1886.
NEW ZEALAND.

PURCHASE OF DISTRICT RAILWAYS COMMITTEE

(REPORT OF); TOGETHER WITH MINUTES OF PROCEEDINGS AND EVIDENCE.

Brought up 9th July, 1886, and ordered to be printed.

ORDERS OF REFERENCE.
Extracts from the Journals of the House of Representatives.

THURSDAY, THE 3RD DAY OF JUNE, 1886.

Ordered, "That a Committee be appointed to inquire into and report whether any member of the Legislature negotiated for, or claimed, or received any commission or other remuneration for promoting the passing of 'The District Railways Purchasing Act, 1885,' or for negotiating the sale or purchase of the debentures issued or to be issued thereunder, by the Government; such Committee to have power to call for persons and papers; five to form a quorum; to report in three weeks. The Committee to consist of Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson, and the mover."—(*Mr. J. W. Thomson.*)

THURSDAY, THE 24TH DAY OF JUNE, 1886.

Ordered, "That the District Railways Purchasing Committee have leave to postpone bringing up their report for ten days."—(*Mr. J. W. Thomson.*)

MONDAY, THE 5TH DAY OF JULY, 1886.

Ordered, "That the time for bringing up the report of the District Railways Purchasing Committee be extended for eight days."—(*Mr. J. W. Thomson.*)

REPORT.

YOUR Committee, having been appointed to inquire into and report whether any member of the Legislature negotiated for, or claimed, or received any commission or other remuneration for promoting the passing of "The District Railways Purchasing Act, 1885," or for negotiating the sale or purchase of the debentures issued or to be issued, by the Government, have the honour to report as follows:—

They first of all took the evidence of Mr. W. J. Steward, member for Waimate, the member regarding whom unfavourable reports have been in circulation in connection with the sale to the Government of certain district-railway debentures.

They have also taken the evidence of the Hon. Sir Julius Vogel, M.H.R., Mr. J. C. Buckland, M.H.R., and Mr. Peacock, M.H.R.

They have perused the correspondence between Mr. W. J. Steward, M.H.R., and the Official Liquidator of the Duntroon and Hakateramea Railway Company, and the correspondence between Mr. Steward, M.H.R., and the Rotorua Railway Company.

Your Committee have agreed to the following resolutions:—

1. That, while the evidence adduced does not warrant your Committee in reporting that Mr. Steward was directly influenced by any pecuniary consideration in his efforts to secure the passing of the District Railways Purchasing Bill through the House, they are nevertheless unable to conclude other than that he considered that in all probability he would be able to bring about the sale to the Government or Insurance Association of the Waimate and, possibly, the Duntroon and Hakateramea Railway debentures, and thus secure the receipt by him of a large commission on the transactions.

2. That Mr. Steward, in conducting the negotiations, presumably attached importance to his influence as a member of Parliament, as in his letter to the Hon. R. Campbell, of date 28th September, 1885, soliciting that gentleman's assistance in obtaining authority to sell the Duntroon and Hakateramea Railway debentures, he says, "I have influence in two different quarters which will enable me, I think, to get a better price than any one else could."

3. That it is manifest from the evidence of Mr. Peacock, a member of the House of Representatives and a director of the Rotorua Railway Company, that the Board appreciated the position

and consequent influence of Mr. Steward as a member of Parliament in dealing with the Government for the sale of the company's debentures, and that the payment of commission was apparently a secondary consideration to that of securing his services in the conduct of the negotiation for sale.

4. That your Committee are of opinion that, while Mr. Steward has avoided any technical breach of the Disqualification Act, they unanimously regard the transactions referred to as calculated seriously to reflect upon and impugn the integrity of any member of Parliament engaged therein, and to give rise, as has been the case in this instance, to public scandal.

5. That it may fairly be assumed that, had the Government dealt directly with the companies, the amount of the commission might have been saved to the colony.

6. That it is greatly to be regretted that neither Mr. Steward nor Sir Julius Vogel, as appears by their respective evidence, recognizes any impropriety in a member of Parliament acting as a paid agent in making a sale to the Government.

JAMES W. THOMSON,
Chairman.

9th July, 1886.

MINUTES OF PROCEEDINGS.

FRIDAY, 4TH JUNE, 1886.

THE Committee met pursuant to notice.

Present: Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Pearson, Mr. J. W. Thomson.

The order of reference was read.

On the motion of Mr. Barron, *Resolved*, That Mr. J. W. Thomson be appointed Chairman.

On the motion of Mr. Fulton, *Resolved*, That Mr. W. J. Steward, M.H.R., be requested to attend the meeting of this Committee on Wednesday next, the 9th instant, at 10.30 a.m.

On the motion of Mr. Fulton, *Resolved*, That the Committee be adjourned till Wednesday, the 9th instant, at 10.30 a.m.

WEDNESDAY, 9TH JUNE, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Duncan, Mr. Fulton, Mr. Pearson.

The minutes of previous meeting were read and confirmed.

The Chairman read a telegram from Mr. W. J. Steward, M.H.R., relative to his attendance before this Committee to give evidence.

On the motion of Mr. Fulton, *Resolved*, That the Committee do now adjourn.

FRIDAY, 11TH JUNE, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

The minutes of previous meeting were read and confirmed.

Mr. W. J. Steward, M.H.R., attended the Committee.

The Chairman read the order of reference to Mr. W. J. Steward and informed him of certain statements which had been made referring to him.

Mr. W. J. Steward then gave evidence before the Committee, and produced and read certain papers.

On the motion of Mr. Fulton, *Resolved*, That a certain letter produced by Mr. W. J. Steward should be left with the Chairman, for him to decide as to whether it should be a record of the Committee.

Mr. W. J. Steward then retired, and the Committee deliberated.

On the motion of Mr. Fulton, *Resolved*, That the fixing of the date for the next meeting of the Committee should be left in the hands of the Chairman, and also that he should arrange as to when the Hon. Sir J. Vogel, M.H.R., and Mr. J. C. Buckland, M.H.R., should be requested to attend before the Committee to give evidence.

The Committee then adjourned.

SATURDAY, 12TH JUNE, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Pearson.

Minutes of previous meeting were read and confirmed.

The Chairman explained to the Committee the nature of the letter left in his hands at last meeting, and then read it.

It was suggested by Mr. Garrick that the Chairman should confer with Mr. W. J. Steward, M.H.R., as to leaving with the Committee a copy of the letter with certain eliminations.

A certain part of Mr. W. J. Steward's evidence of yesterday, 11th instant, was read, with reference to his meeting with chairman of Duntroon and Hakateramea Railway.

Sir J. Vogel, M.H.R., attended the Committee to give evidence.

Mr. W. J. Steward, M.H.R., attended the Committee.

Sir J. Vogel, M.H.R., having been asked by the Chairman to give the Committee any information he possessed with regard to the purchase by the Government of district-railway debentures, Sir J. Vogel produced and read certain documents, and gave evidence.

Sir J. Vogel, having been thanked for his evidence, then retired.

Mr. W. J. Steward, M.H.R., then gave certain further evidence.

On the motion of Mr. Barron, *Resolved*, That the Chairman communicate with the Liquidator of the Duntroon and Hakateramea Railway Company, requesting him to forward any correspondence between himself and Mr. Steward with reference to debentures of the company.

The Committee then adjourned.

THURSDAY, 17TH JUNE, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

The minutes of previous meeting were read and confirmed.

The Chairman laid before the Committee a copy of a letter from Mr. Frank Slee to Mr. W. J. Steward, M.H.R., from which certain eliminations had been made.

Mr. J. C. Buckland, M.H.R., attended the Committee to give evidence.

The Chairman read order of reference to Mr. J. C. Buckland, and stated to him the reason of his being requested to attend the Committee.

Mr. J. C. Buckland then gave evidence, and produced a document; and, having been thanked for his evidence, withdrew from the Committee.

Mr. W. J. Steward, M.H.R., attended the Committee.

The Chairman referred to some correspondence he had received from the Official Liquidator of the Duntroon and Hakateramea Railway Company.

Mr. Steward withdrew.

The Committee deliberated.

On the motion of Mr. Garrick, *Resolved,* That the Committee adjourn until 10 o'clock to-morrow, the 18th, and that Mr. Peacock, M.H.R., be requested to attend the Committee to give evidence.

FRIDAY, 18TH JUNE, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Fulton, Mr. Garrick, Mr. McMillan.

The minutes of previous meeting were read and confirmed.

The Chairman produced papers relating to the sale of the debentures of the Rotorua Railway.

Mr. Peacock, M.H.R., attended the Committee.

The Chairman stated to Mr. Peacock the reason for his being requested to attend the Committee, and requested him to give any evidence he had to offer on the subject.

Mr. Peacock then gave evidence before the Committee.

Mr. Peacock, having been thanked for giving evidence, then withdrew.

The Committee deliberated.

The Chairman produced correspondence from the Official Liquidator of the Duntroon and Hakateramea Railway Company.

On the motion of Mr. Fulton, *Resolved,* That all papers produced before the Committee be printed.

The Committee adjourned *sine die.*

TUESDAY, 6TH JULY, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Garrick, Mr. McMillan, Mr. Ormond.

The minutes of previous meeting were read and confirmed.

The orders of reference of Thursday, the 24th day of June, and Monday, the 5th day of July, were read.

Resolved, That the Committee do now adjourn until to-morrow, Wednesday, the 7th of July, at 10.30 a.m.

WEDNESDAY, 7TH JULY, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

The minutes of previous meeting were read and confirmed.

The Committee deliberated.

Resolved, That the Committee do now adjourn till Friday, the 9th July, at 10.30 a.m.

FRIDAY, 9TH JULY, 1886.

The Committee met pursuant to notice.

Present: Mr. J. W. Thomson (Chairman), Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

The minutes of the previous meeting were read and confirmed.

On the motion of the Chairman, the following resolutions were considered *seriatim*:—

1. That, while the evidence adduced does not warrant your Committee in reporting that Mr. Steward was directly influenced by any pecuniary consideration in his efforts to secure the passing of the District Railways Purchasing Bill through the House, they are nevertheless unable to conclude other than that he considered that in all probability he would be able to bring about the sale to the Government or Insurance Association of the Waimate and, possibly, the Duntroon and Hakateramea Railway debentures, and thus secure the receipt by him of a large commission on the transactions.

On the question being put, "That Resolution No. 1 be agreed to," the Committee divided, and the names were taken down as follows:—

Ayes, 7.—Mr. Barron, Mr. Bruce, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

Noes, 1.—Mr. Cadman.

The resolution was therefore agreed to.

2. That Mr. Steward, in conducting the negotiations, presumably attached importance to his influence as a member of Parliament, as in his letter to the Hon. R. Campbell, of date 28th September, 1885, soliciting that gentleman's assistance in obtaining authority to sell the Duntroon and Hakateramea Railway debentures, he says, "I have influence in two different quarters which will enable me, I think, to get a better price than any one else could."

Resolution agreed to.

3. That it is manifest, from the evidence of Mr. Peacock, a member of the House of Representatives and a director of the Rotorua Railway Company, that the Board appreciated the position and consequent influence of Mr. Steward as a member of Parliament in dealing with the Government for the sale of the company's debentures, and that the payment of commission was apparently a secondary consideration to that of securing his services in the conduct of the negotiation for sale.

Resolution agreed to.

4. That your Committee are of opinion that, while Mr. Steward has avoided any technical breach of the Disqualification Act, they unanimously regard the transactions referred to as calculated seriously to reflect upon and impugn the integrity of any member of Parliament engaged therein, and to give rise, as has been the case in this instance, to public scandal.

Resolution agreed to.

5. That it may fairly be assumed that, had the Government dealt directly with the companies, the amount of the commission might have been saved to the colony.

Resolution agreed to.

6. That it is greatly to be regretted that neither Mr. Steward nor Sir Julius Vogel, as appears by their respective evidence, recognizes any impropriety in a member of Parliament acting as a paid agent in making a sale to the Government.

On the question being put, "That Resolution No. 6 be agreed to," the Committee divided, and the names were taken down as follows:—

Ayes, 7.—Mr. Barron, Mr. Bruce, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson.

Noes, 1.—Mr. Cadman.

The resolution was therefore agreed to.

The resolutions were then put to the Committee and agreed to.

On the motion of Mr. Fulton, *Resolved,* That the report of the Committee, with the evidence and minutes appended, be presented to the House by the Chairman this day.

The Committee then adjourned.

MINUTES OF EVIDENCE.

FRIDAY, 11TH JUNE, 1886 (Mr. J. W. THOMSON, Chairman).

Telegram to Chairman from Mr. Steward.

J. W. Thomson, M.H.R., Wellington. Christchurch, 5th June, 1886.

STEAMER arrived here too late catch last train. Cannot reach Ashburton till eleven Monday. Should not like have return same evening. Can you postpone Committee meeting till Friday morning. Propose return by Tuesday's steamer, arriving mid-day Wednesday. Have to attend another committee Thursday. Reply to-night or to-morrow (Sunday) to Coker's Hotel, Christchurch. W. J. STEWARD.

Mr. W. J. STEWARD, M.H.R., examined.

1. *The Chairman.*] Having read the order of reference, I may further state that it is reported that you had some arrangement or understanding with the Waimate Railway Company, by which you were to receive some remuneration or commission in the event of your succeeding in getting the Waimate Railway included in the District Railways Purchasing Act, and that you did receive remuneration for that work. It is also reported that you communicated by telegram with the Rotorua Railway Company to the effect that you were prepared to negotiate their debentures for remuneration or commission, the commission being 10s. per cent.; that this led to a correspondence and to the purchase of the railway debentures by the Government; and it is also said that you received commission for that. You appear before this Committee that you may make your own statement with regard to these various reports?—I shall be very happy indeed to do so. Perhaps the Committee would allow me to go back, so as to explain the whole matter—how it arose that I had anything to do with the sale of debentures. First let me say, with regard to the first question which, as I understand, you put to me, as to whether I knew I was to receive, or that I ever asked for, a consideration in the event of the District Railways Purchasing Bill passing, decidedly not. I had no idea that these debentures would be placed in my hands until after the District Railways Purchasing Bill had passed. My connection with the sale of these debentures was practically a private business transaction, which occurred during the recess. I recognize the object with which this inquiry is held, and I quite approve of it, inasmuch as statements appeared in some Auckland newspapers—some penny-a-lining statements—which were altogether incorrect. Now, the Committee will perhaps recollect that some three years ago the District Railway Companies were in this position: They had debentures of their own to sell—7-per-cent. debentures—and the Government guarantee with respect to the interest extended only so far that they could rely on the part of the colony for 2 per cent. of that amount. I think you will recollect that at this time the companies, relying on the Acts that had been passed, not anticipating that there would be any difficulty in floating their debentures, had proceeded with the works so far as they were concerned; and they had obtained considerable overdrafts, relying on their being able to float their debentures without difficulty. Some three years ago the directors of the Waimate Railway found that a difficulty arose with regard to the sale of their debentures in London, owing to the fact, among others, of the Act being so framed that the Government guarantee in respect of interest extended only for fifteen years, while the debentures were of thirty years' currency. I happened to mention that I knew there was a considerable sum of money in the hands of the Insurance Department, which they were ready and willing to invest in any good security. They asked me whether I would endeavour to sell their debentures to the Insurance Association. I told them that I could not leave my business to act for them, except as a matter of business. They put the matter in my hands as a matter of business. I then proceeded to Wellington and offered the debentures to the Government Insurance Department. While on my way to Wellington I met the chairman of the Duntroon and Hakateramea Company, who, ascertaining what my business was, placed their debentures in my hands also for negotiation. I offered them to Mr. Luckie. There were two or three interviews on the subject. Owing to the fact that the Government guarantee only extended for fifteen years, while the debentures were current for thirty, the thing could not be entertained. The whole concern then dropped through. I never had any idea that a similar negotiation would come into my hands until the evening of the 21st of last September, being just before Parliament was prorogued. That evening I received a letter from Mr. Frank Slee, the secretary of the company, in which he pointed out that, as money was to be had at a cheap rate at Home, the directors would be glad if I would offer to the Government Insurance Association the £33,000 odd debentures which were to be received by the company under the District Railways Purchasing Act, and stating that it would be treated as a matter of business. I then wrote a short memorandum—two or three lines - to the Chairman of the Government Insurance Association, asking him whether they would entertain a proposal for the purchase of these debentures.

2. *Mr. Barron.*] Who is the chairman?—Sir Julius Vogel. I then left for Auckland with the rest of the members. While in Auckland I received a reply. The documents are all here: the note to Sir Julius Vogel can be produced, and the reply to it.

SIR,— Wellington, 22nd September, 1885.

I have the honour, at the request of the Waimate Railway Company (Limited), to inquire whether the Government Insurance Association would be willing to purchase the debentures to be given to the company for their railway; and, if so, on what terms.

I have, &c.,

Hon. Sir J. Vogel. W. J. STEWARD.

I may here state that, until the receipt of the inquiry from the company, I had not the remotest idea that the negotiations for the sale of these debentures would be offered to me by the company.

3. *Mr. Garrick.*] What company?—The Waimate Company.

4. Can you produce the letter?—I have an extract.

5. Have you got the letter itself?—I have the letter I wrote in reply. Then there is a letter from Mr. Luckie of the 26th.

SIR,— New Zealand Government Life Insurance Association, Wellington, 26th September, 1885.

I have the honour to acknowledge receipt of your letter of the 22nd instant, addressed to the Hon. Sir Julius Vogel, in which you inquire whether the Government Insurance Association would be willing to purchase the debentures to be given (by the Government of the colony, as I understand) to the Waimate Railway Company. In reply, I have to inform you that your letter has been laid before the Board of Directors, and that they will be prepared to entertain consideration of the proposal on being furnished with full particulars.

I have, &c.,

W. J. Steward, Esq., Newmarket, Auckland. D. M. LUCKIE, Manager.

6. *Mr. Fulton.*] Are these originals?—Yes; these are the originals of theirs: they have the originals of mine. I then wrote from my sister's, where I was staying in Auckland, on the 30th of September,—

SIR,— Auckland, 30th September, 1885.

I have the honour to acknowledge receipt of your favour of the 26th inst., *re* proposed sale of Government 4-per-cent. debentures payable under "The District Railways Purchasing Act, 1885," to the Waimate Railway Company, and advising me that your "directors will be prepared to entertain consideration of the proposal on being furnished with full particulars." In reply, I have the honour to state that I am in communication with the Waimate Railway Company on the subject, and also with the Duntroon-Hakateramea Company (through the Official Liquidator), and propose, on receipt of their replies, to lay a distinct proposal on behalf of each before your directors.

I have, &c.,

D. M. Luckie, Esq., Manager, Government Insurance Association. W. J. STEWARD.

There is a correspondence here between myself and the Duntroon and Hakateramea Company, which, although it eventuated in nothing, it may be worth while to bring in. I may perhaps state that in the course of my public life I have had a good deal to do with negotiating two or three large loans, and therefore I became aware that the Stock Exchange Committee at Home will not quote any loan or any security of a less total amount than £100,000. I was also aware that the quotation of any stock on the Stock Exchange list enables it to command a better price, and that loans can be more favourably negotiated when in large than in small parcels. It therefore occurred to me that, as they were anxious to sell their debentures, and it appeared probable they would have to sell at Home, it would be a good thing if the two companies which had previously asked me to act for them would put their debentures together so that the parcel might be larger; and, as there was a balance of some seven thousand pounds' worth of the Rakaia debentures, these might be thrown in to make up one hundred thousand pounds' worth of stock in all. I hoped to be able to place before them an offer for one hundred thousand pounds' worth, being under the impression that it would be a good thing for the department, inasmuch as the whole of them might be, I thought, resold in London at a profit. I wrote a letter to Mr. Slee, Secretary of the Waimate Railway Company, on the 30th September, the same date:—

SIR,— Care of Mrs. Arthur Watt, Oakroyd, Mount Eden Road, Auckland, 30th September, 1885.

Having received from you, on behalf of your Company, instructions to endeavour to negotiate the sale of the £33,913 4-per-cent. debentures, payable by the Crown as the purchase-price of the line and appurtenances, I lost no time in carrying out the same, and wired you that I had placed the debentures under offer to the Government Insurance Association, asking that association (1) whether the investment would be entertained, and (2) what figure, in that case, they would be disposed to offer. I have now the pleasure to inform you that I am in receipt of a reply from the Manager to the effect that my letter " has been laid before the Board of Directors, and that they will be prepared to entertain consideration of the proposal on being furnished with full particulars. I have accordingly written to Mr. Luckie acknowledging receipt of above, and promising to lay a definite proposal before the Board on receipt of further instructions from your company. You will, of course, understand that, as the association is now empowered by law to invest in mortgage of freehold as well as in Government and other bonds, interest at 6 per cent. or better is readily obtainable, and therefore will see that no offer on our part is likely to be entertained which would present a less favourable investment of public funds. This, were it intended that the association should hold the debentures for the full term of their currency (twenty years), would evidently mean so large a discount off the principal sum as very seriously to diminish the proceeds; but I have suggested to Mr. Luckie (and hence the fact of the proposal being entertained at all) that the association, having acquired the debentures, should obtain the services of the Agent-General with a view to reselling them in London, an operation which could probably be completed within the year. But, no doubt, the association will require to secure itself a return of 6 per cent. for the year, besides a sufficient margin to cover the expenses of placing the debentures on the London market, and of remitting the proceeds to the colony. Seeing that 4-per-cent. New Zealand inscribed stock is only quoted at par in London, a small parcel of their uninscribed 4-per-cent. could scarcely be expected to reach more than 97 or 98, according to the state of the market; and at the lower figure, in order to yield 6 per cent. to the association for the year, 95 would be the highest figure they could give. On the other hand, if the company were selling in London, I do not think for so small a parcel you would obtain more than £90 net, if so much—*i.e.*, after paying insurance, advertising, commission, brokerage, and exchange; while also, as against a present sale for cash, you would lose six months' interest. I know something of these expenses, as I have been connected with the floating of two or three municipal and two harbour loans, and had in most cases to accept less than par for six-per-cents. I think, therefore, your company would make a good sale if they obtain 94 cash in the colony. Of course, I propose to ask a higher figure (say 96), with a hope of ultimately closing at 95. It is, I think, probable that the Duntroon Company will also again place the negotiation of the sale of their debentures in my hands; and, if so, it will rather improve the chance of a good price, as the two parcels together would, with £7,000 Rakaia Forks Company's debentures (which I shall ask to be thrown in), together make up over one hundred thousand pounds' worth, a line quotable on the Stock Exchange, which will not quote stock of any lesser amount. I must ask you, therefore, to furnish me with the undermentioned documents under seal of the company—viz., (1) a letter appointing me agent for the sale of the debentures payable by the Crown

to the company, and authorizing me as such agent to receive said debentures on the company's behalf, and to give a receipt for the same in the company's name, also authorizing me to sell and dispose of said debentures in the company's behalf (at a minimum price stated in separate instructions), and to give delivery of said debentures to the purchaser; (2) a further letter stating the minimum price (referred to in No. 1) which I am to be empowered to accept. Please reply promptly to above address.
I have, &c.,
The Secretary, Waimate Railway Company.
W. J. STEWARD.

I then received a letter dated the 3rd October—or a telegram, rather—from Mr. Slee,—

Mr. W. J. Steward, Auckland. Waimate, 3rd October, 1885.
NOT having heard from you *re* debentures, directors took advice, and hear they are worth par in London. What could you get here? Have not yet seen the Act as passed.
FRANK SLEE.

To that I wrote a reply on the 5th October,—

SIR,— Auckland, 5th October, 1885.
Referring to your telegram of the 3rd instant, I may premise that the postal communication between Auckland and the South Island is unsatisfactorily infrequent, there being only two boats a week—one *viâ* each coast. As the reply of Mr. Luckie only reached me on Wednesday last, the 30th September, my letter to you, posted same day, was forwarded by first opportunity (Thursday's boat), and will have reached you on Tuesday, 6th instant (to-morrow). In coming on here I had it in my mind that, while visiting my sister, I should also have the opportunity, if necessary, of negotiating with the Bank of New Zealand. This I have done, and I thought it expedient to advise you by wire generally of the result. I now explain more fully than was possible by telegraph. Whoever may have advised you that the debentures "are worth par in London" must have been ignorant of the fact that, by article 5 of your agreement with the Government, the interest is payable in the colony only until the 31st March, 1887. This being so, no London purchaser will give a figure equal to that commanded by stock the interest on which is payable in London, as there will be the cost of agency in receiving and forwarding interest, and bank exchange, besides loss of time, to be allowed for. Again, colonial inscribed stock (4-per-cent.) is only worth par, and no provision has as yet been made for the inscription of these district railway debentures. I have written to Vogel asking him, on behalf of the Government, to give an undertaking to include these debentures in any inscription operations undertaken within, say, two years; but inscription cannot take place until after the 31st March, 1887, as the Bank of England will not inscribe stock the interest upon which is not payable in London. With such an undertaking a present purchaser (supposing the credit of the colony to stand as well then as to-day, of which such purchaser will, of course, have to take the risk, and for which risk undoubtedly allowance will be taken in the price) might look to realize at the end of the two years about par, less, of course, brokerage; but without such an undertaking you could certainly not expect to realize in London a better price than was obtained for the Westport and Greymouth Harbour loan, which sold at £95 some odd shillings; while the half-year's interest already accrued would hardly suffice to cover cost of advertising, London commission and brokerage, exchange on remittance of proceeds, &c. I have proposed to Broderick, the liquidator for the Duntroon-Hakateramea Company, whose debentures were in my hands for sale two years, to authorize me to act for him also, and, if he consents, should ask the Rakaia Forks for their £7,000 to be thrown in, as the three, added together, will make up a sum just above the £100,000, which is the minimum amount of stock of any denomination which, under the rules of the Stock Exchange, can be quoted on the official list, and I calculate that quotation is worth not less than 2½ per cent. as against unquoted stock. Sale in the colony as a permanent investment—*i.e.*, for the whole twenty years of the currency of the loan—would, of course, mean sale at a very heavy discount; and it is therefore clear that it is of the utmost importance to facilitate realization in London on the most favourable terms. I am doing all I can to bring this about. I asked Murray if the bank would make an offer to buy outright, but that he replied that without an undertaking as to the inscription, as before explained, any offer the Bank could make would be a mere "sporting" one—meaning a discount much larger than we should be likely to accept. He will, however, should you so desire, write Home, and ask a reply by cable, or cable both ways (the former will cost £20 to £25, and occupy about two months; the latter £40 to £50, occupying, say, a fortnight) inquiring if the bank can place the debentures in London (by "place" I mean, of course, "sell"), and the figure obtainable; though he assures me, as before stated, that there would be no chance of your quitting at over £95, while, as I have already said, the 2 per cent. interest accrued to the 30th September would be fully absorbed by expenses. On the whole, then, I think that there is a better chance of realizing satisfactorily by sale to the Government Insurance Association, and, if they can be got as far as 97, or even 96, it will be the best market obtainable. If I leave for Wellington on Thursday, the 8th instant, as I may do if in receipt of instructions from you by wire on Wednesday, as I anticipate, I will wire to you, so that you may address future letters to Wellington. If, on the other hand, you prefer that I should make an offer to the Bank of New Zealand, I will interview Murray again. I hope to get the whole of the matter satisfactorily arranged before returning to Waimate.
I have, &c.,
F. Slee, Esq., Secretary, Waimate Railway Company (Limited).
W. J. STEWARD.

I was not aware of the exact position—viz., that payment of the interest on the debentures could only be made in London after 1887—until I began to negotiate with the Bank of New Zealand. As may be supposed, I was anxious to sell in the best market. I also negotiated with a private firm in Wellington. This was the point arrived at: that I had overlooked the section of the Act which provided that the interest was made payable absolutely in the colony, so that there was a difficulty in selling in London. I do not know whether this ought to be published, being an entirely private negotiation. This is my letter to Sir Julius Vogel, dated the 5th October, from Auckland, in reference to the inscription:—

MY DEAR SIR,— Auckland, 5th October, 1885.
As you are aware, I am in correspondence with Mr. Luckie *re* proposed sale to the Government Assurance Association of the (£33,913) 4-per-cent. debentures payable to the Waimate Railway Company (Limited), and am now awaiting advice from the latter as to their views as to price before making a more definite proposal. I think it probable that I shall also be authorized to negotiate for the sale of the debentures payable (£61,100) for the Duntroon-Hakateramea. As the interest is, until the 31st March, 1887, payable in the colony, the price obtainable here or in London would be considerably improved if you, on behalf of the Government, could give an undertaking that arrangements should be made for the inclusion of these and other district-railway-purchase debentures in any further operation for the inscription of stock within, say, two years. If such an assurance can be given, I feel sure that you will not hesitate to assist the companies in this way to float the debentures on the most favourable terms; and I am assured by one of the highest financial authorities in the colony that such an undertaking on the part of the Government "would be of very material assistance." A brief reply by wire in the first instance would oblige
Yours very truly,
Hon. Sir J. Vogel, K.C.M.G.
W. J. STEWARD.

Then I have a telegram crossing a letter to Mr. Frank Slee,—

Mr. F. Slee, Waimate, Canterbury. Auckland, 5th October, 1885.
BEFORE replying to my telegram just sent, wait for my letter posted Wednesday, which you will receive to-morrow.
W. J. STEWARD.

Then to Mr. Frank Slee, dated the 5th October—

Mr. F. Slee, Waimate, Canterbury. Auckland, 5th October, 1885.
INTERVIEWED Murray, Bank New Zealand, *re* debentures. Bank would communicate with London by letter, reply by cable, or cable both ways if desired. Latter cost forty to fifty pounds. Thinks possible might obtain ninety-five net, same as proceeds Greymouth Westport Harbour debentures, four-per-cents. with Government guarantee. Half-year's interest already accrued would barely cover expenses. Fact of interest being payable in colony only till 1887 militates against price obtainable. Have written Vogel, asking if will undertake to include district railway debentures

in any scheme of inscription of stock within two years from date. Without this sale, in London, even at ninety-five, would, Murray says, be impossible. Think best chance is with Government Assurance. Waiting your reply, with authorities under seal and minimum price. On receipt these, and Vogel's reply, propose return to Wellington to pursue negotiations on definite basis. If transaction includes Duntroon debentures as well, shall probably secure better price than you could get separately. Address as before. W. J. STEWARD.

Then, in reply to my telegram stating that I had seen the bank on the subject, Mr. Frank Slee replies,—

Mr. W. J. Steward, Auckland. Waimate, 7th October, 1885.

MUST have misapprehended our wishes. We could have negotiated through our own bankers. Before doing so, desired to learn whether you had tried Government Insurance. FRANK SLEE.

Then he wired again on the 7th, referring to a letter to be sent to me,—

W. J. Steward, Auckland. Waimate, 7th October, 1885.

JUST received your letter. Make no "definite" offer to Government or any one else until you receive letter from me, FRANK SLEE.

Again he writes on the 12th,—

DEAR SIR,— Waimate, 12th October, 1885.

When you arrive in Wellington would not your best course be to find out what the Government Assurance Department will be prepared to do? and then when you come down here we shall be prepared to go intothe question. It would be of great importance to know for certain the date that could be relied upon for receiving the debentures.

I have, &c.,

W. J. Steward, Esq., M.H.R., Assembly Library, Wellington. FRANK SLEE.

Having arrived in Wellington about this date—I cannot give you the exact day—I think it was somewhere about the 13th of October—I waited on Sir Julius Vogel with reference to the matter of the inscription of the debentures, which this Committee will have seen that I had inquired about, my idea at the time being that I might sell to the Government Insurance, and they might arrange with the bank to send the debentures Home. I was anxious to facilitate the sale, if possible, by putting them on the most favourable footing, and it seemed to me to be only fair to give all the advantage of inscription, if possible. He informed me that the Government had some idea of exercising the power given by the Act to purchase the debentures themselves. He said he had heard that I represented more than one company. and asked me if that was the case. I said, Yes, I represented one company, and that I might possibly represent another. He then said, "If the Government make an offer, I presume I am to send it to you." I said, "Yes; and I will give you a reply." I now come to the matter which brings in the Rotorua debentures. While I was in Auckland I met a very old political and personal friend, and while we were smoking our pipes and talking over various matters I mentioned the business which brought me to Auckland—namely, the negotiation of the Waimate Railway debentures. He then said to me, "Why do you not extend your operations? why should you not endeavour to sell ours for us?" By that I understood that he was a shareholder in the Rotorua Company, and I believe, though I am not sure, that he is a director.

7. Would you tell his name?—I do not know that I should mention his name. I have no objection to do so if the Committee wishes it. But I consider that a great deal of this is a part of my private business, and I do not know whether the name of this gentleman should be brought in.

8. *Mr. Garrick.*] Is he at present a member of this House?—No, and has not been for years. I said that I had taken this matter up at the request of the Waimate Company; that the Duntroon and Hakateramea Company had applied to me on a former occasion, but the negotiation had fallen through. It occurred to me that, as the Waimate Company had only £33,000 odd, I might just as well ask the Rotorua Company if they would put theirs in also. I then communicated, by telegrams which I will produce, with the Rotorua Company. I have already arrived at the point of speaking to Sir Julius Vogel about the inscription of stock. At that interview he asked me about the price. I gathered from him that there was no definite offer made, but that the utmost the Government would give would be something like 95, including all the interest that would accrue. I wired to Slee the result of my interview with Sir Julius Vogel,—

Mr. F. Slee, Secretary Railway Company, Waimate, Canterbury. Wellington, 14th October, 1885.

LONG interview Vogel. Can sell to Government for ninety-five immediate cash. Will see if can get more from Insurance Association. Prompt decision necessary, as Vogel leaves for South Saturday morning. Do not think you can do better, as find debentures not allowed to be sent out of colony till 1887: must be presented, with coupons attached, in colony until then, when half-yearly interest claimed. If directors propose to accept, send me promptly two separate telegrams—firstly, one authorizing me act as your agent for sale at or above a price to be stated in accompanying telegram; and, secondly, separate message stating minimum referred to in No. 1.

W. J. STEWARD.

Then Slee telegraphs on the 15th October,—

W. J. Steward, M.H.R., Assembly Library, Wellington. Waimate, 15th October, 1885.

PRICE too low. If Government or Insurance will give ninety-seven without interest due 30th September last, will instruct manager Union Bank, Wellington, to hand over debentures. FRANK SLEE,

Secretary Waimate Railway Company.

I telegraphed in reply, also on the 15th October,—

Mr. F. Slee, Waimate, Canterbury. Wellington, 15th October, 1885.

Do you mean ninety-seven, purchaser to receive interest due September thirtieth, or Company to receive ninety-seven and accrued interest as well? If latter, sale impossible either here or at Home. Reply.

I then wrote to Sir Julius Vogel in consequence of that conversation, and made him a definite offer of these debentures.

9. We have not had the reply yet you said you required?—The reply is here. It is dated the 16th October.

W. J. Steward, M.H.R., Assembly Library, Wellington. Waimate, 16th October, 1885.

COMPANY wants 97 and interest due 30th September. What are the best terms you can obtain?

FRANK SLEE.

I replied as follows:—

Mr. F. Slee, Waimate. Wellington, 17th October, 1885.

GOVERNMENT, 95 including accrued interest, or 97 on or about the 31st May, 1887. Expect reply Insurance Department Monday or Wednesday. W. J. STEWARD.

I wrote on the 15th to Sir Julius Vogel,—

SIR,— Wellington, 15th October, 1885.

Having been instructed by the Waimate Railway Company (Limited) to negotiate the sale of the debentures (for £33,913) payable to them under "The District Railways Purchasing Act, 1885," I have the honour to inquire whether, in accordance with the powers conferred by the said Act, it is contemplated by the Government to redeem the debentures issuable to the said company, and, if so, what offer the Government is disposed to make. I may point out that 2 per cent. interest has accrued to the 30th September last, and that, assuming as I do that on and after the 31st March, 1887, when the interest will be payable in London, the debentures will command a par value, it is apparent that the interest accruing to that date, two years at 4 per cent., will equal over 5 per cent. per annum on present purchase at par. I have received from the company full authority to sell at or above a stated minimum, and shall therefore be glad to learn whether the Government is disposed to purchase, and, if so, at what price.

I have, &c.,

Hon. Sir J. Vogel, K.C.M.G. W. J. STEWARD.

P.S.—I may add that it is not improbable that I may have a similar communication to make to-morrow (Friday) on behalf of the liquidator for the Duntroon-Hakateramea Company, and on behalf of the Thames-Rotorua Company.—W. J. S.

On the 16th I wrote to Mr. Luckie,—

SIR,— Wellington, 16th October, 1885.

Referring to your favour in which you inform me that your directors will be prepared to entertain consideration of a proposal for the purchase by the association of the 4-per-cent. debentures payable by the Government to the Waimate Railway Company (Limited) as the purchase-price of their line, I have the honour to state that I am empowered by the company to treat for the sale, and to conclude same if satisfactory terms can be arranged. The debentures referred to are for a total sum of £33,913, and of twenty years' currency dating from the 1st April, 1885. It will thus be seen that 2 per cent. interest (for half-year ended the 30th September) was already accrued due. The interest is payable in the colony only until the 31st March, 1887, after which date it can be made payable in London. As the New Zealand "fours" are worth par in London, it appears evident that par value could be realized, if desired, say, eighteen months hence, and that should the association purchase it need not necessarily be as a permanent investment. I shall be glad to be informed at as early a date as possible whether the association is willing to purchase, and, if so, upon what terms.

A reply will reach me in Wellington up to to-morrow inclusive; after that date at Waimate.

I have, &c.,

D. M. Luckie, Esq., Manager Government Assurance Association. W. J. STEWARD.

On the 16th of October I had the following letter from the Treasury:—

SIR,— Treasury, New Zealand, Wellington, 16th October, 1885.

I have the honour to acknowledge the receipt of your letter of yesterday's date, informing me that you are authorized to negotiate the sale of the debentures which will come to the Waimate Railway Company under the District Railways Purchasing Act, and asking me for particulars regarding the same. In reply, I have to say that the taking-over the property and fulfilling the conditions of purchase, including seeing to a legal conveyance, will rest with the Minister for Public Works. I shall have to attend to matters relating to payment for the railway, subject to my keeping in hand so much as my colleague may find necessary to cover engagements outstanding, if any. The purchase-money will be paid in debentures, in terms of the agreement. I am prepared to take the debentures which will be coming to the Waimate Railway Company under the purchase, if the Company should so desire it, at the price of £95 for each hundred, the debentures to bear interest from the 31st March last. If, instead, the company prefer it, I will agree to purchase the debentures, under the 23rd clause of the Act, in London, for £97, on or about the 31st May, 1887. You will be kind enough to let me know in a few days whether the company desires to avail itself of either of these offers.

I have, &c.,

JULIUS VOGEL.

10. *Mr. Ormond.*] That was the Treasury offer?—Yes, that was the Treasury offer. I then ascertained, in an indirect way, what was the probable price the Government Insurance Association might offer. I only got at it in this way: I ascertained what was the rate of interest they looked to obtain on their investments, I calculated the actuarial value of the debentures on that basis, and I arrived at the conclusion which I will here state as to the price they would give.

11. *Mr. Garrick.*] Have you any objection to state from whom you got the information?—I was in Mr. Shannon's office. He is one of the directors also; and I understood that they would not enter upon any investments that would not give 5½ per cent. I then telegraphed to Mr. Frank Slee,—

Mr. F. Slee, Waimate. Wellington, 17th October, 1885.

THOUGH formal reply Insurance not received, have ascertained not likely give price greater than yield five per cent. The exact actuarial value of debentures, including assured interest on a five-per-cent. basis, is eighty-nine twelve eight. You should accept Government offer at once. W. J. STEWARD.

And on the 17th of October Mr. Slee replied,—

W. J. Steward, M.H.R., Assembly Library, Wellington. Waimate, 17th October, 1885.

COMPANY will accept ninety-five plus interest, or ninety-seven without interest. FRANK SLEE.

12. That is, the Government offer was 95, and they took the whole of the accrued interest?—There was an offer made to receive interest to a certain date.

13. *Mr. Fulton.*] Yes; but they were to receive the interest?—About this time I received authority from the Rotorua Company to sell £115,000 at 95, and I advised Slee to that effect—

Mr. F. Slee, Waimate. Wellington, 17th October, 1885.

SINCE wiring you have received authority Rotorua Company to sell one hundred and fifteen thousand at 95, dividing accrued interest with purchaser. Will Waimate Company accept same? W. J. STEWARD.

My suggestion was that the interest should be divided—that all interest accruing after the 30th September should go to the company. I foresaw that it would be months before the money was actually paid over. It seemed to me that it was not fair to them to be left without interest so long as any one might choose to keep payments back. On the 17th Slee replied,—

W. J. Steward, M.H.R., Assembly Rooms, Wellington. Waimate, 17th October, 1885.

RECEIVED your telegram *re* Rotorua directors. Notwithstanding, confirm my previous telegram ninety-five *plus* accrued interest. FRANK SLEE.

I wired to Sir Julius Vogel, who had then gone to Christchurch. This was on 17th October.

Hon. Sir J. Vogel, Christchurch. Wellington, 17th October, 1885.

WAIMATE Company will accept ninety-five exclusive, ninety-seven inclusive accrued interest.

W. J. STEWARD.

Sir Julius Vogel replied the same date, "Waimate Company's offer refused." On the 19th I telegraphed to Slee,—

Mr. F. Slee, Waimate. Wellington, 19th October, 1885.

VOGEL positively declines increase offer. Think directors should reconsider before finally refusing ninety-five cash. Will try get ninety-five ten, payable end November, and, to ease matters, reduce commission to three-quarters. The net result would thus be only one per cent. less than your own terms. Pity matter should fall through on so slight difference, as you will never get better price. Reply promptly. W. J. STEWARD.

I may state that the explanation of the passage which relates to my commission was this: On the occasion of the previous negotiations for the sale of the company's debentures, I stated that my charge would be $1\frac{1}{4}$ per cent., and considered the present transaction as on the same basis; but, in order that the two parties might come together, I offered to forego $\frac{1}{2}$ per cent. On the 18th October I telegraphed to Sir Julius Vogel as follows:—

Hon. Sir Julius Vogel. Wellington, 18th October, 1885.
WAIMATE Rotorua Railway debentures. As amount interest accrued will by that date be increased by ten shillings, suggest that, on lines your proposal, you give ninety-five ten, payable end November. Say if will do this. You state would take part Rotoruas. Kindly say to what amount.
W. J. STEWARD.

Sir Julius Vogel wired to me on the 19th,—

Major Steward, Wellington. Christchurch, 19th October, 1885.
IN reply to your telegram, I will be content with six months' accrued interest. I will take fifty thousand Rotorua—possibly more.
JULIUS VOGEL.

On the same date I telegraphed to Slee in terms above given. Then the reply came that the company would accept Sir Julius Vogel's offer—

W. J. Steward, M.H.R., Assembly Rooms, Wellington. Waimate, 20th October, 1885.
COMPANY will accept Vogel's as per telegram yesterday.
FRANK SLEE.

I then wired to Mr. Studholme, chairman of the company,—

Michael Studholme, Esq., Waimate. Wellington, 19th October, 1885.
HAVE wired Slee final offer debentures. Strongly recommend acceptance. Await reply till to-morrow. Propose sail South Wednesday.
W. J. STEWARD.

Also to Sir Julius Vogel the same date,—

Hon. Sir Julius Vogel, Christchurch. Wellington, 19th October.
TELEGRAM received. Have accordingly advised Waimate and Rotorua that can sell former and fifty thousand latter at ninety-five, including interest to thirtieth September, vendors to receive balance interest accruing to date payment. Have strongly recommended acceptance this offer, and given till five to-morrow for final reply order allow meeting directors. Will communicate result. Have as yet received no authority to act for Duntroons.
W. J. STEWARD.

I should say that telegrams were crossing each other. On the receipt of authorty to do so I wired to Sir Julius Vogel, as agent for the Waimate Railway Company, accepting his offer,—

Hon. Sir Julius Vogel, Christchurch. Wellington, 20th October, 1885.
As agent for Waimate Railway Company (Limited), I hereby, on their behalf, accept your offer of ninety-five per hundred pounds for thirty-three thousand nine hundred thirteen pounds debentures under District Railways Purchasing Act, including interest accrued to thirtieth September. Advise when payment will be made.
W. J. STEWARD.

Then came a telegram from the Waimate people withdrawing their consent to sell. Then a telegram withdrawing that again. Eventually the matter was finally concluded. This ends the matter so far as the Waimate Railway was concerned. I was not instructed afterwards to withdraw it. There is a further telegram, in which I inform them that I had just completed sale of Rotorua debentures—

Mr. F. Slee, Waimate. Wellington, 21st October, 1885.
HAVE just completed sale of Rotoruas, one hundred fifty-six thousand, at same price as yours.
W. J. STEWARD.

The Insurance Association submitted an offer, but I declined it, stating that I could do better elsewhere. Then I wrote on the 4th November to Sir Julius Vogel,—

DEAR SIR,— Waimate, South Canterbury, 4th November, 1885.
Referring to article 14 of the Waimate Railway agreement, I am desired by the company to inquire on what date it is proposed to hand over the debentures to the company. The company is ready to execute the documents referred to in the section cited, but these have not yet been presented by the Minister. I am to ask that the Minister (of Public Works) may be moved to forward said documents as promptly as possible, in order that the payment to the company of the agreed price may be made without any unavoidable delay. On this being done the debentures can be delivered to the Wellington Agency of the Union Bank, which will be instructed to re-deliver the debentures to you on payment of the sum already agreed upon.
I have, &c.,
Hon. Sir J. Vogel. W. J. STEWARD.

Then comes a letter from Mr. C. Y. O'Connor.

SIR,— Public Works Department, Wellington, 11th November, 1885.
Re purchase of Waimate Railway by Government: In reply to your letter of the 4th instant, urging that the necessary papers which the Waimate Railway Company will have to sign may be sent to them, so that the transfer of this railway to the Government may be effected as soon as possible, I am directed by the Minister for Public Works to inform you that, with the view of bringing the matter to a speedy conclusion, Mr. Joynt (the Government solicitor at Christchurch) was requested on the 5th instant to prepare the necessary contract and conveyances, and to get them executed by the company. Mr. Joynt has been put in possession of all the information which we have g ot on the subject and has full powers to act for the Government; so that it is hoped the purchase will be fully completed at an early date. The Land Registry Office for the district in which the railway is situated being in Christchurch, it was considered that Mr. Joynt could deal with the matter more rapidly than the Law Officers in Wellington.
I have, &c.,
C. Y. O'CONNOR.,
Major Steward, M.H.R., Waimate. Under-Secretary for Public Works.

Next is the matter of the Rotorua debentures. On the 15th of October, while this correspondence was going on with respect to the Waimate debentures, I communicated with Auckland, in consequence of the suggestion which had been made to me. I first telegraphed to Mr. Batger, the Secretary of the Rotorua Railway Company.

— Batger, Esq., Secretary, Rotorua Railway Company, Auckland. Wellington, 15th October, 1885.
Re District Railways Purchase Act. Am here negotiating for sale of debentures payable to Waimate and Duntroon-Hakateramea Companies. Think could place the £115,000 odd payable to your company if authorized to do so. Could obtain 95, purchaser to receive interest accrued. If willing accept this, wire me immediately. My commission half per cent.
W. J. STEWARD.

14. *Mr. Pearson.*] What date was that?—On the 15th October.

15. What was the amount?—£115,000; and there was a further sum, bringing it up to £156,000. Not knowing Mr. Batger, I wired to Mr. Peacock, whom I believed to be a director, and also to Mr. Comiskey, who was chairman of the directors, in the same terms,—

P. Comiskey, Esq., Auckland. Wellington, 15th October, 1885.
HAVE just wired important telegram, *re* debentures payable to Rotorua Company, to Batger, secretary. Reply promptly.
W. J. STEWARD.

T. Peacock, Esq., M.H.R., Shortland Street, Auckland. Wellington, 15th October, 1885.
SENT important message *re* debentures to-day to Batger, secretary Thames-Rotorua Railway Company. Important get reply to-morrow (Friday).
W. J. STEWARD.

I had a reply from Mr. Batger on the 16th—

Hon. W. J. Steward, Wellington. Auckland, 16th October, 1885.

YOUR telegram received. Have convened directors for its consideration, and will reply after their meeting to-morrow.

JOHN BATGER, Secretary, Rotorua Railway.

I then wired Mr. Batger as follows :—

J. Batger, Esq., Secretary, Rotorua Railway Company, Auckland. Wellington, 16th October, 1885.

WHEN replying to-morrow to my telegram, please state also whether, failing purchaser for whole, directors will authorize sale of fifty thousand on terms mentioned. W. J. STEWARD.

The Committee will see that my object was to get a good price for my clients, and, in order to do that, to arrange that there should be a line of at least £100,000 for disposal if I could not get the whole.

16. *Mr. Fulton.*] Where are these letters from ?—From Wellington. Then I had a telegram on the 17th—

W. J. Steward, M.H.R., Wellington. Auckland, 17th October, 1885.

DIRECTORS decline breaking the amount. Will accept offer, excepting accrued interest. Will allow half of that. Debentures deliverable as in terms company's agreement with Government.

JOHN BATGER, Secretary.

On the 17th October I wired Sir J. Vogel as follows :—

Hon. Sir J. Vogel, Christchurch. Wellington, 17th October, 1885.

RECEIVED authority Rotorua Company sell one hundred fifteen thousand odd debentures, payable to them under article 2 of their agreement with Government. Can accept ninety-five, accrued interest divided—that is, company to receive ninety-five and half amount of interest accrued to date of sale. Will Treasury purchase on terms stated?

On the same date this reply came from Sir Julius Vogel :—

Major Steward, Wellington. Christchurch, 17th October, 1885.

ROTORUA : No to your offer, but will purchase part of amount for ninety-five, including accrued interest.

JULIUS VOGEL.

17. *Mr. Barron.*] Where was that from ?—From Christchurch. He said he would take £50,000. I wired to Sir Julius Vogel,—

Hon. Sir J. Vogel, Christchurch. Wellington, 18th October, 1885.

RAILWAY debentures, Waimate Rotorua : As amount interest accrued will by that date be increased by ten shillings, suggest that, on lines your proposal, you give 95.10, payable end November. Say if will do this. You state would take part Rotorua. Kindly say to what amount. W. J. STEWARD.

Then there is a telegram, dated 19th October, from me to Mr. Batger—

John Batger, Esq., Secretary Rotorua Railway Company, Auckland. Wellington, 19th October, 1885.

SORRY cannot place the whole. Have definite offer of ninety-five, including interest to 30th September, company to get advantage of further interest accruing to date of payment. Purchaser will take £50,000 certain—possibly more. As am positive you cannot sell to better advantage, hope to hear offer accepted. Reply before five to-morrow.

W. J. STEWARD.

Then, dated Auckland, 20th October, there is a telegram from Mr. Logan Campbell to me—

W. J. Steward, M.H.R., Wellington. Auckland, 20th October, 1885.

WILL sell on your terms, equal ninety-two and half net. Whole amount issued to company, some hundred fifty-six thousand debentures, to be taken as issued. Cannot break the amount. Reply to-morrow.

LOGAN CAMPBELL.

On the 20th I also telegraphed to Sir Julius Vogel, stating that the Company would not break the parcel—

Hon. Sir Julius Vogel, Christchurch. Wellington, 20th October, 1885.

ROTORUAS. : Company will not break parcel. Under their instructions I offer you one hundred fifteen thousand at ninety-three, company to receive interest to date purchase, or ninety-five *plus* interest accruing from first October, you taking interest accrued to 30th September. As these are your own terms as offered for fifty thousand, hope you will be able to close for the whole. Reply promptly. W. J. STEWARD.

On the 20th also to Sir Julius Vogel—

Hon. Sir J. Vogel, Christchurch. Wellington, 20th October, 1885.

ROTORUAS. Please read this in connection with previous telegram wired to-night. Sale of one hundred fifteen thousand odd figures contingent on your agreeing to take further forty thousand odd issuable under article seven, when issued, at ninety-three ex accrued interest to date issue. W. J. STEWARD.

Then, on the 21st, dated Christchurch, comes the reply to mine,—

Major Steward, Wellington. Christchurch, 21st October, 1885.

ROTORUA debentures : Will take 50,000 as soon as they can deliver at 95, with two per cent. accrued interest included. Will take balance, 65,000, on same terms not later than 20th December. Will take additional 40,000 at 93 on month's notice. Offer open until to-morrow evening. JULIUS VOGEL.

Then there is the memorandum to Mr. Batger, dated the 22nd—

J. Batger, Esq., Rotorua Railway Company, Auckland. Wellington, 22nd October, 1885.

WAITING reply my telegram of yesterday to Logan Campbell. Reply immediately. W. J. STEWARD.

Next there is the reply to that, stating that the directors were holding a meeting—

W. J. Steward, Wellington. Auckland, 22nd October, 1885.

DIRECTORS' meeting immediately. Will reply soon. JOHN BATGER.

Then comes my reply to Mr. Logan Campbell on the 21st—

Logan Campbell, Esq., Rotorua Lakes, Auckland. Wellington, 21st October, 1885.

IN accordance with your instructions of yesterday, propose to sell your debentures as follows : Purchaser to take fifty thousand so soon as you can deliver at ninety-five, including two per cent. accrued interest, and balance of sixty-five thousand (odd figures omitted) on same terms not later than twentieth December ; also additional forty thousand issuable under article seven of your agreement on month's notice at ninety-three, ex accrued interest. Reply immediately, intimating your concurrence. Will thereafter disclose name purchaser.

W. J. STEWARD.

By this time I had received authority from the Waimate Company to sell their debentures at the price offered. Then, from Mr. Logan Campbell on the 22nd (urgent) stating terms—

W. J. Steward, Esq., M.H.R., Wellington. Auckland, 22nd October, 1885.

YOU may make absolute sale whole of debentures arising to company on following terms : No. 1 : Price, ninety-five with two per centum accrued interest, only equals ninety-three cash. Fifty thousand. Order granted on Government to receive debentures to said amount when same are deliverable. Money can be paid to a trust account with Bank of New Zealand, transferable to company when purchasers receives debentures. No. 2 : Sixty-five thousand odd on similar terms, ninety-five less 2 per cent. cash, payable 21st December. No. 3 : The forty thousand odd to be taken and paid for on similar terms, ninety-five less 2 per cent., as issued by Government. No. 4 : The additional interest allowed company under clause seven of agreement, which will be adjusted in account current between Government and company, will become payable also in 4-per-cent. debentures, in excess of the forty thousand. These now also offered at ninety-five less 2 per cent. No. 5 : Commission payable at respective periods of cash payments.

J. L. CAMPBELL, Chairman.

Then mine to Mr. Logan Campbell, stating that I had sold to Sir Julius Vogel—

J. Logan Campbell, Esq., Auckland. Wellington, 22nd October, 1885.

TELEGRAM received. Have sold accordingly to Vogel on terms stated. Am sailing South by "Aorangi." If necessary communicate with me, further telegram will reach me to-morrow morning early at Lyttelton; Saturday or after at Waimate. W. J. STEWARD.

The next is to Sir Julius Vogel, accepting his offer and recapitulating terms—

Hon. Sir Julius Vogel, Christchurch. Wellington, 22nd October, 1885.

ON behalf of Rotorua Railway Company, I accept your offer for debentures. To prevent possibility misunderstanding, recapitulate terms: No. 1: Fifty thousand at ninety-five, including 2 per cent. interest—that is to say, interest accrued to 30th September. Company will give an order to receive debentures when deliverable. Money can be paid to a trust account with Bank of New Zealand, transferable to company when debentures handed over to you. No. 2: Sixty-five thousand odd figures on similar terms—namely, ninety-five, including 2 per cent. accrued interest; cash for these to be paid on 21st December. No. 3: The forty thousand odd issuable under article seven to be taken at ninety-five, including 2 per cent. accrued interest, or ninety-three ex interest as issued by Government. Also (see clause seven of agreement), in respect of additional interest therein referred to, if this paid in 4-per-cent. debentures am further instructed to offer you such debentures at ninety-three net. If possible to reply before "Aorangi" sails at five to-day, address to steamer; if not, reply to telegraph office, Lyttelton, to await steamer's arrival there. W. J. STEWARD.

Then a telegram from Logan Campbell, dated the 22nd—

W. J. Steward, M.H.R., passenger "Aorangi," Lyttelton. Auckland, 22nd October, 1885.

PAY the fifty thousand into Bank New Zealand, Auckland, as in terms of sale. LOGAN CAMPBELL.

I called on Sir Julius Vogel, asking when payments could be made. On the 24th is a telegram addressed to me at Waimate, from Mr. Batger—

W. J. Steward, M.H.R., Waimate. Auckland, 24th October, 1885.

BE good enough to authorize Rotorua Railway Company to communicate direct with Sir Julius Vogel, in order that details of the purchase may be carried out. He has no objections. Upon your so signifying to us, will facilitate arrangements in matter of account. JNO. BATGER, Secretary.

And from thence to him by me in reply—

Rotorua Railway Company, Auckland. Waimate, 24th October, 1885.

CERTAINLY. You have full authority to complete details with Vogel. Was about to suggest same thing. W. J. STEWARD.

Then, on the 27th of October, is a letter from me to Mr. Batger, authorizing him to communicate direct with Sir Julius Vogel—

DEAR SIR,— Waimate, Canterbury, 27th October, 1885.

Referring to your telegram of the 24th instant, suggesting that your company should communicate direct with Sir Julius Vogel for completion of details as to payment of agreed price for your debentures, and to my reply of same date, approving of this course, it has occurred to me that it would be well to supply you with a copy of the telegram addressed by me as your agent to Sir Julius Vogel on the 22nd, and immediately on receipt of Mr. J. Logan Campbell's instructions (by wire) of that date. You will accordingly find copy of message referred to appended hereto, also copy of Vogel's to me of previous day to which it was a reply. I have, &c.,

John Batger, Esq., Secretary Rotorua Railway Company. W. J. STEWARD.

Memorandum.—Mine to Mr. Campbell, dated Christchurch, 23rd, *re* payment of price of first 50,000, as per above, was written in Vogel's presence at Christchurch, approved by him.—W. J. S.

I also produce copy of a telegram from myself on 23rd October to Mr. Logan Campbell, dated from Christchurch.

J. Logan Campbell, Auckland. Chrischurch, 23rd October, 1885.

YOURS this morning *re* fifty thousand. Purchase-price, £47,500, will be paid to company's credit at Bank of New Zealand, Wellington, immediately on your handing over debentures for £50,000 to Vogel. W. J. STEWARD.

That is the entire negotiation. All I have to say on the subject is, that I fully recognize the motive with which this inquiry has been set on foot, and I entirely approve of it, as there can be only one result. I am anxious that any foolish stories of the kind that have been set afoot should be cleared away. On the other hand, the matter is practically one of private business, it having been placed in my hands in the way of ordinary business. At the time I was in no other business. I was then out of business as a newspaper man, and I was willing to take up any other work that presented itself, It was not the first time that I had had to do with negotiating large transactions. The fact that Sir Julius Vogel became the purchaser was a surprise to me. I had no idea that the Government were going to make an offer; but when they did make an offer I did not think myself precluded from selling property for the sale of which I was the authorized agent.

18. *Mr. Garrick.*] I would ask if Mr. Steward has any objection to give the date of Mr. Slee's first communication with him, and whether he would have any objection to let the Committee see the letter?—I will give the date. The Committee can see the letter if they wish it; but the letter was marked "private." I will show it to the Chairman if you like.

Mr. Garrick: That, perhaps, would be the better way. I am quite agreeable that the Chairman alone should see it.

Witness: I shall read the letter if you wish it. [Letter handed to Chairman.]

The Chairman: What is the particular point you wish to know about?

Mr. Garrick: I want to know only the date of the letter, and whether there is anything in it bearing on the subject of this inquiry.

Witness: The date is the 18th of September, and it reached me on the 21st. I will give the Committee a transcript of as much of the letter as bears on this matter and my connection therewith.

Mr. Garrick: I think the Chairman should decide whether this letter ought to go with the other papers.

The Chairman: This is a question I cannot decide at once.

Mr. Fulton: Let the Chairman make a transcript of such portion as he may think bears on the subject.

19. *Mr. Garrick.*] I would like to know from Mr. Steward when any arrangement was made, and what arrangement was made, for commission touching the sale of these Waimate bonds?—I have already read them.

20. I did not follow them?—It was that I should have eventually $\frac{3}{4}$ per cent.

21. When was that arrangement made?—There was no definite arrangement made, except when the matter of the sale of the previous debentures was put into my hands some three years ago—that I was to have 1¼ per cent. That was in connection with another matter altogether. The two companies asked me to sell their debentures—their 7-per-cent. debentures. That fell through. I offered them to the Insurance Association. The reason they were not sold was because of the Government guarantee not being concurrent with the period of the debentures. It was not until the 21st of September that I received the request to make an offer of the present debentures. When they were put into my hands in this way I thought it was subject to a similar arrangement to that previously made.

22. Had you any communication with any person—with any members of the Board of Directors of the Waimate Company—about carrying such a measure for the purchase of these railways or its passage through the House?—No. There were general communications with me, as member for the district, as to the expediency of the Bill passing, and the necessity of something being done.

23. Do I understand there was the previous session constant communication with you as to the passing of this measure?—No, I could not say "constant;" but on occasions—that is, on more than one occasion—I was spoken to about it. It was, indeed, a matter that was spoken about at my public meetings. The ratepayers were complaining very much of having to pay a larger amount than was at all necessary.

24. Did you, in connection with the passing of this measure, obtain, or seek to obtain, the certificate of anybody—any member, I mean—any certificate, or anything equivalent to that, that you had done your best, or worked hard with the view of passing this measure?—Yes; there was something of that sort. Mr. Buckland had expressed his opinion that, had it not been for my earnest efforts in the matter, the Bill would not have passed. I said to him that it might be useful to me at some of my political meetings if the electors were told that, and I would be glad if he said so in writing.

25. You got a certificate?—No.

26. Did you write to him?—I wrote to him a letter as one member to another, and said, "If you will state what you said to me the other day in writing, it might be very useful to me."

27. Which Mr. Buckland was it?—Mr. J. C. Buckland.

28. Was it signed by any other person?—No.

29. Did you get any certificate from any other person?—No.

30. Are you under any monetary obligations to any directors of the Waimate Board?—No.

31. Have you shared your commission with any one?—Nor agreed to do so, nor has any one had anything to do with this transaction but myself.

32. *Mr. Fulton.*] Has there been any difference of opinion as to commission?—Not the slightest.

33. Has the commission been paid?—The only company that has received its money—in part—has been the Rotorua Company. On their receiving the amount they wired my commission on the first instalment.

34. You have been paid no commission except on the first instalment?—That is all.

35. What did that amount to?—£547, or thereabouts.

36. Had the negotiation for the sale of these debentures taken place between you and the Waimate Company before the passing of the District Railways Purchasing Act?—No.

37. And did it include any transactions in connection with that?—Certainly not. I have stated that three years before there was a negotiation for the sale of the Duntroon debentures.

38. Which were they?—Their 7-per-cents.

39. Did it occur to you at all that your conduct was likely to be misunderstood, inasmuch as you were a member of Parliament?—It did not strike me that a member of Parliament was not at liberty to sell property during the recess. I had no idea of such a thing.

40. What advantage to the Government would accrue from your dealing as an intermediary?—None to the Government.

41. Then the Government might have purchased these without your intervention?—I imagine they could.

42. Presumably they might have done so at a better figure?—I do not think so.

43. Presumably there would be your commission to come off?—Yes.

44. The company would take that into consideration in the sale?—I do not know whether it would or not; that is not for me to say.

45. Then, it was only after the passing of this Act that you became interested in the sale of these debentures?—Clearly. I had no idea that I should be asked to act in that capacity at all; it was quite a surprise to me that I was asked.

46. Did the suggestion as to the sale come from yourself or the Government?—The Government did not have anything to do with it.

47. The first mention of it appears in a telegram from Sir Julius Vogel to you?—No, not from me.

48. How was it that you charged a less percentage for the Rotorua debentures than for the others?—The others were a small parcel. The previous transaction was in my mind. I had no special reason to alter the terms offered to me previously, but in order to bring the two parties together I offered to take less.

49. Then, did the Government gain anything by having you as an intermediary?—I am not prepared to say.

50. Did they not lose ½ per cent.?—I do not think so.

51. Was it not competent for them to have dealt directly with the Rotorua Company?—It was.

52. Then, presumably they did lose ½ per cent.?—I do not think so.

53. Were the Government to give you any commission?—Not in the least; more than that, if any such suggestion had been made, I would have declined to have anything at all to do with it.

54. Did it not occur to you at all that your conduct as a member of the House of Representatives might be misunderstood?—No, I do not think it. I do not think so, even now.

55. Do you think it unnecessary this inquiry should be held?—Except on this point—except that my friends may be jealous of my honour or the honour of others *per se*. I say this was my private business, and the House has nothing to do with it. I freely admit at once that if I had the knowledge that they would become purchasers, and that they would give me a commission for doing what I was doing, it would have been an improper thing. But I hold myself at liberty, if any one asks me to sell it for them, to sell any property whatever.

56. To put it briefly in this way: does it conduce to the interest and honour of this House that its members should intervene with the Government in monetary transactions?—Not if commission is to be paid by the Government.

57. Especially if the member so acting should be a supporter of the Government?—Certainly that would greatly strengthen the case if commission was to be paid by the Government.

58. But if commission is not paid by the Government, you think it makes no matter?—No, not in the least. I take it that supporters of the Government are equally honourable with members of the Opposition.

59. But does it not open a question as to the probity of members in the public mind?—No doubt it might.

60. *Mr. Pearson.*] But do you not admit that when you reduced—or offered to reduce—your commission, there was a difference which amounted to more than 2 per cent.?—Seeing that the whole thing was put into my hands, I could very well afford to take less commission for the second parcel.

61. The commission you were supposed to receive from the Waimate Company was 1¼ per cent.; then, to induce them to accept the Government offer you reduced your commission?—Not to induce them; but to make the net proceeds practically nearer their price.

62. Do you not think that is an admission that the Government could have got the debentures cheaper by dealing direct with the company?—I do not know whether they could or not; but I maintain that it was not my business to throw away business, and say that they could do better without my services. I do not think it was my business at all to question whether they could have got the debentures cheaper in some other way.

63. The commission was ¾ per cent. on the Waimate?—Yes.

64. And ½ per cent. on the other?—Yes.

65. You have received commission on the Waimate?—No, it has not been paid.

66. Then on the Rotorua?—Portion of it.

67. What is the amount of commission on the whole?—About £1,035.

68. Then, you do not receive commission until the money is actually paid?—The reason why the Waimate was not paid is that there is a lot of transfers of land, &c., to be made. Persons living in England have to be consulted. But I believe the matter is now completed.

69. You told Mr. Fulton there was no communication about the Rotorua until you went to Auckland?—It was after my return from Auckland. The thing was suggested to me in Auckland. When I got the authority to offer them and offered them will be seen by the correspondence.

70. *Mr. Bruce.*] I put this question to you in consequence of the rumours that have been floating about, and for the reason that you should have an opportunity of contradicting them?—Have you ever received, directly or indirectly, any remuneration for your services in connection with the passing of the Waimate measure through the House?—Certainly not.

71. *Mr. Garrick.*] You laboured energetically for the passing of that Bill?—Not more than for others.

72. That is not an answer to my question?—I did my best for the passing of the Bill.

73. That is not an answer to the question. Did you labour energetically to pass the Bill?—I did my best.

74. I asked you whether you laboured energetically for that measure?—Yes, I did, and for a good many more.

75. You succeeded in getting the Waimate restored to the schedule after the House had rejected it?—Yes. I would do the same thing to-morrow.

76. And you did that in the small hours of the morning?—Yes. I would do it at any hour in the morning.

77. I only want to know the fact?—Yes. I am quite prepared to do so for any measure that I think it my duty to support.

78. *Mr. Fulton.*] Do you understand that this inquiry is not for the purpose only of inquiring into your conduct, but generally for the purpose of finding out whether anything improper has taken place either on your part or on the part of any one else?—Yes.

Correspondence.

Wellington, 17th October, 1885.—J. Batger, Esq., Secretary, Rotorua Railway Company, Auckland.—Telegram received. Will reply Monday or Tuesday.—W. J. Steward.

Christchurch, 17th October, 1885.—Major Steward, M.H.R., Wellington.—Waimate Company offer refused.—Julius Vogel.

Christchurch, 19th October, 1885.—Major Steward, Wellington.—In reply to your telegram, I will be content with six months' accrued interest. I will take fifty thousand Rotorua—probably more.—Julius Vogel.

Waimate, 20th October, 1885.—W. J. Steward, Esq., Wellington.—Directors withdraw their consent to sale to Vogel. Await letter.—F. Slee.

Wellington, 22nd October, 1885.—J. Batger, Esq., Auckland.—Just sold Waimate same figure. Offer to you only open to-day. Other investments offering. Leave for South five. Reply immediately, urgent.—W. J. STEWARD.

Mr. Slee, Waimate.

TELEGRAM withdrawal over two hours too late: had sold by wire immediately receipt previous message. Have also offered Vogel one hundred fifty-six thousand for Rotorua Company same price. Strongly advise you leave matter undisturbed. Surely men like Logan Campbell, of Auckland, one of Rotorua directors, quite aware of market value. Shall not wire Vogel that you desire release from bargain until further instructed, when will do so if directors wish. In that case, however, shall, of course, claim commission. W. J. STEWARD.

SIR,— Government Life Insurance Association, Head Office, Wellington, 22nd October, 1885.

I have to acknowledge receipt of your letter of the 16th instant, with reference to the proposed sale of New Zealand Government 4-per-cent. debentures, held, or to be held, by the Waimate Railway Company (Limited), amounting to £33,913; said debentures having a currency of twenty years from the 1st April, 1885; the interest thereon to be payable in New Zealand until the 31st March, 1887, after which date such interest can be made payable in London, and the debentures themselves be negotiable there if desired by the holders of the same. I am now to inform you that I am directed by the Board of this association to offer to purchase these debentures at the price of £90 for every £100 of debentures, and to say that at that price the association will purchase the whole of the debentures. An early reply will be deemed a favour. I have, &c.,

William J. Steward, Esq., Wellington. D. M. LUCKIE, Manager.

DEAR SIR,— Waimate, 24th October, 1885.

You will please not to complete negotiations with the Government for the sale of the debentures (to be handed over to the company *re* sale of railway) for the present, the company finding it absolutely necessary for certain resolutions to be noted upon the minute-book before such completion. A meeting for the purpose is called for Saturday, the 31st. Yours obediently,

W. J. Steward, Esq., M.H.R. FRANK SLEE, Secretary.

SIR,— Waimate, Canterbury, 26th October, 1885.

Your favour of 22nd instant, intimating that your association would purchase the debentures issued to the Waimate Railway Company (Limited) at the price of £90 per £100 debenture, is to hand for which many thanks. I have, however, to say that, having been able to secure better terms elsewhere, the offer of the association is declined.

D. M. Luckie, Esq., Manager, New Zealand Government Life Insurance Association. I have, &c., W. J. STEWARD.

DEAR SIR,— Waimate, 31st October, 1885.

Waimate Railway Company (Limited).—Referring to my telegram to you of the evening of the 20th ultimo, withdrawing permission to sell the Waimate Railway debentures, I have now to acquaint you that at a meeting of the directors of this company held here to-day, the matter of sale of debentures was under discussion, when it was decided that Messrs. Studholme and Douglas were to take over the debentures to be granted by Government in part-payment of the redemption-price of the debentures now held by them. Further, I am instructed to authorize you to complete the sale of the new debentures at 95 *plus* 2 per cent. interest up to the 30th September last given in. Will you therefore request the Government to hand over the proceeds without delay to the Union Bank of Australia; and Messrs. Studholme and Douglas will, in exchange, grant letter of authorization to Sir Julius Vogel or his principals to receive the debentures to be issued by the Government as the purchase-price of the railway.

W. J. Steward, Esq., M.H.R., Waimate. I have, &c., FRANK SLEE, Secretary.

DEAR SIR,— Waimate, 4th November, 1885.

Waimate Railway.—Referring to my letter of the 31st ultimo, authorizing the sale of the debentures issued, or to be issued, by the Government for the above railway, I write at present to say that you will please note that the agreement to sell was upon the distinct understanding that the money was to be paid at once, and thus save the vendors the high current rate of interest which they have to pay until the sale is completed; in short, this was the only inducement to accept the low price fixed. I have, &c.,

W. J. Steward, Esq., M.H.R., Dunedin. FRANK SLEE, Secretary.

SIR,— Waimate, 4th November, 1885.

I have the honour to acknowledge receipt of your favour of the 31st October, and to inform you, in reply, that the debentures have been sold to the Hon. Sir Julius Vogel at £95, including interest due to the 30th September. I have to-day written to him asking him to name the date of delivery of the debentures, and also to the Minister for Public Works to forward the documents referred to in article 14 of the agreement for execution by the company. I have further informed Sir Julius Vogel that the debentures may be handed to the Wellington agency of the Union Bank, and that the Bank will be instructed to redeliver them to him on payment of the agreed price. I have, &c.,

Frank Slee, Esq., Secretary, Waimate Railway Company (Limited). W. J. STEWARD.

SIR,— Waimate, South Canterbury, 4th November, 1885.

Referring to article 14 of the Waimate Railway agreement, I have to-day, at the request of the company, written to the Hon. the Colonial Treasurer inquiring on what date the debentures will be delivered, and have now the honour to ask that the papers and instruments which the company is required to sign and execute may be forwarded, in accordance with the terms of the article cited, at the earliest possible moment, as the company is naturally anxious to get the transaction completed. I have, &c.,

The Hon. the Minister for Public Works. W. J. STEWARD.

DEAR SIR,— Waimate, New Zealand, 18th September, 1885.

Private.—In congratulating you upon the successful passage of "The District Railways Purchasing Bill" through Parliament, it strikes both Mr. —— and Mr. —— it would be an opportune time for yourself and probably —— interviewing the powers that be in connection with the Insurance Department, with a view to disposing of the £33,000 odd debentures of this company to be given by the Government as the purchase-price for the railway. The money-market at the present time should be as favourable as any for effecting this. You will notice by yesterday's cablegrams that money in the Home market is 1¾. In the event of yourself and —— effecting this sale on favourable terms, the directors would, of course, treat it as a matter of business. You may remember my speaking of this to you before. I perfectly remember what was said by me. Although the loss to the company will be a heavy one, this would not preclude their seeing and acknowledging your and ——'s valuable services.

Yours truly,

W. J. Steward, Esq., M.H.R. FRANK SLEE.

DEAR SIR,— Auckland, 28th September, 1885.

Private.—The Waimate Railway Company has written to me asking me to take up the task of endeavouring to dispose of the debentures which they are to receive from Government for their line, and I have opened negotiations to that end. As I had, some two years ago, instructions from the Duntroon–Hakateramea Company, as well as the Waimate, to sell their debentures, and as I think I can now succeed in both cases, I have written by same mail to the liquidator, Mr. Broderick, asking his instructions. Of course I am taking the matter up entirely as a business transaction, and, if I succeed, shall look for the usual brokerage or commission. I have asked Broderick to name the lowest figure he would accept, and will try to get a better price if possible. I have influence in two different quarters which will enable me, I think, to get a better price than any one else could; while, as I am now free of all other than commission business, I can devote any time necessary to the negotiations. While, then, I think I can do well for both companies, I shall be very glad to be intrusted with the duty, as the commission on the transaction will be a great help to me. I shall therefore be glad of any assistance you can give in the matter, and also to be favoured with your own views as to the price which should be obtained for the debentures. Of course you will see that small parcels of 4-per-cents sold separately in London would fail to realize as much as ordinary colonial 4-per-cents, and the latter are, I see, only bare par. And, again, that sale in London means advertising expenses and exchange in remittance of proceeds, besides loss of at least six months. Hence probably £95 immediate cash in the colony would be about equal to par six months hence in London. Kindly reply immediately to above address, and oblige,

Yours very truly,
W. J. STEWARD.

Hon. R. Campbell.

Major Steward, Wellington. Christchurch, 17th October, 1885.

LET me know by early Monday if you are acting for Duntroon Railway.
JULIUS VOGEL.

Hon. Sir J. Vogel, Christchurch. Wellington, 19th October, 1885.

BRODERICK, liquidator, wires, "Duntroon debentures not for sale."
W. J. STEWARD.

SATURDAY, 12TH JUNE, 1886.

Sir JULIUS VOGEL, K.C.M.G. (Colonial Treasurer), examined.

79. *The Chairman.*] I told you yesterday, Sir Julius, that this Committee was investigating certain statements that had been made regarding Mr. Steward, the member for Waimate, in connection with the District Railways Purchasing Act. The Committee wish that you would give them any information you may possess regarding the purchase by the Government, through Mr. Steward, of the debentures of certain district railways?—Do you wish me to answer questions or to make a statement.

80. I think it would be better if you should make a statement. You said that you would bring with you the papers bearing on the case?—I told them to send up the papers. I do not know whether these are they. They are. On the 15th of October I received this letter:—

SIR,— Glenbervie Terrace, 15th October, 1885.

Having been instructed by the Waimate Railway Company (Limited) to negotiate the sale of the debentures for £33,913 payable to them under "The District Railways Purchasing Act, 1885," I have the honour to inquire whether, in accordance with the powers conferred by said Act, it is contemplated by the Government to redeem the debentures issuable to the said company, and, if so, what offer the Government is disposed to make. I may point out that 2 per cent. interest has accrued to the 30th September last, and that, assuming, as I do, that on and after the 31st March, 1887, when the interest will be payable in London, the debentures will command a par value, it is apparent that the interest accruing to that date (ten years at 4 per cent.) will equal over 5 per cent. per annum on present purchase at par. I have received from the company full authority to sell at or above a stated minimum, and shall therefore be glad to learn whether the Government is disposed to purchase, and, if so, at what price.

I have, &c.,
W. J. STEWARD.

Hon. Sir J. Vogel, K.C.M.G.

P.S.—I may add that it is not improbable that I may have a similar communication to make to-morrow (Friday) on behalf of the liquidator for the Duntroon-Hakateramea Company, and on behalf of the Thames-Rotorua Company.—W. J. S.

A reply seems to have been made to that letter on the 16th. [Same as letter in Question No.   of Major Steward's evidence.] Then I find this memorandum by me to Mr. Gavin before I left for Christchurch, dated the 20th of October:—

THE district railway debentures purchases stand thus: Major Steward, acting for Waimate Company and for Rotorua Company, has told me he was authorized to negotiate sale for the companies of their debentures. I have offered to take the Waimate debentures and £50,000 of the Rotorua debentures at £95, which price is to include two per cent. of accrued interest. He has not yet returned a reply, but has to do so by to-morrow. He informs me the liquidator does not want to sell the Duntroon debentures.
JULIUS VOGEL.

I was thinking of going to Christchurch. The facts, generally, were these: I had it in my mind to try and get hold of these debentures, because it would be undesirable that four or five different companies should be offering debentures in London or here at the same time. The Act gave the power of buying to the Government. As we had spare funds, I brought it before my colleagues as soon as the session was over, to try and buy them at 93 or 95, with 2 per cent. interest accrued. I was about to write, making an offer, when Mr. Steward came and said he was authorized to act for the Waimate Company. It was much easier to negotiate verbally; so I arranged with him.

81. Have you anything further to say?—No, excepting that I was satisfied Major Steward was not acting without authority. I shall be happy to answer any questions you like to put to me.

82. *Mr. Barron.*] I understand you to say that you had it always in your mind to purchase these district railway debentures; that soon after the session you mentioned it to your colleagues, with a view to communicating with the several companies; then I understood you to say that Mr. Steward came to you and told you that he was in a position to negotiate?—Mr. Steward informed me that he was authorized to sell for the Waimate Company, and that he thought he would be able to act for the Rotorua Company also. I told him the price—93, with 2 per cent. interest accrued. (See letters above quoted.)

83. Had you any intimation that he was in a position to negotiate previously to that time—that is, before the end of the session?—No, certainly not; the first I heard of it was after the session. After the session Mr. Steward told me he had written to the Insurance Association. I do not know exactly what I said; but it was in my mind that the debentures might be purchased for the Government. I brought the subject before the Government, and they considered it would be a fine thing to get the debentures at 7 per cent. discount. I drafted a letter to be sent to the various companies; but when Mr. Steward communicated again I thought it better to purchase personally than by correspondence.

84. *Mr. Fulton.*] Do I understand you that your first communication with Mr. Steward was with reference to the Insurance Association taking these bonds?—I think so; but I entered into no negotiation. I always refuse, without authority, to negotiate anything for the Insurance Association—the Board is so extremely jealous.

85. Was it when he was speaking of trying to negotiate with the Insurance Association that you said you might take them for the Government?—Probably so. It certainly was in my mind to

take them for the Government. It was almost as bad if they got into the hands of the Insurance Association as if they remained with a number of companies. I wanted to get them into the hands of the Government.

86. Had you any knowledge that he was doing it as a matter of business, for commission?—I really do not know. I do not remember to have thought so at first; but afterwards, when I heard that he was getting commission I was not surprised at it. I cannot recollect that he told me anything of the kind; and I have not had a word of conversation with Mr. Steward on the subject of this Committee—not a single word.

87. *Mr. Bruce.*] I will put a question to you—let me explain that it is put with a view of eliciting information in reference to a rumour that was circulated pretty extensively: Had you any negotiation previously, directly or indirectly, with Mr. Steward in reference to the purchase of these debentures—that is, before the correspondence which he showed us yesterday in reference to it? Let me further explain that I put this question with a view, and for the purpose, of giving yourself and Mr. Steward an opportunity of contradicting that rumour?—I had no conversation or negotiation whatever, direct or indirect, with Major Steward before the end of the session on the subject. As I have not seen what correspondence Major Steward put in I cannot answer your question more specifically.

88. That was your first knowledge?—I believe that the first communication made to me by Major Steward was that he had written to the Insurance Association.

89. *Mr. Garrick.*] You said it did not surprise you that you received a communication from Mr. Steward as to his negotiating the purchase for a commission. Why did it not surprise you?—I do not quite understand the sentence; but Mr. Steward gave me the impression that he was taking trouble about it, and I understood that he was spending money and taking a great deal of trouble about it. He certainly gave me the impression that he was making a matter of business of it—the Rotorua sale.

90. When was it that he was spending money?—After the negotiations commenced—when he told me he had the Waimate debentures for sale. I did not, as far as I can remember, form any opinion about it until he was taking trouble about the sale of the Rotorua debentures.

91. Did it not surprise you afterwards when you learned that he had got a commission?—No. All I knew was that we obtained the debentures at our own price. Any commission Mr. Steward might receive did not affect us. Mr. Steward made the matter much easier to us than if we had had to correspond.

92. *Mr. Pearson.*] Does Sir Julius Vogel think that the Government could have purchased at a cheaper rate than purchasing through the intervention of a third party?—No. The question was whether we should make an offer direct to the company or negotiate with some one authorized to act for the company. I was going to send a letter to the company offering to purchase at 93: that was the price we gave. There was some intricate arrangement as to when we should take up the debentures. It made the matter more easy to negotiate with Mr. Steward. Here is a confirmation of what I have just been telling you. You see that this letter [produced] is drafted as addressed to the chairman of the Waimate Railway Company; then you see that address is altered so as to be written to Mr. Steward instead of the company. When Mr. Steward wrote to me I addressed the letter to him, "I have the honour to acknowledge the receipt of your letter informing me that you are authorized to negotiate the sale of the debentures which will come to the Waimate Company under the District Railways Purchasing Act."

93. *Mr. Barron.*] I would like to have this quite clear—when it was brought before you that Mr. Steward was in a position to negotiate—I do not specify any particular railway, but generally to negotiate for any of these railways. You have told us that the 16th October was the first time that it had been brought under your notice: what I want to make clear is this—whether it might have been brought under your notice before, although you had no record of it?—I cannot remember dates excepting by the records. I have already said that I think Major Steward told me before the 16th October that he had written to the Insurance Association, but that I am quite certain he did not speak to me before the end of the session. Here is the letter commenced to be written to the Waimate Company, but with the address altered so as to be sent to Mr. Steward. I believe, but cannot be quite sure, that I knew that Mr. Steward before that had addressed himself to the Insurance Association. I was going to write to the Waimate Company when Mr. Steward addressed this to myself.

94. It was not with reference to the document that I put my question, but to elicit from you whether it was possible that Mr. Steward could have entered into negotiation, with your knowledge, before the passing of the Bill?—I assure you absolutely that was not the case. If Mr. Steward had done so he could not have voted for the Bill, and it could not have escaped my recollection. I had not the smallest idea that he had any such intention. I had not the slightest intimation on the subject.

Mr. Steward: I do not know whether I have any *locus standi* here, or whether I should be in order if I asked a question. The question I should like to ask would be this: Does not Sir Julius Vogel know, in his capacity of member of the Government and Chairman of the Insurance Association Directors, that, as a matter of fact, immediately after the session I applied to the association to know whether they would entertain a proposal to purchase, and whether a letter was not written in reply to me?

Sir J. Vogel: Impressions are not of much use; but my impression is, that before this correspondence with me I was aware that you had written to the Insurance Association.

Mr. Steward: There was never any correspondence or conversation on the subject prior to my application to the Insurance Board so far as you are aware?

Sir J. Vogel: Certainly not.

95. *Mr. Fulton.*] Did it suggest itself to you in any way as a matter of impropriety that a member of Parliament should be dealing with the Government and getting a commission out of the

transaction?—I had no knowledge about it. It did not, I think, strike me at first, as regards the Waimate, that he was getting commission; but when he came to be taking trouble with the Rotorua it probably did occur to me. Mr. Steward is not a philanthropist.

96. Did it strike you that there was any impropriety in a member of Parliament thus acting? —If you ask my own opinion on the subject, it is, that I do not see any harm in Mr. Steward getting commission, so long as it did not influence him in the action he took in Parliament. If it did, then he would be guilty of a great impropriety.

Sir Julius Vogel having retired from the Committee-room,

Mr. W. J. STEWARD, further examined.

97. *Mr. Barron.*] I understood you to say that while on your way to Wellington you met the liquidator of the Duntroon Railway?—No; I was referring to three years ago in regard to what took place in respect to the debentures of that company. I said that when I was on my way to Wellington at that time—some three years ago—I met the chairman of the Duntroon Company, who, learning that I was endeavouring to sell the Waimate 7-per-cent. debentures, suggested that I should take up theirs. I did not see the liquidator at all.

98. When was that?—About three years ago.

99. What date?—I could not say.

100. This is what I want to get at: Did you communicate with the present liquidator?—Yes, when negotiating for the sale of the Waimate debentures. The letters are here. I did not put them in, because the negotiation came to nothing. I brought the letters with me, if the Committee should wish to refer to them.

101. When was that—in 1885?—Yes.

102. In September, 1885, you communicated with the liquidator, asking him to place the debentures in your hands?—Yes.

103. Was this the 28th September—was that the first date on which you communicated with the liquidator?—I might have sent a previous letter on the 25th, 26th, or 27th.

104. Might you have communicated with him before the 20th of September?—No certainly not.

105. It was after that you communicated with him?—Yes—after the date that the request came to me from the Waimate Company. But it ended in nothing.

THURSDAY, 17TH JUNE, 1886.

Mr. J. C. BUCKLAND, M.H.R., examined.

106. *The Chairman.*] You are aware, Mr. Buckland, of the object of this inquiry. I may first read the order of reference to you. [Order of reference read.] It had been said that Mr. Steward had entered into some arrangement or agreement with the directors of the Waimate Railway Company by which, if the Waimate line should be included in the schedule of the Purchase of District Railways Bill, he was to receive some remuneration. It has been stated that you can give some evidence on this point. Will you favour the Committee by giving your evidence?—I am unable to give any evidence on the point further than this: that, having been a landholder in the district through which the railway goes, I received a communication from a gentleman who acts as agent to Mr. John Douglas, who was a gentleman most largely interested. I received the letter shortly after I went home. I threw it in the fire at the time. It asked me if I would be willing to contribute in proportion to the value of the interest I held in the district to pay Mr. Steward some £300 or £400. I am speaking from the impression I received from that letter. I thought at the time it was for some reward to Mr. Steward for getting that measure passed, and getting the Waimate line put into the schedule. That was my impression at the time. But that impression has not been borne out by subsequent inquiry. When I received the letter I thought it was a confidential communication, and I threw it into the fire. I should not have said any more on the subject, but in these places people do discuss political questions, and a friend of mine afterwards said that Steward had received some money for securing the passage of the Bill and getting the Waimate line included in the schedule. I let the subject pass; but when the matter came up publicly, by a Committee of Inquiry being moved for in the House, I asked this gentleman by telegram if he could tell me where he got his information from. He said he could not do so. He said he heard it as part of the ordinary gossip. I then wrote to Mr. Ritchie, asking him if it was for the passing of the District Railways Act. Mr. Ritchie said it was in connection with debentures, but that he knew very little about it; but that he had written to Mr. Douglas on the subject, and Mr. Douglas explained that it was not for passing the Act or getting the Bill into the schedule, but for work subsequently done by Mr. Steward. He forwarded to me a copy of Mr. Douglas's letter explaining the position. Since then I have seen Mr. Douglas, who explained to me—and his explanation was quite clear—that the sum to be paid to Mr. Steward was not for any work done in the House in passing the District Railways Purchasing Bill. He said it was in respect to other services which Mr. Steward had rendered. I may perhaps be allowed to read a letter which I have received—

DEAR MR. BUCKLAND,— Waihao Downs, Waimate, 8th June, 1886.

I have a note from Mr. Ritchie, wherein he refers to your remarking that Steward was being subjected to a keelhauling because of the interest taken by him in, and supposed commission derived by him from, the sale of the Waimate and Duntroon District Railways. We never bargained for and he never received any commission from us; but, the terms fixed by Government making the debentures unsaleable in the Home market for some time, induced us to look about for an outlet here, and, hearing that the Government Insurance Office had assisted other railway companies in finance, we offered to pay Steward a commission which would gross him about £300 to £400 if he could get the Government Insurance Office to adopt our debentures. Steward made no secret of this, but, on the other hand, boastfully told his constituents that he had earned this subsequent to last session. So in mentioning this to you I cannot be said to be divulging confidence. I may say we cared not where the price came from, so long as the debentures were satisfactorily sold. Sold they were; but the price has not yet, I am sorry to say, been forthcoming, nor, consequently, Steward's commission. Do try and get the American import duty on our wool knocked on the head; get woollen factories introduced into China and Japan; and stop the British Government from unduly fostering wheat-growing in India, and I have, &c.,

JOHN DOUGLAS.

I should like to say here that when my friend said he had heard that Mr. Steward was paid, the Waimate Railway and the Duntroon were mentioned together. [Witness refers to same letter.] I do not think I am doing wrong in handing in a letter of that kind. It does not appear to me to be of a private nature. I hope I have made myself clear to the Committee.

107. *Mr. Pearson.*] This amount was to provide for commission that he was to receive?—I have a very different impression now from that which I had when I received the letter. The man who wrote to me said he knew but little of the matter.

108. *Mr. Barron.*] Who was that man?—Mr. Ritchie.

109. *Mr. Garrick.*] Was the language of the letter—as I gather it was—in regard to the acreage of land you held? Would you be prepared to say that the inquiry made was on the basis of acreage?—There is no question about it. That was my impression.

110. Does it refer in any way to a commission on the sale of debentures?—It referred generally to services. I jumped to a conclusion that it was a service rendered in passing the Bill. I consider now it was a service in connection with something else.

111. Does your recollection enable you to say that the language was "a remuneration for services"?—The words were "claims."

112. Claims to what?—That he claimed a sum of £300 or £400.

113. For what?—I now imagine that Ritchie wrote to me without having the information.

114. Do I understand you that the services spoken of had reference to the sale of debentures, or were the words distinct as a reference to land. Do I make myself clear to you?—No.

115. Now, you think you drew an erroneous inference. What we want to know is, did the letter refer to a claim of Mr. Steward for services (no matter what for), or did it refer to parties interested in land? Was it on this basis of your being interested in land that the "claim" was referred to, or was there anything that would lead you to think it had reference to the sale of debentures?—The request was, as I understood, whether I would be willing to contribute in proportion to the amount of land I held.

116. So far you are quite clear; but your imagination must have led you to the conclusion you came to from something that was contained in the letter: I understood you to say that it referred to a contribution on the basis of your ownership of land. Now, I ask, with your present information, would you say that there was anything in the letter that would lead you to think that it might have had reference to a sale of debentures?—Yes, decidedly. I thought I had said as much before.

117. Can you give the Committee the language as far as you recollect it?—It was that Mr. Steward made some claim for £300 or £400 for services. It must, I imagine, have referred to services in the sale of debentures. That is borne out by this letter.

118. *Mr. Barron.*] Do you recollect the date?—It was shortly after I went back, but I have no remembrance of the exact date. It is a long time ago.

119. It was shortly after the close of last session—was it?—Yes, shortly after last session.

120. When?—Speaking at random, it might have been two or three months after. Nor do I think I should have heard of the matter, but it was referred to at a public meeting. The writer was Mr. Ritchie, of Mount Royal, who has no official connection with the railway.

121. Was he interested in the sale of the debentures?—No; his only object appeared to be to make an application on behalf of Mr. Douglas. He could have no interest. I imagine he is a paid servant of Mr. Douglas.

122. *Mr. Pearson.*] Can you not fix the date of the letter from Mr. Ritchie at all?—I cannot.

123. Were you away anywhere for a month or two about that time that would enable you to fix the date, or were you at home for some time?—I have not the date. I had such a busy time, both day and night, I was very little at home. I am unable to fix the date. I wish I could do so.

124. Was it about the time that you addressed your constituents?—It must have been after the time I addressed the electors.

125. *Mr. Ormond.*] When was that?—I do not recollect; but I could find out for you presently—that is, in a few minutes. But I am sure it was after that; for Mr. Barron was at my meeting, and I should probably have mentioned it to him if it had been before.

126. What does he mean by saying that his commission is still unpaid?—This letter, I should say, is signed "John Douglas."

127. Is it proposed now to pay commission by subscription?—I do not think so. I wrote to Ritchie shortly, guarding myself from any part in the business. Now that the thing has come up again, if you would allow me a few minutes I might be able to give you some of the circumstances connected with receiving this letter.

128. How was the commission to be provided?—I know nothing of it. It is a matter that concerns other people, particularly those who are interested in the debentures. I was not interested in any way at all; in fact, I was very much opposed to the railway.

129. *Mr. McMillan.*] You were asked to contribute in proportion to the property you held. Do you hold any debentures?—I am not in any way interested in the railway debentures or anything connected with them. I looked upon it rather as an injury to myself. I petitioned against it. I took a good deal of trouble against that railway. I have no connection with it, nor any knowledge of its affairs.

130. Then, this demand was for a subscription on the amount of property you held?—I suppose it was something of that kind.

131. *Mr. Fulton.*] But why should any claim be made on you for a subscription?—[*Mr. Ormond:* He is a ratepayer.]—But this is for commission upon the sale of debentures. Why should such a claim be made upon you?—They thought, perhaps, it was a fair chance of getting some money out of me. I am easy-going.

132. But the commission was to be paid out of the sale of debentures. Why, then, should there be a claim made upon you?—I did not think anything about it. I knew nothing about it.

133. Commission was to be paid on the sale of the debentures. Presumably, that would come out of the money received. Then, why should there be a claim made against you?—I do not know.

134. Could it be for the sale of the debentures?—I imagine so.

135. When commission was going to be paid out of the sale?—It seems plain as you put it; but I have not thought of it.

136. *Mr. Bruce.*] You are a ratepayer?—Yes.

137. And as a ratepayer you would be relieved by the sale of these debentures?—That may have been probably the reason.

138. No doubt this relief would be deemed sufficient for them to ask you for a contribution?—Probably.

139. *Mr. Garrick.*] You used in the first instance the word "reward." In one part of your evidence you refer to the "claim;" but I think you said a "reward to Mr. Steward"?—I am not a lawyer, and therefore do not make any nice difference between words, if I used the word in that sense.

140. You ought to have said that before, for the distinction is important?—The words in the letter were "Steward claimed." I am glad you have given me the opportunity of explaining this matter. I was using the word merely as a general expression, without attaching any meaning to it such as you do now.

Mr. Steward: I may state that Mr. Douglas has forwarded to me a press-copy of the letter which he sent to Mr. Buckland. I have it in my pocket. If it cannot be produced I will produce it myself.

Mr. Ormond: I dare say Mr. Douglas will agree to give us the date of the letter.

Mr. Steward: I will withdraw now while the Committee are deliberating.

Telegram sent by Chairman of Purchase of District Railways Committee.

Wellington, 12th June, 1886.—G. S. Brodrick, Esq., Dunedin.—Please forward by first mail copies of all letters, telegrams, and memoranda that you may have received from Mr. W. J. Steward, M.H.R., and your replies thereto, on the subject of purchase of debentures of Duntroon and Hakateramea Railway Company. Kindly see that dates are correctly given. Parliamentary Committee has requested me, as Chairman, to obtain this information.—JAMES W. THOMSON.

Correspondence forwarded to Chairman of Purchase of District Railways Committee by Liquidator of Duntroon-Hakateramea Railway.

DEAR SIR,— Dunedin, 14th June, 1886.

Your telegram to hand. I now forward, as requested, letters and telegrams received from W. J. Steward, M.H.R., *re* purchase of Government 4-per-cent. debentures (amount £61,100), and copies of my telegrams in reply.

Yours faithfully,

J. W. Thomson, Esq., M.H.R., Wellington. GEORGE S. BRODRICK.

Enclosures.

House of Representatives, Thursday, 2nd June, 1886.—Mr. J. W. Thomson moved, That a Committee be appointed to inquire into and report whether any member of the Legislature negotiated for, or claimed, or received, any commission or other remuneration for promoting the passing of "The District Railways Purchasing Act, 1885," or for negotiating the sale or purchase of the debentures issued or to be issued thereunder by the Government; such Committee to have power to call for persons and papers; five to form a quorum; to report in three weeks: the Committee to consist of Mr. Barron, Mr. Bruce, Mr. Cadman, Mr. Duncan, Mr. Fulton, Mr. Garrick, Mr. McMillan, Mr. Ormond, Mr. Pearson, and the mover.

SIR,— Oakroyd, Mount Eden Road, Auckland, 28th September, 1885.

The agreement between the Government and yourself for the purchase by the Crown of the above railway having been validated by the passing of "The District Railways Purchasing Act," it remains only, I presume, to obtain an order from the Supreme Court under article 3 of said agreement, to enable effect to be given to same. Thereupon, as I read the agreement, payment will be made to you of the agreed price—viz., £61,000 in 4-per-cent. debentures. As I anticipate that, in order to enable you to wind up the whole matter as speedily as possible, it will be your desire to convert the debentures into cash without loss of time, I write to say that I think I can be of some assistance in that direction. About two years ago (prior to the proposal for the purchase of the lines by the Government) the negotiating of the sale of £70,000 debentures of the Duntroon-Hakateramea Company, and of £40,000 of the Waimate Company (7-per-cents) was placed in my hands, and I should have succeeded in disposing of them at or above the limit fixed but for the hitch that arose through the Government guarantee of a part of the interest being limited to a term of years, and that term not even being concurrent with the currency of the debentures. The conditions are now greatly altered, the debentures now to be issued being colonial bonds, bearing 4 instead of 7 per cent. interest. If sold in the colony, a discount would obviously have to be submitted to; and even if sold in London, in the small parcels which the purchase-prices of the lines respectively represent, I question whether more than 97 or 98 could be looked for. As sale in London would also involve a delay of at least six months, if, say, 95 could be immediately obtained here, that would be a better financial result than 97 or even 98 in London six months hence, as, besides loss of interest, there are considerable expenses in the way of advertising, exchange, &c., to be taken into account. Accordingly, the Waimate Company, immediately on receipt of the news of the passing of the Act, wrote to me asking me again to take up the matter of the sale of the debentures (£33,913) which are payable to that company; and I have already entered upon the necessary negotiations, and hope shortly to be able to lay an offer before my clients for their acceptance. I have reason to think that I could also obtain an offer for the Duntroon-Hakateramea debentures, and write to know whether you will authorize me to enter into negotiations to that end; as in that case I can make, most likely, one transaction of the matter. If so, please state (privately) what figures you would be disposed to accept. A reply by wire would be expedient.

Yours very obediently,

G. S. Brodrick, Esq., W. J. STEWARD.

Official Liquidator Duntroon-Hakateramea Railway Company.

P.S.—Address reply to care of Mrs. Arthur Watt, Oakroyd, Mount Eden Road, Auckland.—W. J. S.

30th September, 1885.—G. S. Brodrick, Esq., Official Liquidator, Duntroon-Hakateramea Railway Company (Limited).—*Re* my letter posted Monday, on receipt, kindly reply briefly by delayed telegram—address care of Mrs. Watt, Oakroyd, Mount Eden Road, Auckland—and fully by letter. Quote in telegram price you would accept for debentures.—W. J. Steward.

5th October, 1885.—W. J. Steward, care of Mrs. Watt, Oakroyd, Mount Eden Road, Auckland.—I receive my instructions from Judge of Supreme Court. Nothing can be done at present.—George S. Brodrick.

Dear Sir,— Auckland, 6th October, 1885.

Re Government debentures on account purchase of Duntroon and Hakateramea Railway: I am in receipt of your telegram in which you advise that you "receive your instructions from the Judge of the Supreme Court" and that "nothing can be done at present." I am, however, aware (having a copy of the deed between yourself and the Minister before me) that article 3 provides "That the liquidator will, as soon as practicable after the adoption of this agreement by the General Assembly, apply to the Supreme Court of New Zealand at Dunedin for an order assenting to the terms of these presents," &c. As the Judge is now in Dunedin, I presume therefore that application will be made by you for the order referred to within a few days of date—possibly before this letter can reach you. If, then, as I have no doubt is the case, it will be your object to convert the debentures into cash promptly, so as to enable the liquidation to be completed without loss of time, it appears to me that the Court would, if applied to in that behalf, also direct as to how the debentures should be disposed of. The principal creditor of the company, Mr. Stumbles, who has frequently consulted with me in the matter, will, I am sure, be anxious for a speedy realization; and I expect to hear fully from him shortly. Assuming, then, that all parties will be agreed as to the desirableness of prompt realization, I desire to point out to you that if the Duntroon debentures and those given for the Waimate line, respectively amounting to £61,100 and £33,913, can be dealt with at the same operation, and also the £7,000 balance payable to the Rakaia Forks Company in debentures of the same denomination—which last can, no doubt, be arranged if the two larger amounts are brought together—there will then be a total of £102,013, a circumstance which will improve the realizable value by probably not less than 2½ per cent. And for this reason: viz., that the London Stock Exchange will give a place in its official quotations to stock amounting to £100,000 or over, but not to stock of a less total issue than £100,000. Having authority to act for the Waimate Company I am in negotiation with the Government Assurance Association and also with the Bank of New Zealand, and shall shortly be able to advise my principals definitely as to the price obtainable in either quarter; and the negotiations have already proceeded sufficiently far to show me that, for the reason before stated, the price obtainable would be more favourable for the whole of the debentures mentioned than for either of the parcels separately. Again, the fact that the interest until the 31st March, 1887 is payable in the colony only will, as I am advised by one of the highest financial authorities in the colony, render the sale of the debentures in London, at any rate until after that date, impossible except at a very large discount. If the Colonial Treasurer would, on behalf of the Government, give an undertaking that these district-railway debentures shall be brought under inscription—as part of any new operations of that kind—within two years from date, then these debentures would, in London, be of about equal value to the Greymouth and Westport (Government guaranteed) 4-per-cents, which realized a fraction over 95, but, without such an undertaking, would, I am advised, be saleable only at a very much lower price. Inscription cannot in any case be effected until after the 31st March, 1887, as the Bank of England will not inscribe stock the interest of which is not payable in London. In the interest of the vendors of the district railways I have asked Sir Julius Vogel to give the undertaking referred to; and await his reply by return mail. Even if this be given, and the stock be sold in London, it appears clear that 95 net would be as much as could be expected to be obtained; and the 2 per cent (half-year's) interest accrued to the 30th September would be fully, if not more than, absorbed in expenses—viz., insurance on debentures sent Home, cost of advertising, commission, brokerage, and exchange on remittance of proceeds to the colony. I therefore think that any advance upon 95 that can be obtained in the colony will be the measure of the advantage of local sale (*i.e.*, sale within the colony), *plus* a considerable saving in expenses, as, if I am permitted to negotiate the sale in your case in conjunction with that of the Waimate Company's debentures, I shall only look for a commission of 1¼ per cent. If, on review of the whole matter in the light of the full explanations now given, you should think fit to authorize me to place the debentures, please furnish me with the necessary instructions, including limit of price to be accepted. Should you desire any further explanation I shall be happy to furnish it. Please address your reply to "General Assembly Library, Wellington," as I return thither by next boat—arriving Sunday, 11th instant (D.V.)—with a view to completing matters as far as the Waimate debentures are concerned if you should elect not to avail yourself of my services. But before taking further action as regards these I purpose to await your reply, in order, if possible, to make one transaction of the whole matter. I do not know if you would deem it expedient to consult the Hon. R. Campbell, who is (or was) the chairman of the directors of the Duntroon-Hakateramea Railway Company, but should you do so I think he will concur as to the expediency of the course I have suggested. Hoping to receive your authority to carry out the matter,

I have, &c.,

G. S. Brodrick, Esq. W. J. Steward.

Wellington, 14th October, 1885.—G. S. Brodrick, Esq., Official Liquidator, Duntroon-Hakateramea Railway Company, Dunedin.—Can sell Waimate debentures and probably yours also to Government for 95, immediate cash. Will see if can get more from Insurance Association. Prompt decision necessary, as Vogel leaves for South Saturday morning. Do not think you can do better, as find debentures not allowed to be sent out of colony until 1887. Must be presented, with coupons attached, in colony until then, when half-yearly interest claimed. Should you wish to avail yourself my services this matter, and should price obtained not exceed ninety-five, would charge only three-quarters per cent. commission. If you decide instruct me to act for you, wire promptly by two separate telegrams—viz., (1) authorizing me to negotiate on your behalf, (2) authorizing sale at or above ninety-five.—W. J. Steward.

Wellington, 19th October, 1885.—G. S. Brodrick, Esq., Dunedin.—Duntroon debentures: If you propose replying, kindly do so immediately.—W. J. Steward.

Dunedin, 19th October, 1885.—W. J. Steward, Esq., M.H.R., Wellington.—The Duntroon debentures are not for sale.—G. S. Brodrick.

Wellington, 19th October, 1885.—G. S. Brodrick, Esq., Dunedin.—Your reply to hand. Will advise parties interested accordingly.—G. S. Brodrick.

Dunedin, 20th October, 1885.—W. J. Steward, Esq., M.H.R., Wellington.—I do not authorize you to make any statement on my behalf to parties interested.—G. S. Brodrick.

Wellington, 20th October, 1885.—G. S. Brodrick, Esq., Dunedin.—Thanks. Quite understand. Never contemplated making any statement on your behalf; but, on my own, shall advise Stumbles and Campbell of price offered, and your reply that debentures not for sale. Shall probably also receive power attorney to act for Stumbles.—W. J. Steward.

Copy of Correspondence between the Hon. the Colonial Treasurer, Major Steward, and the Directors, Thames Valley–Rotorua Railway Company (Limited).

Wellington, 15th October, 1885.—*Re* District Railways Purchase Act: Am here negotiating for sale of debentures payable to Waimate and Duntroon-Hakateramea Companies. Think could place the one hundred and fifteen thousand odd payable to your company if authorized to do so. Could obtain ninety-five cash, purchasers to receive interest accrued. If willing accept this, wire me immediately. My commission half per cent.—W. J. Steward.

Wellington, 16th October, 1885.—When replying to-morrow to my telegram please state also whether, failing purchaser for whole, directors will authorize sale of fifty thousand on terms mentioned.—W. J. Steward.

Wellington, 19th October, 1885.—Sorry cannot place the whole. Have definite offer of ninety-five including interest to 30th September, company to get advantage of further interest accruing to date payment. Purchaser will take fifty thousand certain—possibly more. As am positive you cannot sell to better advantage, hope to hear offer accepted. Reply before five to-morrow.—W. J. STEWARD.

Auckland, 20th October, 1885.—Will sell on your terms—equal ninety-two and half net—whole amount issued to Company, some hundred fifty-six thousand. The debentures to be taken as issued. Cannot break the amount. Reply to-morrow.—LOGAN CAMPBELL.

Wellington, 21st October, 1885.—In accordance with your instructions yesterday, propose to sell your debentures as follows: Purchaser to take fifty thousand so soon as you can deliver, at ninety-five, including two per cent. accrued interest, and balance of sixty-five thousand, odd figures omitted, on same terms, not later than twentieth December; also additional forty thousand issuable under article seven of your agreement, on month's notice, at ninety-three and accrued interest. Reply immediately, intimating your concurrence. Will thereupon disclose name purchaser.—W. J. STEWARD.

Wellington, 22nd October, 1885.—Waiting reply my telegram last night to Logan Campbell. Reply immediately.—W. J. STEWARD.

Auckland, 22nd October, 1885.—You may make absolute sale whole of debentures arising to company on following terms: No. 1: Price ninety-five (with two per centum accrued interest only equals ninety-three cash); fifty thousand; order granted on Government to receive debentures to said amount when same are deliverable; money can be paid to a trust account with Bank of New Zealand—transferable to company when purchaser receives debentures. No. 2: Sixty-five thousand odd on similar terms, ninety-five, less 2 per cent. cash, payable 21st December. No. 3: The forty thousand odd to be taken and paid for on similar terms—ninety-five, less 2 per cent. as issued by Government. No. 4: The additional interest allowed company under clause 7 agreement, which will be adjusted in account current between Government and company, will become payable also in 4-per-cent. debentures in excess of the forty thousand; these now also offered at ninety-five, less 2 per cent. No. 5: Commission payable at respective periods of cash-payments.—J. LOGAN CAMPBELL.

Wellington, 22nd October, 1885.—Just sold Waimate. Same figure offer to you, only open to-day. Other instalments offering. Leave for South five. Reply immediately, urgent.—W. J. STEWARD.

Wellington, 22nd October, 1885.—Telegram received. Have sold accordingly to Vogel on terms stated. Am sailing South by "Aorangi." If necessary communicate with me, further telegram will reach me to-morrow morning early at Lyttelton; Saturday or after at Waimate.—W. J. STEWARD.

Auckland, 22nd October, 1885.—Pay the fifty thousand into Bank New Zealand, Auckland, as in terms of sale.—LOGAN CAMPBELL.

Christchurch, 23rd October, 1885.—Yours this morning *re* fifty thousand purchase. Price, forty-seven thousand five hundred, will be paid to company's credit at Bank New Zealand, Wellington, immediately on your handing over debentures for fifty thousand to Vogel.—W. J. STEWARD.

Auckland, 23rd October, 1885.—Sir Julius Vogel.—W. J. Steward, M.H.R., has intimated to me you are the principal for whom he negotiated the purchase of the Rotorua Railway Company's debentures. Is the company to communicate direct with you in matter pertaining to the carrying-out purchase, and in what form do you wish to be addressed?—LOGAN CAMPBELL.

Christchurch, 23rd October, 1885.—Rotorua debentures: Major Steward has communicated with me, as Colonial Treasurer, assuring me that the company had authorized him to negotiate the sale of debentures; and, on its behalf, has agreed to accept price and terms I was willing to approve. He called on me this morning and told me he accepted for you. It rests between you and Major Steward to decide who shall continue to communicate with me if communication is necessary beyond your handing over the debentures and receiving payment for them.—JULIUS VOGEL.

Auckland, 24th October, 1885.—W. J. Steward, M.H.R.—Be good enough to authorize Rotorua Railway Company to communicate direct with Sir Julius Vogel, in order that details of the purchase may be carried out. He has no objection upon your signifying to us. Will facilitate arrangements in matters of account.—JOHN BATGER.

Waimate, 24th October, 1885.—Certainly. You have full authority to complete details with Vogel direct. Was about suggesting same thing.—W. J. STEWARD.

SIR,— Auckland, 26th October, 1885.

Having reference to your telegram to the chairman touching the purchase of the Rotorua Railway debentures, Major Steward has intimated that communications may be made to you direct in order that the details of the transactions may be carried out. I have therefore the honour to enclose copy of the telegram containing the offer by the company to sell its debentures, and reply from Major Steward accepting same on your account. In conformity with clause No. 1, I have now to hand you order on the New Zealand Government to receive debentures to the amount of £50,000 "when deliverable by the Government;" and the complying with this part of clause No. 1 entitles the company to receive a cash-payment now of the proceeds of £50,000 at the agreed price. I have to request that the said proceeds may be lodged in the Bank of New Zealand, Auckland, where the purchase-money falls to be paid. If it is deemed necessary, the said proceeds can be lodged as in terms of the conditions of sale, instead of in the name of the Rotorua Railway Company. But I presume the order for delivery of the debentures will be security sufficient to warrant direct payment to the company.

I have, &c.,
JOHN BATGER, Secretary.

The Hon. Sir Julius Vogel, Colonial Treasurer.

SIR,— Auckland, 26th October, 1885.

I have the honour to inform you that this company has disposed of the debentures falling to it under the contract with the Government; and, part of the terms of sale being a payment by the purchaser of "cash, £50,000, upon order being granted on Government to receive debentures to said amount when same are deliverable," I have now the honour to request that Government will hand over fifty thousand pounds' worth of the company's debentures, on same being ready for issue, to the Hon. the Colonial Treasurer, the purchaser above referred to, accordingly.

I have, &c.,
JOHN BATGER, Secretary.

The Hon. the Minister for Public Works, Wellington.

Dunedin, 2nd November, 1885.—Received your letter 26th October. I told Major Steward I would pay for the debentures in Wellington when delivered. Until you are able to deliver them I cannot pay for them.—JULIUS VOGEL.

DEAR SIR,— Waimate, Canterbury, 27th October, 1885.

Referring to your telegram of the 24th instant, suggesting that your company should communicate direct with Sir Julius Vogel for completion of details as to payment of agreed price for your debentures, and to my reply of same date approving of this course, it has occurred to me that it would be well to supply you with a copy of the telegram addressed by me, as your agent, to Sir Julius Vogel on the 22nd instant, immediately on receipt of Mr. J. Logan Campbell's instructions (by wire) of that date. You will accordingly find copy of message referred to appended hereto; also Vogel's to me of previous day to which it was a reply.

I have, &c.,
W. J. STEWARD.

Christchurch, 21st October, 1885.—Major Steward, Wellington.—Rotorua debentures: Will take 50,000 as soon as they can deliver at 95, with 2 per cent. accrued interest included. Will take balance, 65,000, on same terms not later than 20th December. Will take additional 40,000 at 93 on month's notice. Offer open until to-morrow evening.—JULIUS VOGEL.

Wellington, 22nd October, 1885.—Hon. Sir J. Vogel, Christchurch.—On behalf Rotorua Railway Company I accept your offer for debentures. To prevent possibility misunderstanding, recapitulate terms. No. 1: Fifty thousand at ninety-five, including two per cent. interest—that is to say, interest accrued to 30th September. Company will give an order to receive debentures when deliverable. Money can be paid to a trust account with Bank New Zealand, transferable to company when debentures handed over to you. No. 2: Sixty-five thousand odd figures on similar terms—namely, ninety-five, including two per cent. accrued interest. Cash for these to be paid on twenty-first December. No. 3: The forty thousand odd issuable under article 7, to be taken at ninety-five including two per cent. accrued interest, or ninety-three ex interest, as issued by Government. Also (see clause 7 of agreement), in respect of additional interest therein referred to, if this paid in four-per-cent. debentures, am further instructed to offer you such debentures at ninety-three net. If possible to reply before "Aorangi" sails at five to-day address to steamer; if not, reply to telegraph office, Lyttelton, to await steamer's arrival there.—W. J. STEWARD.

Memorandum.—Mine to Mr. Campbell, dated Christchurch, 23rd, *re* payment of price of first £50,000 as per above, was written in Vogel's presence at Christchurch, and approved by him.—W. J. S.

FRIDAY, 18TH JUNE, 1886.

Mr. T. PEACOCK, M.H.R., examined.

141. *The Chairman.*] You are one of the directors of the Rotorua Railway Company?—Yes.

142. It is said that you are able to give certain information regarding the sale of the Rotorua Railway debentures to the Government through the agency of Mr. Steward. Perhaps you will favour the Committee with any information you have on the subject?—I do not possess any information that is not contained in the correspondence you have here. There is no other negotiation between the parties than what appears here in the telegrams.

143. You are aware Mr. Steward was in Auckland some time before this negotiation took place?—Yes.

144. You knew nothing of Mr. Steward's negotiations before the telegram?—Nothing whatever.

145. Then you have nothing whatever to say?—Nothing whatever. In fact, none of the directors could give any information other than what appears here. The whole information is embodied in the telegrams.

146. *Mr. Garrick.*] Are you aware what induced Mr. Steward to communicate with the directors?—The directors are unaware of any reason; they only know the fact that he did communicate.

147. *Mr. Barron.*] Had you any idea that if the District Railways Bill passed those debentures would probably find a market in some Government department?—No; it was not considered, as far as I am aware. The question of their being floated on the London market had been talked of, but there was no definite idea of the Government purchasing.

148. It never occurred to you?—I would not say that; but their attention was not directed towards that at this particular time.

149. That had been thought of as one of many other means of disposing of the debentures, I suppose?—Well, I should be inclined to say that it might, but I fancy the attention of the directors was more turned towards getting rid of them in London. It was hoped that some of the large institutions in London might take them up and hold for two years, when the interest would be payable in London.

150. When the idea of selling them in Wellington was presented by Mr. Steward it was almost an original idea?—I cannot say that.

151. It would not have occurred to the directors to employ Mr. Steward unless he had approached them?—Certainly not; the directors did not know him at all.

152. Do you think that the fact that Mr. Steward was a member of the House weighed with the directors in giving him the agency?—I do not think so. There was this knowledge, that he was interested in the Waimate Railway; and it states in the first telegram that he had been making arrangements with regard to the debentures of that line; and, knowing he was in Wellington for that purpose, the directors naturally enough were prepared to open negotiations with him as with any one else.

153. *Mr. Garrick.*] I wish to ask whether, having regard to the commission payable by the directors, it did not strike them to negotiate direct and save it?—That is a very pertinent question. The directors naturally felt that, having received an offer from a gentleman on the spot in Wellington, who had been engaged evidently in a similar business with regard to another railway, that they would scarcely be justified at that stage in going past Mr. Steward, on the chance that the purchaser was the Government, and that they might be able to save the commission.

154. Do I understand you to mean that, inasmuch as it was possible the Government might be the purchaser, the directors did not feel, under the circumstances, they ought to go past Mr. Steward?—Yes. There is a feeling, speaking generally, that if any one offers a property or any stock for sale, the party to whom it is offered might not feel warranted in making inquiry as to the principal of the agent with a view to preventing him from acting as agent or getting the commission.

155. Did you consider that that rule ought to apply in such a case as the Rotorua Railway Company, where so large a commission was at stake?—Are you speaking with regard to myself, or the Board?

156. Both?—Well, the Board, in the absence of knowledge as to the principal, might have been free to act independently in communicating with the Government; but they thought it best to act in the way they did.

157. Personally, do you think it would apply?—I would not be prepared to say it would.

158. Do I understand you, then, to mean that, taking all the circumstances into consideration, the Board felt bound—to use your own language—to approach the matter of the sale through Mr. Steward?—I would not care to say that; but by their action it is evident they thought it better to do so.

159. I understand from you that you would not like to speak for the whole of the Board, but that you think they felt bound to act through Mr. Steward?—I would not say "bound." My individual opinion is, that they were not, but they thought it was advisable to do so.

160. *Mr. McMillan.*] Did Mr. Steward send you a telegram at the time that he wired to the agents of the company—did he send you a private telegram?—Yes, he did.

161. What was the nature of that telegram?—That he had sent an important telegram to the secretary of the company requiring an early answer, or something to that effect.

162. Did he hint in any way who his principal was?—No, in no way whatever. He stated, in fact, in one of his telegrams—not to me—that after the arrangement was completed he would make known the purchaser.

163. Was it not running in the minds of the directors previous to his disclosing the principal, who the principal was?—Naturally they had their opinion; and they would consider it not unlikely that the Government would really turn out to be the purchaser when the name was disclosed.

164. Did you think Mr. Steward's position as a member of this House would in any way facilitate the arrangement between him and the company?—Well, that I am not prepared to say.

165. Would your company have been likely to intrust the sale of the debentures to Mr. Steward had he not been a member of the House?—Under the same circumstances—of his being in Wellington and being connected with negotiations for another railway?

166. Under any circumstances?—Well, they would require to know that the party was of some standing before they would intrust the negotiation of such an important matter to him.

167. Then, practically, the fact of his being a member did facilitate the arrangement between him and the company?—Well, he was known to be a public man certainly, and had a certain position; although not known to the company as being in any way connected with financial business.

168. Do you think that the company had the idea that from his position and his connection with the Government—I am speaking of him as a Government supporter—do you think it entered into the minds of the company that they might thereby make better arrangements with the Government, and save the commission that Major Steward would claim?—I do not know that they could take that view, for this reason: that in the first telegram he states the terms to be ½ per cent. commission.

169. Just so. But if the company had thought they could save this ½ per cent. by dealing direct with the principal, do you not think they would have adopted that course?—They would have been bound to do what was best in their own interests and in the interests of the shareholders; but the fact that they took this course showed that they thought it the best the Board could adopt.

170. *Mr. Cadman.*] Was the negotiation entered into at a full meeting of the directors?—I think it was as full a meeting as usual. There was certainly a quorum—there were at least five present.

171. Were you not positive in your own mind that the Government would be virtually the purchaser?—Well, I had my own idea.

172. Will you tell us what it was?—That there was a probability such might be the case.

173. Of course, you would naturally communicate that to your co-directors?—I think the other directors were quite as able to form their own opinion on this point as myself.

174. If you decline to answer the question, say so?—What I mean is that they were gentlemen of large experience, and would be quite as able to arrive at an opinion on that point as myself. I am not declining to answer.

175. At a meeting of the directors you were bound to have a conversation about this. Was it not stated among yourselves that the Government would probably be the purchaser?—I must decline to state what conversations took place with the Board; that does not concern the public. There is no harm in saying that the Board had that impression.

176. *Mr. Fulton.*] Was Mr. Steward very busy in the House in getting the District Railways Bill passed?—I understand he was some at stages, although I had no communication on the subject with him.

177. Do you remember that the Waimate Railway was originally struck out?—I do.

178. You remember that it was reinstated at a very late hour?—Yes.

179. Do you know at all at whose instance?—No; I know nothing definite in the matter other than the result in the House.

180. Did this weigh in your mind in arranging with Mr. Steward for the sale of these debentures: that Mr. Steward was a supporter of the Government, that he had been very much interested in the District Railways Purchasing Bill, and that he was in Wellington at the time?—Well, some of these weighed; but in my own mind—and, I am certain, in the minds of the other directors as well—we never connected with the question of arranging for the sale of the debentures the fact that he had been interested in the passing of the District Railways Bill.

181. Can you say what the directors of your company gained by conducting the negotiations through Mr. Steward?—Well, I may state this: that the directors, as I stated at first, were contemplating the possibility of floating these debentures upon the London market; but when an opportunity occurred for disposing of them here and doing away with the uncertainty which naturally attaches to such an operation in the London market, they were not unwilling to see it given effect to—they were rather desirous of doing so.

182. In effect, they paid £536 commission on the sale?—Well, it really came to this: that there was ½ per cent. to be given on £115,000 in the first instance, and then £40,000 expenditure to complete the first section of the line—about £155,000 odd. Speaking generally, there would be ½ per cent. on that.

183. What commission have the directors paid?—I am not aware that they have paid the commission yet, but if they have it would be roughly what I have stated.

184. You do not know?—I do not know of the commission having been paid to Mr. Steward, but I could easily ascertain.

185. You do not know how much was due to Mr. Steward?—No more than from knowing the terms of the arrangement as disclosed in the telegrams.

186. Then, do I understand this: that your company thought it worth while to lose ½ per cent. so as to negotiate through Mr. Steward?—Well, the company felt that if they sold in London there

would be various charges, and that, on the whole, if they could dispose of them here it would be better to do so.

187. Did it never occur to the company to negotiate with the Government direct?—I cannot recollect. Up to that time they had not done so.

188. What time had elapsed between the passing of the Act and the first telegram to Mr. Steward?—The telegram is dated the 15th October; the House rose about the 22nd September. Of course you understand that, in considering the future arrangements of the company, it is not unlikely that the question of the Government taking some of the debentures may have been before the minds of some of the directors, although it was not the one thing before them at the time the negotiations were opened.

189. *Mr. Barron.*] Have you had such experience of financial transactions as would enable you to judge whether this commission is the usual commission, or whether it is higher or lower than the usual charge on transactions involving a large amount?—I may answer that by saying, personally, I have not.

190. *Mr. Fulton.*] Speaking as a public man, might not the Government have saved this ½ per cent. commission—that is to say, if you were willing to sell at a certain amount net, might not the Government have saved that ½ per cent. commission had they dealt directly?—The fact that the directors accepted that amount would leave it to be presumed that if the Government had made a direct offer of that amount they would have accepted it.

191. The transaction could not have been entered into unless the District Railways Bill had been passed? I ask you as a director and a member of Parliament?—Well, the fact that the debentures were being issued by the Government in terms of that Act is evidence that the whole thing could not have been done without the District Railways Bill having been passed.

192. *Mr. Garrick.*] Do you think that such a transaction as you now know of is such a one as is calculated to reflect upon the integrity of any member of Parliament assisting to pass such a measure—speaking, now, as a public man?—Your question relates to the action taken subsequently in regard to the sale of these debentures?

193. Yes; and receiving the money from that. Does it affect the integrity of a member voting for such a measure?—Whatever may have been the case with regard to the issue of the debentures Mr. Steward first had to do with—the Waimate Railway—I do not know what may be said of that; but, so far as the Rotorua Railway is concerned, I do not think it at all possible that, in regard to the passing of that Bill, Mr. Steward could in any way be connected with the sale of the debentures. I do not think there is the least likelihood that he could have had any idea of having the negotiation for the sale of these particular debentures.

194. You do not think the same answer applies to the Waimate Railway?—I would not say about that, for he was intimately connected with that district; and whatever may have been said about the Waimate, I do not think he could, in assisting to pass the District Railways Bill, have thought it would have led to his dealing with the Rotorua debentures.

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