

we issued the scrip we could not issue the debentures, would not that force default upon the colony?—Yes; without special legislation being passed.

125. It required an authority to intervene to decide the matter, or special legislation or default?—Yes.

126. Supposing this happened during the recess, and there was no power to get legislation, there must be default?—There must be if there was no Governor's Warrant issued.

127. Touching the laying of these papers on the table of the House, did you receive any notice about that, and when?—A typewritten copy of the papers was brought down to the Treasury by a clerk, as had been done on previous occasions. I do not think there was any intimation that the papers would be laid on the table on the day on which the copy was brought to the Treasury; but, of course, the Act provides that the papers shall be forthwith sent to the Speaker of the House of Representatives.

128. Did you receive notice on the same day that they were laid on the table of the House?—Yes.

129. There is a letter here reviewing the whole case on the 26th August: has it been customary to have the Governor's decision reviewed?—In looking up former Warrants and correspondence relating to laying papers on the table of the House, it would appear that the Controller has written a final letter to the Colonial Treasurer at the time he was transmitting the papers to the Speaker, and in the case of the five Warrants such letters simply drew the Treasurer's attention to the fact that he was laying the papers before Parliament. There was no particular point raised in most of the other letters. But this letter has a peculiar feature of its own. It is a change of front in the objection of the Audit Office, and traverses the whole of the Governor's Warrant, and really it should have been submitted to the Solicitor-General for his opinion upon it if there had been time, but the papers were being transmitted to the Speaker at the time I got this letter.

130. There was no time for the Colonial Treasurer to give an answer between the time when you received a copy of the papers and the time of their being laid on the table of the House?—No.

131. Will you point out to the Committee where this changes the feature of the objection?—This letter does not confine the objection to the first coupon. This objection is based upon the fact that the Audit Office is of opinion that the interest of 4 per cent. per annum running over the whole period of the currency of the loan would be exceeded so far as the purchaser is concerned, owing to the concession made in the contract between the Treasury and the purchaser.

132. Has it been the custom in the issue of loans that the payment of interest commences at a date prior to the tenders being accepted?—It is not an uncommon custom; but there is a great deal more than that in the question of the first coupon. The interest is allowed upon the full payment of the face value of the debenture, whereas the purchaser in ordinary cases pays his instalments at various dates, and therefore he gets a concession in that way. There is no concession which is entirely apart from the concession which is made where interest is dated before any instalment is made.

133. *The Chairman.*] Has it ever been mentioned in the prospectus as to the instalments the tenderers were to pay?—It was mentioned in it.

134. *Rt. Hon. R. J. Seddon.*] Debentures with the same conditions have been approved by the present Controller and Auditor-General?—As to interest running before any instalment or deposit has been paid? I would like to see the prospectuses before making an answer, for I am not sure upon the point.

135. Does it materially change the situation as from the kind of objection which was first taken, and spreading it over the whole period as now?—The effect from the Audit point of view would be the same; but I read No. 6 memorandum to be confined to the objection as to the amount of interest placed upon the first coupon, whereas in No. 9, a letter of the 26th August, I take the Controller's exception to be that the rate of interest to the purchaser is beyond the limit allowed by the Act in consequence of the general result of the contract entered into.

136. In the loan of 1879 there was a margin of 1 per cent. in excess of the first coupon spread over the whole period, and that brought it to less than the interest then stated?—Is that a long-dated loan?

137. Yes?—This is a very short-dated loan.

138. I will put it this way: Would it be possible to take a good margin of interest and spread it over the whole of the coupons for the full period of the loan, and there would be no excess at all?—If there is a margin it would be quite possible, but there is no margin in this case. They are issued at the limit rate. Therefore, according to the interpretation of the Audit Office of the "price" named in the section quoted, one penny-piece given to a man would put him beyond the limit.

139. It has been suggested that you should pay this out of "Unauthorised"—that it would be all right if the debentures had been issued and approved if we paid this out of "Unauthorised"?—I should be very much astonished if the Audit Office passed it. If their interpretation of the law is that the payment of interest will yield to the purchaser more than 4 per cent., it seems to me wherever we charged the money the Audit Office would not allow it.

140. *The Chairman.*] The same objection would meet you at every point?—Yes.