

203. You had raised the objection?—I did not raise an objection. I had asked whether the point raised had been considered.

204. Before you sent the definite objection contained in letter No. 6, or after sending it, could you not have consulted the Solicitor-General?—I could, but I was so sure on the law then that I did not think there was any necessity to consult him.

205. You have said that you are of opinion that if you had had a chance of seeing the Solicitor-General, you believed you would have convinced him that you were right and he was wrong?—No, I said I believed he would not have given that opinion, because he referred to some cases in support of his argument which did not support it.

206. That is the basis on which you formed your opinion. Have you seen the Solicitor-General since your letter has appeared?—No, not upon that point, or this matter.

207. Supposing that you had seen the Solicitor-General and that he still stuck to his opinion, your statement that you could convince him he was wrong would be a fallacy?—I should think that I had been mistaken if he were to give the same opinion.

208. You said that you would object to any debentures with the same conditions. Since the Governor's Warrant was issued have you signed any debentures with the same conditions?—Under this Act?

209. Yes?—I do not think I have signed anything beyond the half-million of these debentures.

210. With the same conditions?—There have been no other issues under this prospectus beyond the half-million loan.

211. You are positive of that?—I am positive there are no more of the half-million debentures under these conditions.

212. Carrying interest at 4 per cent. before the date of issue?—There is a case before me now of debentures under another Loan Act, but I have not yet considered it.

213. If we show you that you signed them with this condition what would you say?—I should say that the Audit Office may inadvertently have passed it.

214. Once this point was settled by the Law Officer of the Crown and by the Governor against you, surely in the face of that you must acknowledge that your contention is wrong?—No. The law requires no interpretation. It is demonstrable whether a higher rate would be paid than the Act allows.

215. Why did you change your ground? In your letter (No. 6) you confined your objection to coupons bearing interest from the 1st April, 1901. In your answer to Mr. Allen you said that it was over the whole period. Why did you change your ground?—I did not change my ground. The amount in excess of the interest at the rate of 4 per cent. for the first half-year is the amount in excess of interest at that rate for the whole period.

216. Why did you not raise that point when the objection was raised?—The objection was really the same with regard to the whole period as with regard to the first half-year.

WEDNESDAY, 2ND OCTOBER, 1901.

Mr. JAMES BARNES HEYWOOD in attendance and examined. (No. 2.)

1. *Rt. Hon. R. J. Seddon.*] You are Secretary to the Treasury and Paymaster-General?—Yes.

2. In the beginning of the year the Government raised a loan of half a million of money?—Yes.

3. Was there not a prospectus prepared for that loan?—Yes.

4. Were you instructed by me to show that prospectus to the Controller and Auditor-General?—I do not remember whether you advised it should be done. I rather think you did, but I am not quite sure on the point.

5. Did you show it to the Controller and Auditor-General?—I am not quite sure whether I did or not.

6. Just to refresh your memory with regard to this prospectus, do you remember a conversation between you and me in which I said that I thought it would be advisable, in all the initial stages of these cases, that the Controller and Auditor-General should know what we were doing?—I think you made some observations of that sort.

7. At all events, the prospectus was shown to him and he was consulted with regard to it?—The prospectus was handed to him for any observations he might desire to make upon it.

8. In other words, he saw the prospectus?—He did.

9. You were asked a question as to whether you took it to him, or whether it was somebody else: supposing Mr. Warburton says you were the person who showed him the prospectus, is that correct?—If he says so I should think it is correct. I am not quite clear whether I showed it to Mr. Warburton or to Mr. Gavin.

10. Did anything come up at this interview about the prospectus respecting the prior date of the receipt of the interest before the deposit of the purchase-money?—If I remember correctly, the prospectus was left for consideration, and upon returning the prospectus attention was drawn to the doubt of the Audit Office as to whether the terms of the prospectus did not infringe the reading by the Audit Office of the provisions of the Loan Act.

11. In what particular was the suggested infringement?—That the concession made in the way of interest being paid from the 1st April, the instalments being paid subsequent to that date, the purchaser would receive a higher rate than the 4 per cent. authorised by the Act.

12. What would be your position: could you divest yourself of your official position when discussing the question with the Controller and Auditor-General?—No, not in the least.