

MINUTES OF EVIDENCE.

WEDNESDAY, 31ST JULY, 1901.

JAMES KEMMIS WARBURTON, in attendance and examined. (No. 1.)

The Chairman: The case for the consideration of the Committee is case 4, which will be found on page 9 of the printed paper, B.-19, relating to the payment of £5,657 10s. 6d. interest on £500,000, Bank of New Zealand preferred shares redeemed. The Controller and Auditor-General is present. Does any member of the Committee wish to examine him?

1. *Rt. Hon. R. J. Seddon.*] Have you anything to add to what you have stated in the printed correspondence on this case?—No.

2. *Mr. J. Allen.*] There is a particular clause in "The Bank of New Zealand and Banking Act, 1895," referred to—subsection (2) of section 8. Will you read the whole section?—“(1.) The bank may from time to time, within six years after the issue of any such preferred shares, and on giving twelve months' notice of its intention so to do, repurchase from Her Majesty all or any of the shares so issued, at a price equal to the nominal amount thereof, *plus* the amount of all dividends accrued and unpaid in respect thereof up to the time of the payment of the price; and upon payment of the price therefor, all such repurchased shares shall be surrendered to the bank, and be available for reissue as hereinafter provided. (2.) All moneys received for the said repurchase of such shares shall be paid to the Public Trustee, and applied by him to the redemption, when due, of the securities authorised to be issued by section 7 hereof.”

3. What is your interpretation of the words "all moneys received"?—The Audit Office interprets them as meaning "a price equal to the nominal amount thereof, *plus* the amount of all dividends accrued and unpaid in respect thereof up to the time of payment of the price."

4. Was this paid over to the Public Trustee?—The nominal amount was.

5. Including interest?—No, not interest.

6. You say it should have been paid to the Public Trustee?—The Audit Office says it should have been so paid.

7. What was the rate of interest paid by the colony for this £500,000?—3½ per cent., as far as I recollect.

8. The bank repaid it back on repurchasing the shares?—Yes; that is, the bank paid the dividend on the shares up to the date of repurchasing them.

9. *Rt. Hon. R. J. Seddon.*] Was the money received for the shares the bank redeemed paid to the Public Trustee?—Yes; £500,000 at that price.

10. The £500,000 was handed to the Public Trustee?—Yes.

11. And the amount of the interest was all paid to the Treasury?—Yes.

12. *Mr. J. Allen.*] What has become of the £500,000 paid to the Public Trustee?

Rt. Hon. R. J. Seddon: That is not the question before the Committee.

Mr. J. Allen: I say it is.

Rt. Hon. R. J. Seddon: We are inquiring whether the Order in Council was properly issued in relation to the matter in dispute between the Treasury and Audit Office as to the payment of £5,657 10s. 6d. interest—whether it should have been paid to the Public Trustee or paid into the Consolidated Fund. If you are to be permitted to inquire into the disposal of the £500,000—if, in fact, this is to be a "fishing" concern, then we shall not know where we are to stop. I say the inquiry is as to whether the Audit Office is right in its contention with regard to the payment of the £5,657 10s. 6d.

Mr. J. Allen: I say that these two sums are held by the Audit Office to be one sum, and they should both be held as moneys received on account of the repurchase of these shares; that both the £500,000 and the £5,657 10s. 6d. should be paid over to the Public Trustee, and therefore we are justified in assuming that they are one sum, and are entitled to ask what has become of the £500,000. We are entitled to know whether the Public Trustee is still holding that £500,000, or what has become of it—whether he is holding the money for the redemption, when due, of the securities authorised to be issued by section 7 of the Act.

Rt. Hon. R. J. Seddon: I submit that that does not come within the scope of the present inquiry, and I would ask the Chairman to give his ruling on the point.

The Chairman: I understand Mr. Allen's question to be this: After the £500,000 was paid to the Public Trustee, how has he invested it? On a cursory examination of the correspondence I must hold that that question is not involved.

Mr. J. Allen: I understood that it was before the Committee.

The Chairman: Where is it mentioned in the correspondence?

Mr. J. Allen: In the first paragraph.

Mr. Morrison: Mr. Allen is now raising a question which was before the Committee at its last meeting, and it was then decided that the question which the Committee had to determine was, whether the interest on the original amount should have been paid to the Public Trustee, or whether it should be paid in the ordinary course into the Consolidated Fund. It was considered advisable to postpone the matter, and to make it the first order of business at this meeting, and that Mr. Warburton and Mr. Heywood should be asked to give evidence on the point. The question of the disposal of the £500,000 was never involved, and I hold that Mr. Allen's argument is not upheld by this correspondence. The statute distinctly lays down that all moneys received for the repurchase of the shares shall be paid to the Public Trustee, and applied by him to the redemption, when due, of the securities authorised to be issued under the Act. I hold that after the Public Trustee received the £500,000 the shares were, in a manner of speaking, liquidated.