

587. Do you recollect any particular occasion on which he said that, and what he would do?—Especially about the time he wanted some retention money, he was angry, and came into my office and spoke in that way, and said, "There is no contract." I remonstrated with him, and said, "Broken by whom?" and said "Certainly not by the Government." It has been spoken of numbers of times casually.

588. He applied on several occasions for advances out of the retention money?—Yes.

589. Do you recollect the occasion when the work was pushed, and the contract was completed?—Yes.

590. Was there any difficulty in getting possession of the building?—Yes; not at first. Yet there must have been at first; but at length Mr. Martin and Mr. Smith came to my office together, and they did not bring the key with them; and I asked Smith for it, and he said, "It is all right; you can have it," and he gave me his hand upon it. I then went to the Government and asked who should be put in possession. It was recommended that some of the Armed Constabulary should be put in. They were put in that evening, and somebody told Smith that the Government had forcibly taken possession. He came up next morning, and got into the house through one of the windows, and took the keys out of several of the doors, and considered himself in possession. Mr. Martin persuaded him against it, but he kept one key for some days.

591. Do you recollect any one coming to my office about that?—I came myself.

592. Alone?—Mr. Martin and Mr. Smith and you and I were all together in the kitchen, I think; and previously in your office, I think.

593. You don't recollect it?—Not thoroughly; I am rather confused about the dates. I recollect the four of us were in your office once, but I can't remember the date.

FRIDAY, 12TH APRIL, 1872.

Mr. CLAYTON in attendance, and further examined on oath.

594. *Mr. Brandon.*] I understand that you said you allowed Mr. Martin to go on with the work, and a lot of correspondence to take place, but without anything definite or specific being arranged between you and him?—No, I never said that; I think I explained yesterday fully that there was an arrangement proposed, but never entered into.

595. Exactly. There was no specific arrangement entered into?—Never.

596. There was a large amount of correspondence, and Mr. Martin went on with the contract?—Yes, as surety. The arrangement that was spoken of was to carry on the work for him as surety.

597. There was no further explanation between you?—After the Government declined to allow the arrangement to go on it dropped. There was nothing more about it. Mr. Martin made his own arrangements.

598. You never called upon him to find out what terms he was going on?—No; I considered he was going on under the contract.

599. But you were quite aware of Smith's insolvency at first?—Oh, yes.

600. Did you ever ask him how he stood with his co-surety?—No.

601. Never suggested anything to him?—No.

602. Did Mr. Martin tell you at any time that the amount he had paid for material and labour had far exceeded the contract price?—I think he frequently said so latterly.

603. Merely mentioned it casually?—Just casually, in conversation.

604. Has he never, during the progress of the work, told you that he considered he should be paid for the excess?—Never, that I am aware of. In fact I don't know how he could do so. He has frequently said latterly that the contract was broken. I think he wrote it also.

605. Smith has also written it, has he not?—Smith has said, at the latter part, there was no contract. That was at the delivery up of the keys especially.

606. But before that he wrote to say that there was such a discrepancy between the plans and specifications that he considered it broken?—I don't think so.

607. Is there not some letter to that effect?—He has said, I think, that there was more in the building than there was in the plan; but I frequently warned him, from the commencement, that if there should appear in the working drawings anything extra to the contract he should give me notice of it in writing. That all the working drawings were to be considered part of the contract, and unless he gave me written notice they must be considered to be so.

608. Have you made any valuation of the building since it has been completed?—Yes. I was ordered by the Select Committee to make a valuation of the building as it stood at the date of the sitting of the Committee in November last.

609. Complete possession had been taken, and the whole thing handed over?—Yes.

610. What was the amount?—£16,245. The details are in Mr. Commissioner's hands.

611. Was there not a dispute as to the cost of the erection of the Post Office in Dunedin?—The contractors claimed some extras.

612. Was it £6,000 they claimed?—I don't know the amount, but it was left to Mr. Balfour to settle. £2,000 was about it, I think. The circumstances were totally different to this contract.

613. *Mr. Attorney-General.*] Were prices higher at the time of the valuation, on the 7th November, 1871, than at the time the contract was taken in 1869?—Some articles.

614. Materials?—Yes. Lead, I think, was one. I have specified everything in my valuation. Materials had risen in value from the time the contract was taken to the extent of £985.

615. Have any fallen?—I don't think so.

616. Do you say whether this rise had taken place during the time the work was going on, or from the time of the completion?—From the date that the contract was signed to the date of my making that estimate, the prices had risen £985.

617. When you made the valuation you put down a sum of £1,476 15s. "percentage for profit on