

I am inclined to think that the liability of the Government, in case the proposals are adopted at an early date, would not exceed £6,000 for the present financial year, which would provide the passages of some twelve hundred statute adults, and in my cablegram I suggested that that amount be voted.

I may say, in conclusion, that the class of people applying at this office for information respecting the colony and for reduced-rate passages under the existing system is above the average, and that, so far as I can judge, the present time is a favourable one for obtaining settlers such as I understand the Government wish to see occupy the lands which have been opened up for settlement in the various parts of the colony.

I have, &c.,

The Right Hon. the Premier, Wellington, New Zealand.

W. P. REEVES.

P.S.—I find that I have omitted to explain that the provision under which the Government is to pay half the return passage of any person not allowed to land was adopted at the instance of Sir Edwyn Dawes. I saw no objection to this, more especially as these people would be approved by the Agent-General before embarking. Moreover, it is very unlikely that any such cases would occur. Out of the three thousand people who have gone out under the present system there has not been, so far as I am aware, a single case of the kind.

MR. W. P. REEVES to the Right Hon. the PRIME MINISTER.

London School of Economics, Clare Market, London, W.C.,

24th March, 1910.

DEAR SIR JOSEPH,—

I have been informed by the High Commissioner that you have asked for and obtained from him a memorandum stating the facts and the conditions of the employment of Messrs. E. A. Smith and E. M. Kennaway as shipping agents for the Government here. I assume that your request for the memorandum was the result of attacks which have lately appeared in the newspapers upon Mr. E. M. Kennaway's business connection with the High Commissioner's office. I have not seen any of these attacks myself, and do not know their drift, but from questions put to me by a London correspondent of several of the papers, I gather that it is insinuated that Kennaway's employment by the office was designedly kept secret. I have been told also from another quarter that his earnings as a shipping agent have been criticized as unfair and extravagant. Doubtless a good deal has been made out of his relationship to the late permanent secretary. From one point of view it might seem uncalled for in me to intervene in this matter at all. It might save me some annoyance personally perhaps if I did not. I was, however, administrative head of the office during all but the last nine or ten months of the time through which E. M. Kennaway did work for us. I should naturally feel rather acute regret if it were supposed that anything unfair or underhand was allowed to go on in any corner of the office with or without my knowledge. In the honour and efficiency of the office I took much pride. Let me then briefly state some of the circumstances and reasons of policy which caused me to allow Kennaway to do agency work for us, and which justified the continuation of the commission system throughout my term.

When I succeeded Sir Westby Percival Mr. E. A. Smith was doing our shipping agency business on commission, and had been doing it for many years. Previous to 1881 he had been directly employed, but by that time the direct employment system had been deliberately abandoned and a commission system adopted. Mr. Smith was not, of course, a Government officer, and was at full liberty to do private work. In 1896 Sir Walter Kennaway, the permanent secretary, asked me whether I objected to his son, who was a shipping clerk by occupation, being taken into partnership by Mr. E. A. Smith. As neither of the partners would be Government officers I had no legal right to object, and did not object. It would have been a harsh act if I had objected. At that time and for years afterwards the earnings of Messrs. Smith and Kennaway from us were very small. They were regulated by a fixed scale. I did not apprehend any trouble, as I had full confidence in the integrity of my officers. I did not regard the matter as of the least importance, and the suggestion, if suggestion there be, that any sort of concealment was contemplated or countenanced by me is utterly ridiculous.

After four or five years I was told that Mr. Smith was retiring through age, but that he or his family were retaining an interest in the business, and that Mr. E. M. Kennaway would go on with it. I was under the impression that one or more of Mr. Smith's sons was working with Kennaway. So far from there being any disposition to hide E. M. Kennaway away, he was specially ordered to meet and look after every important political or official visitor from New Zealand with whom we had anything to do. Mr. Seddon certainly knew that he was connected with the office. It was not until the latter part of 1906 that it dawned upon me that there could be any misunderstanding about the matter. This I discovered from a telegram asking whether E. A. Smith was our agent, and had a right, as our agent, to issue assisted-passage tickets. I at once instructed a letter to be drafted explaining the position, and this letter I despatched to you on the 18th September, 1906. No objection or criticism of any sort was received in reply. I noted in 1906 that Kennaway was still using the business name E. A. Smith, although Smith had been finally bought out at the end of the previous year.

As far as our assisted tickets were concerned, he always signed them E. M. Kennaway. But it certainly never occurred to me that any serious charge of subterfuge or secrecy would be made, based upon the use of the name, E. A. Smith. If it had I no doubt should have put pressure on Kennaway to make a change. As it was, I cannot say that I thought it anything but an arrangement very common in English business, or that it mattered a straw to us one way or the other. Now for the question of the magnitude of the profits made by Smith and Kennaway, and later by Kennaway alone: I do not suppose that any question can be raised about their moderation during the first eight or nine years after Kennaway joined Smith. Of course they increased gradually,