

MR. MARTIN LUBECK was the next witness called. He read the following statement:—

As so many details have been given by competent men, I should like to refrain from giving further details, and restrict myself to general remarks. The question of the day is focussed under that one point: "Is it possible to put an end to the prevailing depression, and to create prosperous times again?" My idea is that it is not alone possible, but that this is at the same time not so difficult at all. In reverting back to the former times of the industry, we find that only reefs giving an ounce per ton were considered payable, whereas, at the present time, reefs giving half that value, say 10 dwts., over the stoping width, are giving reasonable profits. The principal reasons of this are the great progress in the methods of extraction, and the great improvement in the machinery. Without these improvements the industry would surely have remained pretty small, for there are very few propositions which yield an ounce. Now, we all hope that further progress will be made in the methods of extraction as well as in machinery, but we cannot rely on that, and so at this moment we can better the state of things only through a material reduction in the working expenses. We must not lose sight of the fact that, wherever large industries have sprung up, the working costs of same are continually decreasing, and that, in anticipation of a similar process here, enormous sums have been invested here in low grade propositions. These sums would be lost if that process of gradual reduction of the working costs should not go on, and that would all the more be regrettable as the assumption under which the investment has been made was quite justified, and as, if this money should be lost, it would act as a severe check upon fresh capital being introduced. In America and Australia, mines of much lower grade have been made payable, as I am told. My opinion is now that it is possible to reduce the working cost by at least 6s. per ton, and I am convinced that, in case we get to that, the actual depression would at once be superseded by a new era of prosperity. The dividends given by the mining companies in 1896 amounted to about £1,500,000. The amount of tons crushed monthly is at present about 400,000, and a saving of 6s. on this quantity would amount to £120,000 per month. That would mean £1,440,000 a year, or, in other words, through such a reduction, the dividends paid by the mines of the Rand would at once become twice as much as they are now, and this fact alone would, in my opinion, be quite sufficient to restore confidence in Europe, whereas, on the other hand, it would also allow a great number of properties which do not pay at all now to be regarded as payable, and to be taken in hand. How do we now come to the reduction of 6s. per ton? I think it not very difficult to obtain this. It requires nothing but honest work and energy on the part of the leaders of the industry, and a willingness on the part of the Government to help as far as possible. As regards the management of the mines, for which the leaders of the industry are responsible, I am quite sure that most of these men are constantly trying to improve the administration of the mines, but I think that much can still be done in this respect, and that they ought to apply to that their utmost energy and ability. As regards the Government, I think that in case they give the industry reasonable reductions in the railway rates and the price of dynamite, this would effect a direct saving in the working costs of about 2s. per ton. The leaders of the industry are now already trying to reduce the kaffir wages by 30 per cent., and if they succeed in that, which, in my opinion, they can do if they can get the support of the Government, this means another saving of 2s. Now, I am quite sure that the reduction of the railway rates and of the kaffir wages would cheapen the general conditions of living to such an extent that it would be possible to save another 2s. by reducing the white wages, the prices of stores, &c. As regards the general conditions of living here, they are, as everybody must confess, exceptionally high; and I think it is difficult to

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find any other country in the world where they are as high as here. What is the reason of this? In European countries the conditions of life depend to a great extent on the wages which the day labourer gets. These wages are, so to say, the basis of the whole cost of living. In all greater works, as agriculture, construction of railways, building of houses, transport of goods, the wages of the day labourer represent a big item, and, besides that, if you give a day labourer, say 3s. per day, you are compelled to give a skilled labourer something more, say 4s. or 5s. per day, a clerk perhaps 8s. per day, etc.; and so the whole scale of wages, and further on, the whole construction of national economy, is built upon the wages of the day labourer. Now, as regards young countries whose industries are still in their infancy, and who have to import merchandise of every kind, the same principle prevails, with the addition that, of course, the freight rates play a most important part. I should, therefore, like to point out that the whole conditions of life here depend on the wages of the kaffirs and on the freight rates, and that, if we can succeed in reducing these two items, the cost of living will become cheaper, and the value of the mines far greater. As regards the reductions which the Government is requested to grant to the mining industry, it is quite clear, and it has been proved by former witnesses, that the railway rates are excessively high, in fact so high, that it is astonishing that they are still allowed to prevail. I understand very well that the Railway Company were allowed in their concession to charge high rates, because in these times the traffic was not very large; but now, as the traffic has become of an importance never dreamed of, a considerable reduction is only too reasonable. It is true that the Railway Company is, so to say, a private company; virtually, however, the Government is master of the railway, and can dictate the rates, because if the railway would not conform to them, the Government have the right to expropriate the railway, and the Government would, in this case, do a splendid business. There is only one point to be considered in this, and that is the possibility that through a reduction of the rates the share of the Government in the profit would decrease in such a way that the Budget of the State would be endangered by it. Now, it is my firm opinion that the profits would not at all decrease, because a reduction of the rates would doubtless bring a far greater traffic, for the simple reason that it will bring forth greater activity in mining, agriculture, etc. But in the unexpected case of a material decrease, such could not at all endanger the Budget. The Budget of this State is more splendid than the Budget of any other State in the world. The Budget for the current year leaves a certain surplus, though the heavy extraordinary expenses for different works and material have been brought into account as ordinary expenses, whereas anywhere else such kinds of expenditure would figure as extraordinary items, and would not be covered by the current revenue. I estimate this extraordinary expenditure at about £1,000,000, and, beside that, the profit of the Government in the railway business for 1896 has been estimated at only £500,000, whereas it will probably amount to one million—that is, £500,000 more. The real result of the Budget is therefore a surplus of £1,500,000. This is indeed a most marvellous thing, and the State may be congratulated on the Budget, for it is quite clear that other young countries are generally in want of great amounts of money, and have to raise big loans in order to develop the country. A great and very rich State like Great Britain has for the financial year of 1896 a surplus of £1,500,000, and you have no doubt read in the papers what extraordinary pleasure this surplus causes. A surplus of £1,500,000 in the Transvaal means £10 a head, as I take the white population to be 150,000, the black population not coming into consideration. If, for instance, Germany, with a population of 52,000,000, could make a proportionate saving, this would mean £520,000,000, and I

think that would be sufficient to repay the whole debts of the German States. It is hence quite clear that the consideration of the Budget need not hinder the Government from reducing the railway rates, provided the Government supports the mining industry, from which the revenue of the State is drawn, and this support of the mining industry is just done by reducing the rates. Touching the question of dynamite, I think the erection in this country of a factory for such an article must be considered as an economic error, as the factory has to import all the raw materials, these not being found in the Transvaal. I once saw a dynamite factory belonging to the Nobel Company, situated on the banks of the River Elbe. Of course, such a factory has, besides its cheap wages, cheap machinery, etc., the great facility of getting its material by water at a low rate, and of shipping its manufacture in the same manner. I think if a factory in this country, with the big cost of everything, can sell dynamite No. 1 at 85s. with a profit, then that factory on the Elbe should be able to sell it at about one-fourth that price and make a nice profit still. Besides that, the factory here is only producing a small part of the dynamite wanted in this country, whereas it imports the greater part and sells it at an enormously high price, which it ought only to get for stuff manufactured here. This is clearly unjust, and I think it would not be difficult for the Government to obtain for the industry a considerable reduction in the price through negotiations with the dynamite factory, unless the Government prefer the cancellation of the monopoly. It is a known fact that all the goods manufactured on a large scale are bound to become cheaper from year to year through improved methods of working. As an example I would quote the case of cyanide: if a monopoly for the manufacture of cyanide had been granted here, the industry would have to pay a certain price, probably based on the price of the article which formerly prevailed here, as is the case with the dynamite, whereas the consequence of the free competition in cyanide has brought the price down in a few years from 30d. to 11d. a pound. I repeat that I refrain from details, and I think that these general remarks are quite sufficient. I am firmly convinced that the Government in giving the above-mentioned facilities, and in working hand-in-hand with the men of the industry, will effect an early restoration of confidence and prosperity. In conclusion, I should like to refer to a suggestion which has already been made. In European countries the authorities generally consult financial, commercial, and industrial men in all questions regarding freight rates, customs, construction of new railways, etc. Perhaps it would suit the Government here to do the same. Amongst this large community in Johannesburg there are men from every part of the world, and I think there are a number of men who understand these questions very well. I think it would not be difficult for the Government to select from these men a certain number of persons in whom the Government could have entire confidence, and whose experience could be advantageously made use of by the Government.

Mr. Smit.

You are manager of a financial company?—Yes.

You remember the fund that was created for the dynamite disaster?—Yes.

Did you make a subscription to that fund on behalf of the company, or as manager personally?—Oh, no; on behalf the company.

Every person does not subscribe himself?—Sometimes they subscribe themselves; the directors of financial companies have the right to give certain sums for such purposes.

Can you give to charitable purposes without the consent of shareholders?—Yes, of course, if it is not a big sum; the subscription must be within certain limits, although a director of a company must have certain liberty.

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Supposing I was the holder of 20,000 shares, and living in Europe, and in the absence of special instructions would you be justified in giving £2,000?—I would not, and I have not done it.

You can subscribe without the consent of the shareholders?—As a director I must have certain liberties.

As far as is wanted for business?—Yes; but the shareholders, in electing me as director of a company, must have sufficient confidence in me. I am responsible for what I do, because at the end of the year the books are audited, and if I have done anything to which I am not entitled, then I lose their confidence. My shareholders have great confidence in me; if I were to request a greater amount for investment, I would get it to-morrow. I have just received an application in that respect, and I have answered that I don't recommend investments in this country, because I cannot see the prospect of good times until we get a material reduction in the working expenses.

These are two entirely different matters?—Oh, yes; but the directors have a certain right in spending certain sums of money; they cannot spend thousands and thousands. But they have this privilege everywhere. My bank in Berlin always contributes certain sums to such purposes; you can see from the papers every day that all these companies do this.

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Mr.
com- At the time of the raid did you contribute to a syndicate for the expenses incurred?—No. My company had nothing to do with the raid at all.

Not for the expenses made in Johannesburg?—What expenses?

There was a relief fund in Johannesburg?—No, we never contributed to that. I would not have given anything to it.

Mr. Hugo.

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rates. You say there would be a 4s. per ton saving if certain reductions were made in the price of dynamite and railway rates. Now, to what price must dynamite be reduced to bring about that?—It is difficult to fix a price. People have already stated that the price ought to be reduced to half the present price, but I don't know whether it is possible. But I think if you reduce the price of dynamite by one third only, and if you reduce freight rates considerably, especially on the coal, and if the railway port of transports coal in a more practical manner. I have never seen coal transported in bags. If the railway transports coal in a practical way, then I think about 2s. can be saved out of dynamite and freight rates. It is difficult to fix the amount of saving, because these expenses are different on different mines, and depend on different cir- cumstances. The other 2s. would come out of a reduction in kafir labour.

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e con- —If the reduction of 6s. per ton takes place, will a low grade proposition improve? —If there is only a prospect of getting the reduction of 6s., the whole situation will alter at once. My opinion is that we can get back the confidence of European shareholders—not through words, but through dividends. Such a reduction of 6s. would increase dividends enormously, and such a state must restore confidence, there is no doubt about it. If I knew we could get this reduction, I would write my people at home to invest large sums here.

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sts of liv- It is very doubtful if you can get a reduction of white labour of 2s. per ton?—The third 2s. per ton represents more than white labour; it includes stores, timber, &c. And consequent on the reduction of the railway rates?—My idea is that the whole cost of living will become cheaper. It is very high here. Of course it must be higher than in Europe, and even in other transatlantic countries. But here it is exceptionally high. I at one time could not comprehend it, although I have seen a great part of the world.

Mr. Smit.

Do you know the proposed south line from Elandsfontein to Roodepoort?—Yes. Don't you think if it is carried through it will do very much to reduce the freight of coals?—It is difficult to say. I have not studied it; but I think the principal purpose to be served by that line will be to secure a regular supply of coal for the mines. This supply has sometimes been irregular on account of the enormous traffic.

Mr. Schmitz-Dumont.

What is a fair dividend to expect a gold mining company to pay?—My idea as a financial man is that you must expect a high dividend. One day I heard a comparison was made between a railway and a mining company, but I assure you that I have had a large experience in financial matters, and in Europe you make a great difference between a railway share and a mining share, and especially a gold mining share. That is, a railway share is generally considered as a safe investment, and men who have to live on the interest invest in railway shares. But such men would not invest in gold shares. Besides which, there is another point. A dividend-paying gold mining company does not represent interest alone. A mine has a certain number of years of life only. If you take the dividend as interest, then after a certain number of years you will have seen that you have made a very nice interest, but that your capital has disappeared. You must calculate a certain part as amortisation.

There are 54 companies on the Rand who altogether declare dividends amounting to 4½ per cent.—But that is no dividend at all for mining companies. The whole situation here is that big dividends are as yet only expected; but I think if we get normal conditions here companies will make good dividends. For instance, take a company with a capital of £80,000. I know such a company. If you reduce kaffir wages by 30 per cent., as is proposed, it would mean for this company a saving of £12,000 per year—that is 15 per cent. dividend. If we get a reduction in freight and dynamite, this would equally mean a saving of 15 per cent.; and if we get the other reduction in white labour, after having created normal conditions of life, it will make another 15 per cent. And so this company, the shares of which are now about £5, and which gave a dividend of 40 per cent. this year, would give after these reductions a dividend of 85 per cent. So you see what I say about the renewed prosperity would be fulfilled if the people in Europe see that the profits of mines increase in such a way. They will get confidence at once, and I say this after having had great financial experience in every department in Europe and America.

A lot of people ascribe low dividends to the over capitalisation of the mines?—In my opinion a great deal of over speculation has gone on here. But, of course, in such a new country as this and in such new industries, this is intelligible. After 1870, when Germany came into possession of a great amount of money, there was an enormous period of flotation, and, at the same time, an enormous amount of over speculation. Of course, a very big smash followed, known as the "Vienna smash." But, later on, after the recovery, many of these former flotations which had appeared bad, became good again, and I thought the recovery which had followed that smash was the cause of the great prosperity and success of German industry. For among a great number of flotations, there were finally a certain number of good flotations, and if that period of flotation had not existed we could not have got these good things.

You prefer people would call it over-speculation rather than over-capitalisation?—I think in mining companies it is very difficultly to say what is over-capitalisation. You see in floating a company you put in the ground at a certain price; sometimes you think you know the value of the ground from the returns of the adjoining claims,

but you never really know the value, which is only found after working a certain time, so you see it is difficult to say anything about over-capitalisation. If the cost of working does not become cheaper, a certain number of mines will have to shut down, and the question with these mines is not whether they are over-capitalised or not, but that the monthly revenue in gold covers, at least, or exceeds the working expenses—that is the question now.

You say the question of over-capitalisation can only be judged by the results of the mine?—If you speak of over-capitalisation, you can also speak of under-capitalisation. I know, for instance, a company with a capital of £85,000, and it spent £100,000 last year for machinery, &c. They put a big premium on their reserve shares; and so if you see on the one side over-capitalisation, you see here at the same time a good deal of under-capitalisation as regards the nominal capital.

Take the industry in general, could it be said there is over-capitalisation to any extent?—It is very difficult to answer that question; you have to study every individual company in order to ascertain that.

up- A lot of companies, especially the deep levels, still require money?—Yes, they still require money. I think most of these deep levels are under-capitalised; they have issued their shares at very high prices, otherwise they would have a nominal capital of millions. Take, for instance, the Crown Deep; I think the whole capital is £400,000, but the value of the mine is such that the shares are in the market at £10, and the value in the market, therefore, is £4,000,000. The capital being so small is, in my opinion, the only reason that the shares have been issued at a very high premium.

Chairman.

Do I understand you that you say there must be a general reduction all round?—That is my opinion.

It will not help much to make a reduction in railway rates and dynamite, because the working people on the fields are more dependent on the mercantile people—say, for instance, a reduction is made in railway rates and the mercantile people retain their prices?—They cannot retain their prices; competition will bring them down. There is great competition between commercial people here. I am connected with one large commercial firm, and I know that very well.

trade What is the average profit put by merchants on their merchandise generally?—I think the profit is not very great; the reason of that is, expenses are so high and there is really enormous competition.

Do you think the profit would be 100 per cent.?—No, that is impossible.

Can you give any idea of the average?—The company with which I am connected makes very small profits, sometimes 5 per cent., sometimes 10 per cent., and on some articles perhaps 20 per cent. Generally the profit is very small, and the expenses are enormous; expenses for horses, natives, for rent, &c., are very high. I know a great number of merchants have not succeeded on account of competition; the competition, for instance, in corrugated iron is so great that I do not believe merchants make any profit on it at all.

of rates State rail- Do you think a reduction in railway rates will cause an increase instead of a decrease in revenue?—I think so. That has been the case in one country in which industry has become splendid—that country is Hungary, where you have very cheap railway rates. You can imagine what they are when a labourer can go from one boundary of the country to the other for a few shillings. I went from Pesth to a place named Deva, a distance of at least from 250 to 300 English miles, first-class, fast train, for about 12s. The Government of that country is held in high esteem for

having succeeded in creating a very good state of affairs in the country; everybody knows that in Europe.

Conditions are different here because expenses are so high, and if you have largely increased revenue it means largely increased expenditure?—Yes, but the expenses never increase proportionately; if the traffic becomes greater the expenses become proportionately smaller.

Of course, if you get a reduction there never will be a bigger traffic than demand requires?—Yes, there will be a bigger traffic, because we will begin to work other mines.

You want a reduction in all branches of the industry in order to make it possible to make the mines pay. You acknowledge some mines don't pay, and some mines pay a dividend of 275 per cent. If a reduction is made on everything in order to make non-paying mines paying mines, my conviction is that there must always remain a certain number of mines that won't pay, and after all, the reduction would be made in favour of those mines that already pay big dividends. Do you consider that right, and what steps do you propose to level matters?—You cannot level up dividends. I think the more profits a mine makes, the better it will be for everybody. I think if you create such a condition as to make payable all the mines on the Witwatersrand—and I think it is possible—then you will see development of business here of which we have no idea at this moment.

Mr de Beer.

Can you give a more explicit reply to that question? In the first instance rich mines like the Ferreira, Worcester, Crown Reef, and Robinson, and such like mines pay large dividends, and if they share equally in the reductions they would benefit to a great extent by-and-by. Can you suggest something to remedy that state of affairs?—You see in case you get these reductions the dividends of these rich companies will not increase very much. Take the Ferreira for instance. Say they make a profit now of 30s. per ton, and later on they will make a profit of 36s. That will not increase their dividends very much. If they give 275 per cent. now they would then give 325 per cent. These reductions would make an enormous difference to the poorer mines. A mine that can make 6s. profit per ton will afterwards make 12s., and in the case of a mine that can pay nothing at this moment it will afterwards pay 6s. That is a big difference to the poor mine; for the rich mine it does not mean very much.

That does not answer my question; it only reminds me of the good old saying, "That unto him that has much more shall be given." Will not the rich mines under the altered conditions get enormous dividends?—No.

If everything is brought down will not the greatest benefit be derived by the rich mines?—No, I don't think they will benefit very much. Say we have a poor mine that employs 1,000 kaffirs and 200 white men. In case we shut down that mine the traffic which is caused by the 200 white men and 1,000 kaffirs will disappear, besides all the traffic of stores for the mines. The State gets a little out of this traffic in customs and freight, and in other ways, and it would be a great disadvantage to the Government to shut down this mine. On the other hand, if you can work more mines, and if you have more white workmen and more kaffirs, then of course the traffic will increase and the Government will get more revenue.

Mr. Smit.

What company do you speak about that carries so cheaply. Is it a private company?—No, it is a State railway.