

527. Mr. Whiteford put in a tender for fourteen thousand and odd pounds?—The Government looked to the securities as much as to anything.

528. Was Mr. Martin down as a surety?—Yes.

529. What does Mr. Martin mean to say when he says that he was induced to become surety by representations of yours?—I don't know.

530. Did his name come in with the tender before it was known that Mr. Smith's would be accepted?—Yes.

531. Abbott and Co.'s tender was not accepted; do you know why?—Mr. Abbott telegraphed up that he was required in Invercargill, having tendered for this very railway which I have spoken of, and his presence was necessary there, but he said, "I will send an agent up with full powers to act for me." When the agent arrived, he turned out to be a Mr. McKenzie—"long McKenzie" he was known as—who was then out on bail, I think, for tampering with tenders in Southland. It was notorious at the time, the case having been mentioned in the papers. Mr. Stafford, immediately he was made aware of that, refused to have anything to do with Abbott's tender, and instructed me to apply to the next lowest. That was Mr. Smith.

532. You did apply to Mr. Smith?—Yes. Mr. Smith refused at first. I think then he and Mr. Whiteford amalgamated. At any rate, they arranged, and the contract was taken.

533. What was the result?—The result was the contract with Mr. Smith, with Mr. Martin and Mr. Osgood as sureties, for £10,583.

534. Mr. Smith began and went on with his work?—Yes.

534A. There is a letter from you to Mr. Martin on the 24th November, 1869, in which you say, "Mr. Smith, the contractor, having failed to fulfil his promise to place sufficient hands on the works, I now beg to call your attention, as his surety, to the matter, and hope you will lose no time in increasing the number of men to the fullest extent." Do you recollect whether that was the first application you made to him as surety?—I can't say that it was the first, but at any rate it was one of the first.

535. After that, did you make any other application to him, either by word of mouth or in writing?—Frequently, both by word of mouth and in letters, which are all put in.

536. There is a copy of a note by you to Mr. Martin on the 2nd December, and a memorandum on it, in which you say, "I have tried by the above note of a more private character to get the contract carried on. Mr. Martin accordingly called and promised to guarantee the payments for material, but as yet I see no improvement in consequence." Did Mr. Martin say anything to you about guaranteeing materials?—I think he was guaranteeing the materials all the time up to about a month or a fortnight before Smith failed.

537. Do you recollect his coming to you, and saying anything about guaranteeing materials after you had written that letter?—I can't remember.

538. Was Mr. Whiteford a contractor?—Mr. Whiteford was never taken into the contract.

539. On the 4th January, 1870, you wrote to Mr. Martin, "Referring again to Mr. Smith's contract for the new Government House, which is still proceeding unsatisfactorily, I am informed that you object to a mutual arrangement being entered into for carrying on the works, as I am empowered to do under clause 13 of the General Conditions." How was that? Why did you tell him that you understood that he was not disposed to enter into a mutual arrangement?—It became evident that Smith could not find money to carry on, and I had power under the 13th clause to close the contract and carry it on myself; but I thought if an arrangement could be made which would be satisfactory to all parties—to Mr. Martin as surety, Mr. Smith and the Government—it would be better than doing it by force. That arrangement is explained in my report to the Government for the month of December, 1869, written on the 5th January, 1870, in which I say, "It appears to me that if a mutual agreement could be entered into (and this is very probable) between the contractor, the sureties and the Government, authorizing the architect to guarantee 75 per cent. of the cost of materials and labour, and charge the amounts against the contract, it would be a preferable course to enforcing clause 13, because all its conditions would be secured, and the security increased by 25 per cent., whereas in the other case the Government would have to pay in full, would in fact become their own builders."

540. Were tenders called for in your name?—No.

541. You write to Mr. Martin saying that you are informed that he objected to the mutual arrangement. Had you been informed of that?—I had, but I don't remember how. I must have been informed or I would not have written so. I recollect my proposal verbally to Mr. Martin was what I have just read; that rather than force the conditions, it would save him advancing moneys if the Colonial Architect was allowed to guarantee to the extent of 75 per cent., and charge it against the contract.

542. You saw Mr. Martin about that?—Yes. He did not agree to it.

543. Was any other proposal made?—Mr. Martin and Mr. Smith came to my office, and Mr. Martin asked me if I would manage the building for him.

544. At what time was that?—Just after Smith's failure Mr. Martin wanted to know if I would conduct the building for him, and I told him I would not do so without the consent of the Government; but if I did so the charge would be 2½ per cent., the usual commission.

545. Was anything said on that occasion as to what the 2½ per cent. was to be paid on?—On what it would cost to finish the work. There was a fixed amount to finish the work, because so much had been paid on the contract.

546. Was anything said as to its being on the actual cost as distinguished from the balance of the contract price?—No; nothing was said more than 2½ per cent., as far as I remember. Mr. Smith, I may say, was in the outer office, and heard me say I was sick of him, and should like to see him out of it, which was perfectly true. Mr. Martin had previously told me he wanted to get rid of Smith.

547. Then you spoke to the Government?—Yes; I spoke to Mr. Gisborne, and the Government objected, and I told Mr. Martin immediately afterwards.

548. Were the works stopped during that week, do you recollect?—They had one or two men on so as to say the works were not stopped.