

1905.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

REPORT OF THE, ON "THE PUBLIC REVENUES ACT, 1891" (CORRESPONDENCE IN A CASE UNDER SECTION 32 RELATIVE TO THE DISALLOWANCE OF A SURCHARGE OF £1,433 0s. 3d. MADE BY AUDIT OFFICE UPON ALEXANDER AITKEN, THE MANAGER OF THE WAIMEA-KUMARA WATER-RACE); TOGETHER WITH MINUTES OF EVIDENCE.

(MR. McNAB, CHAIRMAN.)

Report brought up on the 22nd September, 1905, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 28TH DAY OF JUNE, 1905.

Ordered, "That Standing Order No. 218 be suspended, and that a Committee, consisting of twelve members, be appointed to examine into and report upon such questions relating to the public accounts as they may think desirable, or that may be referred to them by the House or the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; five to be a quorum: the Committee to consist of Mr. J. Allen, Mr. Colvin, Mr. E. G. Allen, Mr. Flatman, Mr. W. Fraser, Mr. Graham, Mr. T. Mackenzie, Mr. McNab, Sir W. R. Russell, Hon. Sir J. G. Ward, Mr. Wood, and the mover."—(Rt. Hon. R. J. SEDDON.)

FRIDAY, THE 1ST DAY OF SEPTEMBER, 1905.

Ordered, "That Paper No. 198 (Correspondence relative to Disallowance by the Hon. the Minister of Mines of a Surcharge of £1,433 0s. 3d. made by the Audit Office upon the Manager of the Waimea-Kumara Water-race) be referred to the Public Accounts Committee for investigation and report, such report to be brought up within fourteen days."—(Rt. Hon. R. J. SEDDON.)

TUESDAY, THE 19TH DAY OF SEPTEMBER, 1905.

Ordered, "That an extension of time of one week be granted to the Public Accounts Committee within which to bring up a report on Paper B.-20, relative to a surcharge of £1,433 0s. 3d. made by the Audit Office upon the Manager of the Waimea-Kumara Water-race."—(MR. McNAB.)

REPORT.

I HAVE the honour to report that the Committee is of opinion that the losses made are incidental to mining, and that a vote should be submitted to Parliament for writing off same; that, as a general principle, credit up to one washing should be given to miners; that any bad debts irrecoverable should be reported to Parliament annually; that the statement that the Mayor of Kumara was indebted to the colony is without any foundation, as he owed no portion of the accumulated debts.

22nd September, 1905.

ROBERT McNAB, Chairman.

MINUTES OF EVIDENCE.

TUESDAY, 5TH SEPTEMBER, 1905.

JAMES ALEXANDER MURDOCH examined. (No. 1.)

1. *Right Hon. R. J. Seddon.*] What are you?—A solicitor in practice at Kumara.
2. Do you hold any official position in connection with the borough?—I am Mayor of Kumara.
3. Do you know anything whatever about the water accounts and the amount that is in arrear?—Yes.
4. Have you received any instructions to proceed against any of the miners or parties to recover any sums owing for water?—Not myself, but I understand the Crown Solicitor at Grey-mouth has.
5. Are you interested in any of the claims that have been taking water from the Government race, or can you tell us what has been the custom or practice in connection with the supply of water?—The practice has been at the washing-up to interview the Manager of the water-race, and, if the claim is payable, to pay the amount due in full, and, if the claim has not paid, to make a declaration before him to that effect, to produce the gold receipts, and to pay as much as possible of the amount due.
6. Do you know whether water has been given with the view of prospecting new ground under arrangements between the parties and the Manager?—Yes, frequently. The parties have gone to the Manager and stated that they regretted that they would not be able to work their claims any more on account of their non-paying character, and have showed that if they paid anything for the water they would not have anything to keep themselves or their families on. In such a case the Manager has sometimes suggested that they should go on for another washing-up, with the result that sometimes the next washing-up proves to be better, and they are able to pay for the water not only for that washing-up, but for the arrears.
7. That has been the practice?—Yes.
8. Are you interested in any of the claims that are taking water from the Government?—Yes, I have taken shares in two different claims.
9. What is the position of the claims that you have been interested in: have they paid, or otherwise?—They have paid.
10. Then, if any statement has been made to the effect that you are the principal person concerned in owing this £1,000, is that correct or otherwise?—It is absolutely incorrect.
11. You state that all accounts in connection with your claims have been paid?—Yes.
12. Have you had any opportunity of knowing whether the parties who owe this money are in a position to pay, or do you consider the money owing to be legitimate bad debts?—Most of them, I should say, are absolutely bad debts. The most that could be said of a few of them is that they are doubtful; as to others, a few dispute the amounts. Most of the old miners who owed this money are dead, and the debts arose in the way I have indicated—that the Manager consented to a number of these old diggers going on using the water for another month. If the claims did not pay at all they would be thrown up and the Manager would lose another customer.
13. How long have you been in Kumara?—Thirteen years.
14. And has that practice on the part of the Manager obtained all the time you have been there?—Yes.
15. What would be the effect if the miners were compelled to pay for their water in advance?—They would be absolutely ruined.
16. What do you mean by that?—I do not think there are more than three parties on the field that could do that. They have no capital—no ready cash.
17. You state to the Committee that to give credit is indispensable?—Yes, indispensable.
18. And has been so since you have been there?—Yes.
19. Then, taking the amount owing as bad debts for seven years, do you consider that proof of good management or otherwise?—It shows that the Manager, Mr. Aitken, has been very prompt in his duty and has had the confidence of the miners. They have gone to him before going to their butchers and bakers. It shows that Mr. Aitken is a very good diplomat in getting their confidence, and they are all friendly-disposed towards him. At the same time, he is firm when necessary. I do not think any private water-race owner could have conducted his business with the loss of so little in bad debts.
20. You mean that, taking the water supplied and the time the debts have spread over, there is no fault to be found with the Manager?—Yes. Taking the time, amount supplied, and the poor nature of the ground, I say the amount in arrear is very small indeed.
21. *Hon. Sir W. R. Russell.*] Do you consider it a good investment on the whole, to allow bad debts of £1,000 to be made? Do you think, generally, the mining on the field has more than compensated for the loss of £1,000 in connection with the water-race?—Very much more so.
22. To your knowledge, has anything like favouritism crept in in the allotment of this water?—I have never heard it stated so.
23. Any man of moderately good repute *bonâ fide* working on the field could get the same concessions from Mr. Aitken?—Yes; he has been strictly departmental in the matter.
24. There can be no question of favouritism—the same liberty has been granted to every deserving man?—Yes; Mr. Aitken has been most fair.

25. *Mr. Colvin.*] How long have you been on the Kumara?—Thirteen years.

26. How long is it since you began speculating in mining?—Only during the last two or three years.

27. Were these debts contracted previous to that?—Yes.

28. You state positively that you do not know any company with which you are connected that owes any part of this £1,000?—No partnership that I am in. I might have shares in a registered company which has a current account, but they are quite able to pay, and I know that after every washing-up they do pay. Mr. Aitken was more particular with a company than with a poor miner.

29. In giving this credit the Manager allows the man to take the water with the chance of not receiving payment, but if he did not give him the water would it not run to waste?—Yes; the supply has been far greater than the demand for the last seven or eight years.

30. If the Manager did not allow the miners to get the water it would run to waste?—Yes, into the ocean.

31. Therefore the Government as owners say, "We are not losing anything by allowing these men to prospect"?—Not the slightest. There was no wear-and-tear when the sluices were open. The proof of that is that miners have not been short of water for the last seven or eight years.

32. *Mr. Wood.*] What is the amount that the miners pay for their water: what does it run into during twelve months?—It is according to the shifts they take. The shift is 6s. 3d. for ten heads. Some claims only take one shift a day, others two.

33. Is it £1 10s. or £1 a head?—Sometimes there would be four men in a party, sometimes three, and sometimes five. A year ago it was 12s. 6d. a shift.

34. How much is the total for the year?—I cannot say.

35. *Mr. W. Fraser.*] You said it was 12s. 6d. a shift: for how much water?—Ten heads to each party, with an addition for flushing channels.

36. How many heads are there in the race?—I suppose they can deliver a hundred heads on the field if the water-race is full.

37. How many parties are taking it?—When I went there, twelve years ago, there were forty parties taking it, but they would not work all the day long; they would work in shifts.

38. I understand that this £1,000 has been written off: has it been absolutely forgiven to these men?—There has been no express writing-off.

39. You stated that none of your claims owed any of this money to the Government?—That is so.

40. Do you mean of this £1,000?—I mean of this £1,000 or any other money. We may have a current account from one washing-up, or four-weekly period, to another, and that would be paid.

41. I wanted to make that clear—that that would not be in this £1,000?—No.

42. You said you might have had some shares in a registered company which might owe money to the Government?—Yes.

43. But that is not in connection with the £1,000?—No.

44. *Right Hon. R. J. Seddon.*] If the statement has been made that the Mayor of Kumara owned most of this £1,000, is that correct or otherwise?—It is absolutely incorrect.

45. There has been ample water for those who wanted it, and in letting these men have it the Manager has not been debaring any others from getting it?—That is quite correct.

46. Therefore the letting of the water to these men was not a loss of revenue in the ordinary sense?—No; it cost the Government nothing. They were never short, but had an abundant supply, and it meant giving the miners a chance not only of paying for that washing-up, but in many instances to pay up arrears for the previous months.

47. *Hon. Sir W. R. Russell.*] How long have you been Mayor of Kumara?—This is my third year of office as Mayor of Kumara.

48. And the statement the Premier alludes to, that much of this money is owing by companies which the Mayor of Kumara is connected with, could not apply to your predecessor?—I do not know anything about him. Mr. Byrne, my predecessor, I do not think had any shares at all. I think he was Mayor for five years. If he ever did, I feel sure it would have been paid.

The Chairman: Having heard the statement made by the Premier, I asked the honourable member who is alleged to have made the statement referred to to be present, and, if he wished, to examine the witness.

Mr. Hawkins: The statement I made in the House was this: I stated that it was alleged that the Mayor of Kumara owed a considerable part of this £1,000. That was my information. I did not say positively it was so. I have just heard what the Mayor of Kumara has said, and I am perfectly satisfied with his answers.

49. *Right Hon. R. J. Seddon.*] Is the number of miners and the claims in payable ground falling off?—Yes, very fast.

50. There is now a large surplus of the water on the field that is not used?—Yes.

51. Do you think it advisable in the interests of the field itself and of the investment in the race that further prospecting should be done to test new ground?—Yes, I think it would be if the water were carried over the Teremakau River, because you would get an abundant demand for the water on highly payable ground.

52. Is there any other place lower down the field?—Yes, I think there is all about Kumara, and down to the sea-beach it would pay if facilities for sluicing were given by the Government in the way of constructing sludge-channels.

53. What would be the effect if cash payments were demanded for water on the field as it stands?—Miners as a class are unable to find any cash. All the cash is invested in the plant and in putting the claims in the necessary order, and if they had to find the money in advance it would block poor men from taking any of the water at all.

54. Then, cash payments in advance would stop prospecting and the development of further ground?—Quite so. I think the Manager should be given absolutely a free hand in connection with the water. The effect of the statement might have been peculiar to me. I am a solicitor practising in the town, and the miners might have thought I got better treatment than they did.

TUESDAY, 19TH SEPTEMBER, 1905.

J. K. WARBURTON, Controller and Auditor-General, examined. (No. 2.)

1. *The Chairman.*] Will you explain to the Committee, Mr. Warburton, the nature of the dispute between the Audit Department and the Mines Department referred to in Paper B.—20 of this year?—Yes. It is a case I reported to Parliament under section 22 of "The Public Revenues Act, 1891"—a case of the disallowance by the Minister of Mines of a surcharge, and incidentally of the granting of water from the Waimea-Kumara Water-race on credit which is not authorised by law. In Paper 3 the Audit Office pointed out to the Minister of Mines that there appeared to be no authority in law for granting such credit. It was suggested that if it were necessary that credit should be given the Government would doubtless consider whether the practice of the Manager in giving credit ought not to be lawfully authorised. The reply of the Minister is given in Paper No. 8: "I do not think it would be wise to authorise any Government to give credit, as, in my opinion, it will lead to far greater loss of revenue than at present obtains. The present system of voting off amounts which cannot be recovered affords every opportunity for investigation." Then I pointed out that, "the question having been settled by the Government that the miners should continue to be supplied with the water on credit, the point is whether the credit is to be granted with or without the authority of law." And I went on to explain in the same memorandum what the position was: "What is called 'the existing arrangement,' the arrangement by which the Manager has been giving credit, is not lawful, and it will consequently be the duty of the Audit Office at once to surcharge the Manager with the amount of the credit which he has already given, and to point out to him that the giving of credit is a breach of the law." That was in 1898. On the 20th May, 1904, the amount owing to the revenue having gone on increasing without anything having been written off or voted, I then pointed out that these credits were without authority of law, adding, "that the Minister will no doubt take immediate steps to stop these unlawful credits, and cause such proceedings to be taken as may be necessary to recover the amounts owing." On the 29th October, 1904, no reply having been received, the minute of that date was written. In that minute I say, "As, from the correspondence, it would appear to be with the concurrence of the Government that the Manager has been allowing the credit, the Government may consider the question of placing on the supplementary estimates a sum sufficient to make good to the revenue so much of the amount owing for water as may be found irrecoverable. And the matter being that money payable to the revenue is outstanding in consequence of failure to observe the requirements of law, the Controller and Auditor-General proposes to report such matter to Parliament." The papers from Nos. 12 to 13, inclusive, were enclosures with that memorandum, in the first one of which the Manager of the water-race, Mr. Alexander Aitken, states: "I am endeavouring to carry on the water-races here in a manner which I consider is in the best interests of the Mines Department, and if I insist on payment of amounts due as water is supplied, and sue for balances on the debit side, sales of water would almost cease, as the claims now being worked are very poor." One of the enclosures to my letter to the Minister of the 29th October, 1904, was No. 13. It was addressed to Mr. Alexander Aitken, sending him the surcharge itself. Then, on the 15th July, 1905, having received no reply from the Minister, I pointed out to him that the amount owing to the revenue for water supplied on credit was £2,127 16s. 4d. In answer to that letter the Minister informed the Audit Office that it was proposed to sue where there was any reasonable prospect of recovery, and to ask Parliament for a vote for the residue of the arrears. He accordingly disallowed the surcharge on the Manager of the water-races. What the Audit Office required was that no credit should be given without the authority of law, and that if credit was given the amount should be voted off—that is to say, there should be authority taken in the Appropriation Act to write off the amount as irrecoverable. For instance, on the 7th June, 1900, I wrote to the Minister of Mines as follows: "There were, on the 31st March, 1900, old accounts unpaid amounting to £355 4s. 10d. for water supplied by the Mount Ida Water-race long ago, before it ceased to be supplied on credit. It appears to the Audit Office that there is little prospect of recovering the amount, and it is suggested that the Administration should inquire into the matter, and that if the result should be to confirm the opinion of the Audit Office, a vote should be taken to write off the amount, and in the Appropriation Act of 1900 the amount is authorised to be written off as unrecoverable." That seems to me to be the course which should have been taken year by year with the unrecoverable amounts for water supplied on credit from the Waimea-Kumara Water-race.

2. Is that all?—That is all.

3. *Mr. Colvin.*] Do you take up the position that before a man gets water he must pay for it?—That is the position as it at present stands.

4. Before he gets value for his money?—Yes. That is, whatever the Manager delivers he should first be paid for.

5. Do you not think it an impossible thing? He is delivering the water every minute or every second, and until such time as so many heads of water are delivered he has no right to get paid?—No; it is just like the sale even of a postage-stamp, or anything else that brings revenue to the Government—you pay for it first.

6. But you see you get the value in the postage-stamp?—I do not think so. The officer who delivers the stamp without getting the money for it first would be answerable for the money. But it is not a question of expediency of administration; it is simply a question of what the law requires.

7. *Mr. Flatman.*] Do you think that, according to the law, an hour's or a day's water should be paid for prior to being used?—You might pay for it in the same way as Customs duty may be paid, through a deposit of money. For railway services a deposit is paid. These deposits bear whatever the charge may be for the service rendered by the Department.

8. In your opinion these deposits ought to be made daily or weekly?—I do not say "ought to be." I say the law requires—that is to say, there is no authority for the credit. I have gone, perhaps, a little beyond my function in one letter here. In my letter to the Minister of Mines, No. 6, I say, "The course which appears to me to be on the whole the least open to objection is for the Government to be authorised to give credit provided that any arrears which the Manager reports to be irrecoverable, and which the Department is prepared to allow to be so, should be voted. The Manager of the races would for his own credit do all he could to keep down the amount to be voted, and so would exercise discretion in granting credit. . . . Those to whom the water must be supplied on credit, if supplied at all, have neither the means of paying for it in advance, nor any security to give for payment. Their work is extremely speculative. If it turns out profitably they pay for the water; if unprofitably, they are no more, probably less, able to pay for the water than before they obtained it." That is simply a suggestion, outside of the position I take up, which is that the water is not authorised by law to be supplied on credit. If the amount irrecoverable had been voted off every year, the matter of the granting of credit would have come before Parliament.

9. *Mr. W. Fraser.*] I understand from you, Mr. Warburton, that you are not propounding a question of policy as to whether water should be supplied on credit, but a question as to the legality of giving credit?—That is so.

10. You are expressing no opinion as to policy?—I am expressing no opinion as to policy.

11. You are expressing an opinion purely on the legality of giving credit?—Quite so. The giving of credit has gone on from year to year since or before 1898, until about a month or two ago, when I pointed out to the Minister that the amount had risen to £2,127 16s. 4d.

12. This has been going on since 1899?—Since 1898, or before that.

13. Before that even?—I think so.

14. What you suggest should be done, is that each year a vote should be taken for the amounts unpaid?—I say that if that course had been taken, the question would have come before Parliament. If they had been written off year by year as irrecoverable, these amounts would have appeared in the Appropriation Act.

15. There is an analogy drawn in one of these letters, between the credit given by the Railway Department, and the credit given for water in these races. Is there any similarity in the cases?—No. I understand that in the Railway Department the merchants to whom credit is given deposit moneys against those credits.

16. Are you conversant with the procedure in the Railway Department?—I am not now conversant with it, but when I wrote what I say somewhere in these papers—

17. It was in 1898 that that was referred to?—I wrote something then, and I recollect satisfying myself by inquiring at the time.

18. The reference is in a minute signed "R.J.S." and dated 21/3/98, "If necessary get law altered. Credit is given by Railways and other Departments of State, and in this case cannot be dispensed with, for no estimate can be formed until after use of water has taken place." That is in No. 5. Then you reply in No. 6 that "the credits allowed by the Railways and other Departments are so secured that there is little or no risk of loss or deficiency"?—That is so; that is my present answer.

19. Can you give any reason why this matter has not been dealt with during the last seven years?—No, Sir.

20. You deemed that things had come to a head, and it was necessary to take some decisive step?—Yes. I considered that I could not take the responsibility of allowing the matter to remain any longer as it was without reporting it to Parliament.

21. *Hon. Sir J. G. Ward.*] I understood you to say, in reply to a previous question, that prepayment for the water was necessary under the law?—Yes, I think it is.

22. How would you suggest that water could be sold to a number of miners from the one water-race if payment had to be made beforehand—at 5 o'clock in the morning, for instance?—When they applied for the water they would pay for the number of hours they required it in advance.

23. But some of these amounts that are overdue are under £1?—Yes, but they are very few.

24. Supposing there is only one person, how would you suggest it could be done without a knowledge of the person who is going to use the water?—Well, if that person were required to pay for the water he used he would apply for so many hours' supply, and he would pay for it—that is, if no credit were given.

25. Yes, but that would involve a man being practically the possessor of information beforehand that nobody else could have, as to how long he was going to use the water?—He would apply for so much water as he expected to use. If he paid for more water than he used there would be a balance to be returned to him out of the amount that he paid.

26. Do you suggest that in actual practice that would be possible?—Well, it is done in the case of the Mount Ida Water-race. We have put the same position to the Manager there. Three hundred and fifty-five pounds was written off, and he has since ceased to give credit.

27. Is there any less water taken there than there was originally?—I could not speak as to that point.

28. In many cases the miners are poor men, and if credit were not given and the water was allowed to run to waste there would not be much satisfaction about that?—I am not considering that phase of the question. If the Government regards the present position under the law as unsatisfactory, I think the law should be altered.

29. Would you suggest that the same principle should be applied to the carrying-on of the Railway Department, for instance—that everything should be prepared for so as to prevent a loss—should be paid for before the work is performed?—What work?

30. Any work?—A passenger pays for his ticket.

31. I am not speaking about tickets. Supposing you wanted to send 1,000 tons of goods by the railway to New Plymouth, would you suggest that the freight should be paid before the work was performed?—I think the Administration takes good security for the freight or whatever charges are made.

32. That is not the point. Supposing that 1,000 tons of goods were taken from here to-morrow to New Plymouth for shipment to Auckland, would you suggest that before that service was performed by the Railway Department the cost should be prepaid?—That is a question of expediency. I should suggest that whatever the Department did it should do it in strict accordance with the law.

33. But it does?—No; in the case under notice it has not. This system has been going on for many years. Even if a credit were considered to be allowable for the period which it takes to deliver the water, that would not apply to this case. This is a case of credit existing and going on for many years, until the amount has reached over £2,000.

34. I am quite with you in that the State should be protected in the matter of credit, but I know that if the Railway Department adopted the system that you are trying to compel the Mines Department to adopt it could not carry on?—Well, then, I ask, why not alter the law for it, as I suggest in these papers?

35. *The Chairman.*] You have raised upon the sums that are outstanding as unpaid the question brought up in this paper?—Yes.

36. Why was it not raised on those sums that were paid—they were paid after the service was rendered?—The Audit Office receives the accounts of moneys paid to the Manager, and the circumstances of any short credit do not come before the Audit Office. The money is in the account which is paid for the water supplied. The money is not in the account which is owing for the water that is supplied on credit when you come to examine the accounts.

37. Is it not the case, then, that the Audit Office is satisfied if, when they come to examine the accounts, the money is there?—The Audit Office raises no objection.

38. And in this case it raised no objection to those accounts that were paid before it examined the accounts, although that money was not paid until some time after the service had been rendered?—Quite so; just as in the Post Office, if a clerk delivers a money-order without receiving the money first, and pays it himself, or receives the money afterwards, and we do not know anything about it.

39. It will be sufficient, then, for the Audit Office if the Minister gets these irrecoverable amounts voted on the estimates?—I think so. We should have raised no objection if the Minister had every year obtained appropriation for the amount which he regarded as unrecoverable. Then, though we regard the credit as being not strictly authorised by law, the question of giving credit would come before Parliament.

40. Then, the placing of the amount on the estimates, even without legislation being passed, would satisfy the Audit Office?—The Audit Office would raise no objection. I am inclined to think that it is not legal to make a practice of delivering the water on credit as the law stands now; but it is a question for the Administration to consider, I should say, whether it should deliver water on credit without the authority of law.

H. J. H. ELIOTT, Under-Secretary for Mines, examined. (No. 3.)

41. *The Chairman.*] Do you wish to make a statement?—This is a question of administration. As far as the Department is concerned, I think they endeavoured to take every step to recover the amounts. The Manager's salary was stopped for eighteen months, but he did not complain; in fact, I think he rather liked it. I used to remind him every now and then that as he did not conform to the requirements of the Department and collect these moneys and send in vouchers for services rendered he could not be paid. However, he has been dispensed with lately. The question has been constantly brought before the Government. I do not think it is necessary for me to read them, but I put some very strong minutes on the papers to the effect that discredit was being thrown on the Department by the action of the Manager of the race. He would not do anything.

42. Is that the Mr. Aitken referred to?—Yes. He was a very old man, and got careless. He never did anything from one year's end to the other, and reports came in to the office complaining about him. He had accounts for services rendered, amounting to hundreds of pounds, in his office, and he would not forward them.

43. Is Mr. Aitken still the Manager?—No; we got rid of him only about a month ago. Since then we have been endeavouring to get in the amounts owing, but I do not think we shall get any of them in. If they are not all written off this session a large proportion will be, and very likely next session there will be another vote.

44. The Department proposes bringing down a vote on the Appropriation Bill?—Yes, steps have been taken with that object for those accounts that are absolutely irrecoverable. We have

exhausted every means of collecting them. We have had officers down there. The Inspecting Engineer went down to report, and Mr. Gordon also reported. We offered to take promissory notes. One party gave promissory notes, one of which fell due the other day, and, of course, it was dishonoured.

45. Have you a list of the items that go to make up the sum stated in these printed papers?—Yes.

46. What are the instructions that have been given to the new Manager on the question of credit?—He has been told not to give any credit beyond the first washing-up of the party, and, with respect to some of those who owe large amounts, I took it upon myself to tell him not to give them any water at all until they had arranged for the payment of the outstanding debts. The Government are willing to accept any reasonable offer, but some of these people absolutely refuse to pay. Some of the claims in respect to which money is owing have been worked out and the men are away, but in some cases they have gone to other claims and are getting water. I told the Manager to stop the water for all these people, unless they would arrange to pay something.

47. I gather from what you say that you think the old Manager was imposed upon by a number of the miners?—He was a man of about seventy-four or seventy-five years of age, and he had no energy left. He was easy-going, and I dare say he was imposed upon. He did not seem to think anything of it. He was carrying on, he said, in a businesslike way, and had to give credit. That is in one of his letters, I think.

48. With regard to the giving of credit, you consider it absolutely necessary that credit in some form must be judiciously given?—You must give these parties credit until they wash up; but I should not give credit beyond the first washing-up.

49. *Mr. Colvin.*] Suppose that you stopped supplying a miner, who was working, with water, could you send that water to any one else in order to increase the revenue to the Government?—Not at Kumara.

50. Then, with regard to these men who have been given credit, there is no loss actually to the Government, although they have given the water—they have no one else they could give it to so as to bring in revenue?—No; there is no other demand. It is not like a very rich field. Kumara is practically worked out, and they are all looking for new ground.

51. *Mr. Flatman.*] Following up Mr. Colvin's question, I gather that if the water were not used by the miners it would be running to waste?—Yes.

52. Such being the case, and Kumara being, as you say, practically worked out, would it not, in your opinion, be judicious to lower the charges for the water?—That has been done quite recently. The charge has been reduced to 10s. It started at £3, and is now 10s. a head.

53. Do you think it is almost impossible for miners to carry the cash with them to pay for the water, we will say, as has been suggested—that is, daily or weekly?—They could not do it. They want to pay for the water as they pay the storekeeper for their "tucker"—that is, when they wash up. Some do so half-yearly, some yearly, and some quarterly. They ought then to clear off the debts.

54. A half-year's supply of water would amount in some cases to a considerable sum?—Yes. It would depend on the number of heads the party was taking.

55. And then it would depend on the success of their claim as to whether they were able to pay or not?—Certainly.

56. *Mr. E. G. Allen.*] Do you suggest any alteration in the existing law so as to give the Manager power under certain conditions to give credit?—No. There is plenty of power, if you are going to put the law in force, to recover the amounts; but the difficulty is to get them.

57. But you see the law prevents credit being given at all?—The law takes no cognisance of the individual. The Crown is never a creditor.

58. It has been suggested by the Auditor-General that a certain degree of latitude should be given to the Manager to give credit. Well, that must be done, I presume, by law. Can you suggest any alteration in the law that would prevent a repetition of this sort of thing?—I would not suggest an alteration of the law. I think it is much better left as it is, as long as the accounts are kept close up and not let run on from year to year. If there is a deficit, go to Parliament and wipe it off. But these accounts have been running on for years—I do not know why—and have been held over from one period to another, no action being taken. But I think things will be better now with the new Manager.

59. Do you find that under the present management there is less credit given?—Well, he started only last month, and we cannot tell. He has taken a very great interest in this matter and tried all he could to get the accounts in, but he cannot get them.

60. How long was the late Manager in the position?—He was appointed in March, 1890. He was there something over fifteen years.

61. Was it in consequence of laxity in collecting the accounts or old age that he was dispensed with?—Both. But, as I stated, his salary was stopped for eighteen months, and he did not object. I could not do any more than stop his salary.

62. He was working for nothing?—He did nothing.

63. He had no salary?—No.

64. When he was receiving a salary, what was the amount of it?—Three hundred pounds or £350—somewhere about that.*

65. *Mr. W. Fraser.*] I do not want you to give me the names of any of the people owing these amounts, but have you on that list the name of every person or firm who are owing money for water?—Yes, as far as we could make out.

* The actual amount was £310.—H. J. H. E.

66. Are there any names there of people of sufficiently good standing to enable you to recover any portion?—I do not think so.

67. You think the sums set against every name on that list are absolutely irrecoverable?—I think so. The accounts were classified as follows: (a) Cases in which time for payment should be given on condition that some payment is made at time of next washing-up, £139 12s. 7d.; (b) Cases in which the amounts owing should be written off for the reasons stated by the Manager, £61 11s. 2d.; (c) Cases where demands for payment should be made and followed up until a decision is arrived at, £201 18s. With an amount of £8 1s. 4d. already paid, that made up £411 3s. 1d. Then there are amounts which Mr. Gordon states it is doubtful will be recovered, totalling £481. We went into the whole matter and sifted the accounts in order to see how far we could recover. But I do not think we shall recover any of the amounts.

68. Are any of the amounts in that list owing by companies?—Well, there is one company, called the Long Tunnel Company, that we are proceeding against now. That is the only company I know of. The others are all mining parties, as far as I know.

69. Are the shareholders of this company no good?—The Crown Prosecutor has been instructed to take proceedings.

70. Are any of the shareholders men of standing?—I cannot tell you.

71. What is the amount owing by that company?—£123 3s. 1d.

72. Is that company still in existence?—I believe so.

73. You do not know the position of it?—No.

74. Reference has been made in the House to a debt stated to be owing by a certain gentleman. This gentleman appeared before this Committee and gave evidence that he owed nothing. I think it was the Mayor of Kumara. Is his name on that list?—His name is not on the list, but I understand he is concerned in some of these parties. That you could find out from the Mining Registrar. These parties are registered under the Mining Act in the Mining Registrar's office.

75. Could we get that information here?—No.

76. *Hon. Sir J. G. Ward.*] Do you suggest he is a member of one of these companies?—I understand he is; but this is only hearsay.

77. *The Chairman.*] He said there might be some little amounts owing, but not more than from one washing-up to another?—His name is not on our list.

78. *The Chairman:* This is what he said in reply to this question: "Are you interested in any of the claims that are taking water from the Government?" He said, "Yes, I have taken shares in two different claims." Then he was asked, "What is the position of the claims that you have been interested in: have they paid or otherwise?" and he replied, "They have paid." Q. "Then, if any statement has been made to the effect that you are the principal person concerned in owing this £1,000, is that correct or otherwise?" Ans. "It is absolutely incorrect." Q. "You state that all accounts in connection with your claims have been paid?" Ans. "Yes." Q. "Have you had any opportunity of knowing whether the parties who owe this money are in a position to pay, or do you consider the money owing to be legitimate bad debts?" Ans. "Most of them, I should say, are absolutely bad debts." And so on.

79. *Hon. Sir J. G. Ward.*] It is a fact that the name of the Mayor of Kumara is not upon your list of debtors?—That is so.

80. Has his name been upon the list of debtors at any time?—No.

81. I understand that Kumara is pretty well worked out as a mining centre?—Yes.

82. Supposing it were worked out altogether, would this water still be available there for nobody to use?—Yes; but you see it costs a large amount of money to keep the race in repair and maintain the sludge-channels. If the field were abandoned the water-race would be abandoned altogether, and there would be no further expenditure.

83. Is that expenditure upon it in excess of the annual receipts?—Yes.

84. By how much?—I cannot tell you now, but there was a return presented to the House showing that.

85. This evidence was given by Mr. Murdoch, the Mayor of Kumara. He was asked this question: "You stated that none of your claims owed any of this money to the Government?" and his answer was "That is so." Q. "Do you mean of this £1,000?" Ans. "I mean of this £1,000, or any other money. We may have a current account from one washing-up, or four-weekly period, to another, and that would be paid." Q. "I wanted to make that clear—that that would not be in this £1,000?" Ans. "No." Can you tell the Committee, Mr. Elliott, whether his answers there are correct or not?—We have no debt of £1,000 owing by one company or one individual.

86. *Mr. W. Fraser.*] That £1,000 was the amount mentioned in the House?—All I can tell you is that the name of the Mayor of Kumara, Mr. Murdoch, does not appear in any of the parties or companies owing money, but whether he is concerned in a party or company I cannot say.

87. *Hon. Sir J. G. Ward.*] What do you mean by suggesting that his name might be found upon some mining register?—A mining partnership is registered by the Registrar. If you wanted to find out what parties he belonged to that would be registered by the Mining Registrar at Kumara.

88. Why I am asking the question is that a statement was made in the House that Mr. Murdoch owed £1,000. He has stated, in answer to questions before the Committee, not only that he does not owe £1,000, but that he owes no sum. I ask you whether from your knowledge of the matter his answers are in accordance with fact?—As far as my knowledge goes, his answer is correct.

89. If it is a registered mining company are any names given?—I do not know. I never registered a company, and do not know what is required. I presume that the names of the persons applying to be registered would be given, as in the case of a joint-stock company. You can register the first seven.

90. *Right Hon. R. J. Seddon.*] Would they not be given in the taking-out of any right?—No; that would be in the corporate name.

91. There would be nothing shown except the name of the registered company?—We have parties, not registered companies.

92. Have you not some registered companies as customers?—Yes.

93. Who are they?—We have one, the Long Tunnel Company.

94. You have a registered company as a customer of the Government?—Yes.

95. Is there more than one?—I do not know.

96. There was £131 19s. 9d. due by the Long Tunnel Company in August?—Yes.

97. The amount has been reduced, I see, to £115 5s. 4d.?—Yes, they paid some.

98. The back debt is wiped off, and they keep taking water?—No, I do not think the back debt is quite wiped off. That is a payment on account.

99. If there is only £115 owing, how much have you received from them? Can you tell us that?—That is the latest information I have. The amounts do not come into the office. They go into the Treasury accounts.

100. But you see there was £131 19s. 9d. due in August. Then there would be the current account for water. Do you know the amount of that?—No.

101. They do not pay off; they pay so much off, and that would reduce the total amount. The £131 would be paid off, and the amount now due would be for the current account of the water?—I do not know that. However, instructions have been given to proceed against that company, so I suppose it will be brought out.

102. You do not know how much has been due for water between the time of the £131 and the present?—Does it not state the amount on the papers there?

103. No?—Well, I do not know. It states there that some has been paid off.

104. It says the debt has been reduced to £115?—That means the back debt.

105. I take it that the current account of the Long Tunnel Company would be £115 now, as against £131 in August. Then there is the water that has been taken in the interim?—Yes.

106. All you can say is that the amount owing now is so much less than it was before?—Yes.

107. Unless it is in connection with that company, there is nothing to show that the Mayor of Kumara owes anything?—I have no evidence.

108. Have you told the Committee the number of years that this matter goes back?—Yes; it is in the printed correspondence. It goes back to 1898.

109. To your knowledge has any attempt been made by different Ministers to introduce the payment-in-advance system?—Yes.

110. Do you remember a large sum of money being given by Mr. Larnach so as to enable the miners to pay in advance?—No.

111. I mean, free water?—Well, free water is always given for opening out a claim.

112. Can you not remember that Mr. Larnach tried to introduce the payment-in-advance system by giving a month's water to every man on the field?—There was something of that, but I was not with Mr. Larnach. Mr. Gordon would know about that.

113. But you were Under-Secretary at the time?—No.

114. Was Mr. Gordon Under-Secretary?—There was no Under-Secretary. Mr. Gordon did the work with Mr. Larnach.

115. At all events, attempts have been made?—Yes, from time to time.

116. With what result?—I mean attempts to introduce the payment-in-advance system?—We have never got it.

117. Taking into consideration the length of time that this sum is spread over, the annual payments made, and the poor character of the ground, do you say it is an unreasonable sum to wipe off?—I say it ought not to have been allowed to accumulate so long.

118. Has the Manager been asked to give particulars of the amounts that needed writing off from time to time?—Only lately.

119. The Department was not aware then of this accumulation?—The matter was brought up by the Audit Department from time to time, as is shown by these papers.

120. Have you taken advice on the question of giving credit? Has the Department been advised as to whether it can legally give credit or otherwise?—There was no direct opinion as to the power to give credit. It was as to disallowing the surcharge. With regard to credit, the opinion was that in authorising the giving of credit the Government performed an administrative act within its powers. It was an act of administration.

121. Whose opinion was that?—The Solicitor-General's.

122. Well, then, the Department has been advised that it is an administrative act, and that credit can be given?—Yes, it is an administrative act. There is no legal authority for it.

123. Is there not a letter from the Manager among those papers, where he says that he has taken legal opinion?—I never heard of it. When he was surcharged he gave his own opinion, which is in the printed papers.

124. You are now following the same system of giving credit as obtained in connection with the Mount Ida Water-race?—Yes; but there are no arrears now. These were wiped off, and the miners keep up their payments. There will be two small amounts to wipe off this session of £5 or £6, just to clear the account.

125. They have credit given to them?—The same system prevails.

126. Do you think it possible to adopt the payment-in-advance system?—I have explained that to the Committee.

127. In conclusion, let me put these three questions: (1.) Instructions have been given to recover?—Yes, wherever possible.

128. (2.) There are certain accounts that you recommend to be written off?—Yes.

129. (3.) You recommend that the present system of giving credit for one washing-up only be continued?—I would not go beyond the first wash-up. If they cannot pay then they had better throw up the claim.

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