REFERENCE.

Extract from the Journals of the House of Representatives.

THURSDAY, THE 4TH DAY OF OCTOBER, 1877.

Ordered, That it be an instruction to the Disqualification Committee to inquire into the circumstances connected with the sale of the steamship “Luna,” and to report thereon.—(Mr. Thomson.)

MONDAY, THE 5TH DAY OF NOVEMBER, 1877.

Ordered, That the time for bringing up the report of the Disqualification Committee be extended for fourteen days.—(Hon. Mr. Fox.)

REPORT.

THE Select Committee on the disqualification of certain members, to whom was referred an instruction to inquire into the circumstances attending the sale of the steamship “Luna,” have the honor to report:—

That it appears from the evidence taken before your Committee that the “Luna” was sold for the best price obtainable in the colony.

That it does not appear that any better price could have been obtained for the vessel had she been sold otherwise than by private sale.

But your Committee are of opinion that under ordinary circumstances Government property should be sold by public tender or auction.

The Committee append the Minutes of their Proceedings and Evidence, and recommend that the same be printed.

26th November, 1877.

WILLIAM FOX, Chairman.

MINUTES OF PROCEEDINGS.

FRIDAY, 23RD OCTOBER, 1877.

The Committee met pursuant to notice at 11.30 o'clock a.m.

PRESENT:

Mr. Rees in the chair.

Mr. Bowen,
Mr. Button,
Hon. Mr. Fox,

Hon. Mr. Gisborne,
Hon. Mr. Macandrew.

The order of reference dated 4th October having been read, Mr. Rees vacated the chair.

Resolved, on motion of the Hon. Mr. Gisborne, That the Hon. Mr. Fox be appointed Chairman.

The minutes of the previous meeting were read and confirmed.

Mr. G. McLean, M.H.R., being in attendance, was examined, and his evidence was taken down by the reporter present.

Resolved, on motion of the Hon. Mr. Gisborne, That Mr. J. Nancarrow and Captain Johnson, Marine Department, and Mr. E. W. Mills, Lion Foundry, Wellington, be summoned to give evidence as to the value of the steamship “Luna.”

FRIDAY, 23RD NOVEMBER, 1877.

The Committee met pursuant to notice at 11.30 o'clock.

PRESENT:

Hon. Mr. Fox in the chair.

Mr. Bowen,
Hon. Mr. Gisborne,

Mr. Harper,
Hon. Mr. Macandrew.

The minutes of the previous meetings were read and confirmed.

The order of reference dated 5th November was read.

Resolved, on motion of the Hon. Mr. Macandrew, That the Committee do inquire into the circumstances connected with the sale of the "Luna."

Mr. E. W. Mills and Captain Johnston, being in attendance, were examined, and their evidence was taken down by the reporter present.

Resolved, on motion of Mr. Harper,—

That it appears from the evidence taken before the Committee that the "Luna" was sold for the best price obtainable in the colony.

That it does not appear that any better price could have been obtained if the vessel had been sold otherwise than by private sale.

But that the Committee are of opinion that under ordinary circumstances Government property should be sold by public tender or auction.

Read and confirmed.

MINUTES OF EVIDENCE.

TUESDAY, 23RD OCTOBER, 1877.

Mr. GEORGE McLEAN, M.H.R., being in attendance was examined.

Mr. G. McLean.
23rd Oct., 1877.

1. *The Chairman.*] You were Commissioner of Customs?—Yes.
2. And the "Luna" was officially in your charge?—Yes.
3. *Mr. Gisborne.*] Had the House ordered the sale of the "Luna"?—I made some statement in the House. I believe, now you mention it, that I did make a statement, when the vote was on, that she was for sale. I may say that there were several inquiries for her, and amongst them one from Captain Macfarlane, of the steamship "Rotorua." He said he could get £3,000 for her in Sydney.
4. *The Chairman.*] What date was that?—I could not now say.
5. Was it after the session?—Yes, a good while after the session. I told him we wanted £5,000 for her by some means or other. He said he would see what he could do over there; but we heard nothing more of it. There was an inquiry from Melbourne, from Messrs. Coffey and Turnbull; and when they got particulars they would not have anything more to do with her. The only *bonâ fide* purchaser that ever came forward, I had reason to believe at the time, was the Brunner Coal Company, from negotiations that took place when I was away. They offered £3,000, and would not give any more. For six months after this, no negotiation took place, until it was opened by Mr. Turnbull.
6. Did you advertise at that time?—No. There was always an idea of putting her up for sale. From my own knowledge, I knew that was not a good way of getting the money we wanted for her. I came to Wellington, and the negotiation took place with Mr. Turnbull, on the 5th of April. They stuck at £3,500, and at last they offered £4,000, cash down.
7. Did they initiate negotiations, or did you go to them?—Mr. Turnbull came to us. I do not know whether Mr. Turnbull had anything further to do with the matter than buying for the company. First, he would give £3,500, and I told him we wanted £5,000. At last, he came up to £4,000 cash, and would give no more, and made an offer accordingly. He said it was for a West Coast firm, and I knew it was likely to be the Brunner Company. I found there were four of my colleagues away from Wellington. I consulted those who were here, and they said decidedly to take it, and get her out of the road. I then consulted my own people (the Union Company), and asked Mr. Mills, the Manager, if it would be a proper transaction to let her go for £4,000 cash, and he said decidedly that was the full price for her, and to let her go to whoever gave that amount. I sent telegrams to my absent colleagues, and they all concurred in the sale. I will read copies of the telegrams:—
(Telegram.)—Government Buildings, 5th April, 1877.—Shall I accept £4,000 cash for "Luna"? Atkinson, Pollen, and I think that I should.—G. McLEAN.—To Hon. F. Whitaker, Auckland.
(Telegram in reply.)—Auckland, 5th April, 1877. "Luna."—I say accept £4,000.—F. WHITAKER.
(Telegram.)—5th April, 1877.—Shall I accept £4,000 cash for "Luna"? Atkinson, Pollen, and I agree to take that sum.—G. McLEAN.—To Hon. C. C. Bowen, Christchurch.
(Telegram in reply.)—Christchurch, 5th April, 1877.—*Re* "Luna." Ormond and I agree to sell for £4,000 cash.—C. C. BOWEN.
(Telegram.)—5th April, 1877.—Shall I accept £4,000 cash for "Luna"? Atkinson, Pollen, and I think we should sell at that price.—G. McLEAN.—To Hon. D. Reid.
(Telegram in reply.)—Queenstown, 6th April, 1877.—Certainly; accept without delay.—D. REID.

We never before had been able to get an offer for her. Mr. McIntyre asked me about her, and I told him that, if he could get us terms in Adelaide, we should be very pleased to pay him commission; but we never got any reply. As far as my own knowledge went, I was perfectly satisfied that a very large sum would have to be spent on her before she could go to sea. Without spending about £800 on her she would not, I believe, have been allowed to go to sea. Patching would have had to be done to her boilers, and otherwise a very considerable sum spent on her. I thought it a first-rate sale. What bears me out more in this opinion is this: The Union Company have been trying to sell the "Phœbe" and "Ladybird," and can sell neither. They sent the "Phœbe" to Sydney, where there is said to be a sale for old steamers, and the company put her up to sale and never got an offer. They afterwards got an offer of £5,000 for her, which they declined, and now no offer can be got for her, and she is worth three "Lunas." My experience is that, unless in a catch like this, where the "Luna" can be used, there is no sale for old steamers, and I myself would be very glad to hand back the "Luna" for the money they paid and the amount spent on her since.

8. Have they laid out much money on her?—Mr. Kennedy told me about £3,000.

9. How long did the Government have her?—Since 1871. If you take the ordinary depreciation of 5 per cent. from the time the Government got her, she is well sold for the Government. In these times people will not buy any of these old steamers. The "Phœbe's" boilers have been four years only at work, and they will not buy them on account of this consumption of coal. The saving in coal effected by the compound boilers prevents people looking at these others. That is the reason why these old steamers cannot be sold.

10. *Mr. Bowen.*] Do you remember being often urged by your colleagues to get rid of her when lying at anchor?—Yes.

11. *Mr. Rees.*] Why did you not give some notice to the public that she was to be sold by tender?—It was always the intention to sell her, and everybody knew she was to be sold from one end of New Zealand to the other. Every merchant in New Zealand knew she was for sale. It was stated in the House last year that she was for sale.

12. When?—On some statement of Mr. Macfarlane's, if I recollect rightly. From her very large consumption of coal I do not think she was a steamer at all saleable, except for a trade like this, where the coal costs them very little. When the "Albion," which cost £34,000, was put up for sale, my firm bought her for £8,000, and she is running now with the same boilers in her. That shows how difficult it is to sell old steamers at anything like a price.

13. Why was public intimation not given, and tenders called for? There is another Government boat, the "Hinemoa"?—The "Hinemoa" is a perfectly different thing. She is a new steamer, and I consider that no Government would be justified in putting up a new steamer except by public auction or tender. I quite agree that no new steamer such as the "Hinemoa" should be sold privately, except it is first tried by auction or tender. I put in these telegrams to show that the majority of the Government absolutely knew nothing of who was to be the purchaser till they came to consent to the sale.

14. *Hon. Mr. Gisborne.*] Did you take any professional opinion as to the value of the vessel—persons who knew anything about the value of boilers, ships, &c.?—I took the opinion of the Managing Director of the Union Company. Captain Johnston and I used to discuss the matter; so did Mr. Nancarrow and I. I also spoke to Captain Macfarlane.

15. You never had a written opinion?—No. There is no question about it, full value was obtained for the vessel, and I believe Mr. Kennedy is quite willing to give her back for the purchase-money and a fair estimate of the cost of making her fit for sea.

16. I see the Estimates contained an item of "£12,000 in addition to proceeds of sale of 'Luna.'" What was your impression as to the amount of the proceeds?—I did not think we should get more than £5,000.

17. *Mr. Rees.*] I thought it was understood that £20,000 was to be given for a new steamer, and that £8,000 would be got for the "Luna"?—Yes. I believe Sir Julius Vogel expected she would realize £8,000; but I was positive that nothing of the sort would be got.

FRIDAY, 23RD NOVEMBER, 1877.

Mr. E. W. MILLS, being in attendance, was examined.

Mr. E. W. Mills.

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18. *The Chairman.*] You are proprietor of the Lion Foundry in this town—Yes.

19. And are in the habit of repairing vessels, putting in new boilers, &c.?—Yes.

20. Have you had anything to do with the old Government steamer "Luna"?—I have had her in my hands for repairs at different times.

21. Were you familiar with her condition about the time she was sold, or a little before that?—Yes; I may say I made two surveys of her.

22. Can you give the Committee any idea of the value of the steamer?—The New Zealand Steam Shipping Company had an idea of purchasing her for the Wanganui trade, for which they particularly wanted a vessel, and for which trade she would have been adapted because of her light draught, and they thought of offering £3,000 for her, but, on examination, we found her in such a condition that we could not recommend the Company to give that. It was left to me and my foreman to decide, and we found we could not recommend the Company to buy her at that figure, as it would cost £7,000 or £8,000 to repair her and convert her engines. £3,000 or £3,500 would be an outside value. After Mr. Kennedy bought her he placed her in my hands for repairs. My account came to within a trifle of £1,000, and I believe he would be very glad now if he had never seen anything of her. One boiler has been taken out to give more room for cargo, and it is now impossible to get any speed out of her. The other day, for instance, she left Lyttelton on Thursday, and did not get in here until Sunday, while other boats, leaving at the same time, would get in on Friday. We renewed her bulkheads, took one of the boilers out, and effected other repairs, but these were only of a temporary character. We put it to Mr. Kennedy whether he would have her thoroughly repaired, or such repairs as would keep her going for the present. He decided on the latter course, but I believe she now wants more repairs. Then she burns an immense quantity of coal. She used to burn about twenty-five or twenty-seven tons with the two boilers, and with one boiler I suppose she will burn about seventeen tons in the twenty-four hours.

23. *Mr. Bowen.*] Are you aware what sort of a demand there was for steamers of that class on the coast?—Well, I do not know of any demand, except that the New Zealand Steam Shipping Company would have bought her if I could have recommended her at £3,000.

24. *Hon. Mr. Gisborne.*] Are you accustomed to repairing vessels of this class?—Yes; I have had to do with a good many since I have been in the business, twenty years.

25. *Mr. Harper.*] It was pretty well known that she was for sale?—Yes; I should think it was known all over the colony. Engineers and masters of vessels generally tell one another of these things, and it was well known that she was lying in the harbour here for months for sale.

26. She is not a good commercial boat?—No. She always eats her head off in expenses.

27. *Hon. Mr. Gisborne.*] You repaired her after she was sold?—Yes. My account came to about

Mr. E. W. Mills. £1,000. Since then I have done other work amounting to £230, and now she wants more repairs. She is not a poor man's boat. I calculated that to put her in thorough good working order £8,000 worth of repairs would be required. Add that to the £3,000 purchase-money and you have a cost of £11,000. I did not think it would pay the Company to take her at that price. £11,000 for a second-hand boat is a long figure.

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28. *Hon. Mr. Macandrew.*] What is her hull composed of?—Steel plates, but they are very thin—in fact, we had to sheath some of them before the Government sold her. They have worn from inside, and she has been on the rocks once or twice.

29. Do you think the hull is so bad that it is scarcely worth putting new engines and boilers in her?—I think so. She is very tender, and to do that she would require strengthening very materially.

30. I suppose the £8,000 would be exclusive of what could be got for the old engines?—They are worth very little. I took the old engines out of the "Taranaki" and the "Rangatira," but could only allow the price of old iron for them.

31. £10,000 would have made a good boat of her?—She would be scarcely worth the expenditure.

32. *Mr. Harper.*] Do you know how old she is?—About fifteen years. I believe she was built for a blockade runner, and never was intended to carry heavy cargo. She is not strong enough for such work.

33. *Hon. Mr. Gisborne.*] Do you think more could have been got for her in Australia?—No; I do not think she would have been bought at any price.

34. The "Lord Ashley" was disposed of there?—Yes. Vessels were scarce then. Even in New Zealand, where there was one steamer then there are ten now, and when the "Lord Ashley" was lost it was said she should never have been insured, being unfit for sea.

35. Do you know what the "Stella" cost?—I do not know. I think it was nearly £20,000, but then she is a splendid boat. She would not burn more than seven tons in the twenty-four hours. That is where her superiority lies. It is such a saving. I altered the engines of the "Rangatira" to something like the size of the "Stella's," and the saving in coal is about £3,000 a year.

Captain Johnson.

Captain R. JOHNSON, being in attendance, was examined.

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36. *The Chairman.*] What is your position?—I am, among other things, Inspector of Steamers.

37. Have you been in that position long?—Sixteen years.

38. Do you know the "Luna," and did you know her at the time of her sale?—Yes; tolerably well.

39. What do you think was her value?—Not more than £4,000. That is more than I would give for her.

40. Is she suitable for commercial purposes?—No; because she burns so much coal, and because she cannot possibly compete with vessels with modern improvements, such as compound-engines. Besides she has been knocked about a good deal, and her hull is very tender in some places.

41. You would not give £4,000 for her?—No.

42. Not with all her improvements?—No.

43. *Hon. Mr. Gisborne.*] Were you ever asked by the late Government to give a valuation of her?—No; Major Atkinson met me one day in the street, and asked me what I thought she was worth, and I said "If you can get £4,000 you ought to take it."

44. That was not officially?—No.

45. Do you know what the "Stella" cost?—£17,000. She is a boat of the modern class, very powerful, and light in the consumption of coal. I never saw the "Luna" do ten knots, but the "Stella" can do that, at half the "Luna's" consumption of coal.

46. In your opinion, would the "Luna" have brought a better price than she did had she been advertised?—I cannot say; possibly she would. I believe the fact of her being for sale was thoroughly well known.

47. *Hon. Mr. Macandrew.*] The "Luna" was suitable for the purposes for which the Government used her?—Yes, pretty suitable; but very expensive and a good deal out of repair.

48. Assuming she had had her machinery altered and improved according to the modern style, and her hull doctored up, would she not have done as well for the purposes for which she was required as the "Stella"?—She would not do so much work I think. And the "Stella" only burns seven tons of coal and steams ten knots, but the "Luna" would consume fourteen tons of coal in twenty-four hours and steams eight knots.

49. The "Luna" is well adapted for bar harbours is she not?—Yes; the "Stella" is too deep. She draws eleven feet. But there is not much necessity for going into bar harbours.

50. Mr. Mills says it would have cost £8,000 or £10,000 to have put the "Luna" in thorough order. That would have brought her cost up to £14,000. Would she then have been as good as the "Stella"?—Yes.

51. *Mr. Harper.*] Still her age would be against her?—Certainly.

52. I suppose the "Stella" could not go into the following harbours: Manawatu, Wanganui, Poverty Bay, Hokitika, Greymouth, Napier, Hollyford River (Martin's Bay)?—No.

53. *The Chairman.*] I understand if the Government only had one boat she would be principally employed in lighthouse work?—Yes.

54. And there would be no prospect of her being sent into the Manawatu to a lighthouse?—No.

55. Nor Wanganui or such places?—No.