

# ALLEGATIONS BY MEMBER FOR AUCKLAND WEST COMMITTEE

(REPORT OF, TOGETHER WITH MINUTES OF PROCEEDINGS, EVIDENCE, AND APPENDIX.)

*(Report brought up 4th September, 1883, and ordered to be printed.)*

## ORDERS OF REFERENCE.

*Extract from the Journals of the House of Representatives.*

FRIDAY, 3RD AUGUST, 1883.

*Ordered*, That, the honourable member for Auckland West, Mr. Dargaville, having charged the Premier and the Colonial Treasurer with using, for years, their political position for the purpose of promoting legislation, not for the good of the colony, but in the interest of the Bank of New Zealand, especially in assisting to pass "The Public Debts Act, 1867," and, further, having accused the Premier of receiving the sum of ten thousand pounds, or some portion of ten thousand pounds, as payment for such service rendered in passing "The Public Debts Act, 1867," a Select Committee be appointed to inquire and report to the House—(1.) Whether the allegations made against the Premier and the Colonial Treasurer, contained in the uncorrected report of the speech of Mr. Dargaville, made in this House on Tuesday, the 31st day of July, 1883, in the discussion on the Property-Tax Bill, imputed any political corruption or personal dishonesty or dishonour to either of those honourable gentlemen. (2.) Whether those allegations are true. The Committee to consist of Mr. Driver, Mr. Hurst, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. E. Brown, Mr. J. G. Wilson; four to form a quorum; to have power to call for persons and papers, and to report within a fortnight.—(*Hon. Major Atkinson.*)

FRIDAY, 10TH AUGUST, 1883.

*Ordered*, That Mr. Hurst be discharged from the Select Committee appointed to inquire into the charges made by the honourable member for Auckland West, Mr. Dargaville, against the Premier and the Colonial Treasurer, and that Mr. Mason be substituted.—(*Hon. Major Atkinson.*)

TUESDAY, 14TH AUGUST, 1883.

*Ordered*, That the Select Committee appointed to inquire into certain allegations by the member for Auckland West have leave to postpone making their report for ten days.—(*Mr. Mason.*)

TUESDAY, 23RD AUGUST, 1883.

*Ordered*, That the Committee on certain allegations of the member for Auckland West have an extension of time of one week for making their report.—(*Mr. Mason.*)

FRIDAY, 31ST AUGUST, 1883.

*Ordered*, That the Committee on certain allegations of the member for Auckland West have leave to postpone making their report for one week.—(*Mr. Mason.*)

## REPORT.

THE Committee to whom was remitted the matters contained in the above orders of reference have the honour to report—

That they verified the report of Mr. Dargaville's speech by examining the *Hansard* reporters, who read their shorthand notes taken at the time, and found that the proof report as submitted to the Committee was substantially correct.

The Committee, having considered that report, extracted certain passages, which will be found in detail in the minutes of evidence, and passed the following resolution: "That the Committee is of opinion that the speech of Mr. Dargaville on the 31st July, 1883, does impute political corruption against the Premier and Treasurer; and that it also imputes personal dishonour to the Treasurer, and is capable of being interpreted as imputing personal dishonour to the Premier."

Mr. Dargaville was informed of the above resolution, and made the following statement: "I did not intend to convey any personal imputation of dishonesty against the Premier and Treasurer, and I only regret that the Committee consider the words could bear such an interpretation;" and in his evidence on the 23rd August further said, "I did not charge those two gentlemen with personal dishonour or dishonesty."

Mr. Dargaville, having been requested to formulate his charges in precise terms, handed in the following:—

"That the Government lent a sum of £225,000 of trust funds, over which the

Treasurer has control, to the Bank of New Zealand, without security, for a term of years, in a manner not contemplated by the law, thereby giving undue advantages to one banking establishment closely allied with the present Administration. Further, that Parliament has not yet been informed of the transaction.”

Mr. C. Godfrey Knight, Actuary of the Insurance Department; Mr. Forster Goring, Clerk of the Executive Council; and Mr. Luckie, Insurance Commissioner, were called and examined as witnesses by Mr. Dargaville, and he and the Treasurer made statements.

Mr. Dargaville, having been asked whether the charge already made was the only one to be brought forward, replied that he would rest his accusation of political corruption upon that charge.

The Treasurer then called Mr. Luckie, and also examined Mr. Gavin, Secretary to the Treasury, and Mr. Gray, Secretary to the Post Office.

The Premier and the Colonial Treasurer offered themselves for examination by the Committee or by Mr. Dargaville, but neither the Committee nor Mr. Dargaville thought it necessary to examine either of them.

The transaction upon which the charge of political corruption was based was fully investigated by the Committee. The facts are as follows:—

Some difficulty seems to have been experienced, by those having the control and management of certain trust funds, in finding suitable investments for them; and in 1878 the then Postmaster-General first commenced the system of making fixed deposits at interest of surplus Post Office funds in the Bank of New Zealand; and Mr. Knight, Acting Insurance Commissioner, shortly afterwards adopted the same course, sanctioned by minute of the then Colonial Treasurer.

This has since become the practice with these and other Government departments when suitable investments were not otherwise available, and has continued to the present time. In March, 1879, the total amount of these fixed deposits had reached £262,000. On the 16th March, 1883, there was £225,000 on deposit for two years, bearing 6 per cent. interest for the first year and  $5\frac{1}{2}$  per cent. for the second year; and this formed the subject of the charge against the Treasurer.

The appended documents show that, except as to “investments,” as defined in the Act, the Insurance Commissioner is, in the opinion of the Solicitor-General, by law independent of the Treasurer; it is further shown that he keeps a separate banking account, and operates on that account subject to the control of the Controller-General. The deposit of £225,000 was made by cheques, signed by the Commissioner and countersigned by the Controller-General. The Treasurer appears to have been consulted by Mr. Luckie as to whether there were any Treasury bills available for purchase. There being none, the deposit was made with the bank with the consent of the Treasurer, although such consent was not considered necessary to enable the transaction to be carried out.

No proof was offered in reference to the transaction of 1867, nor any other special charge made; but it appears that the accusations which occur in the speech with regard to the Public Debts and Consolidated Loans Act must have been made under some misapprehension, as the Premier was not a member of the Government or of the General Assembly at the time these Acts were passed; and, although the Treasurer was a member of the House of Representatives, he was not a member of the Ministry, and voted against the Acts referred to.

The Committee therefore find—

That, Mr. Dargaville having disavowed any intention to impute personal dishonour or dishonesty to the Premier or Colonial Treasurer, any such charge contained in or deducible from his speech is wholly withdrawn.

That Mr. Dargaville adhered to the charge of political corruption, and has called evidence in support of the same, resting his case upon one particular transaction.

That the evidence with regard to that transaction wholly fails to substantiate the charge, and that the allegation of political corruption based upon it is therefore entirely unfounded.

For the Committee.

THOMAS MASON,  
Chairman.

4th September, 1883.

## MINUTES OF PROCEEDINGS.

TUESDAY, 14TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present*: Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The orders of reference dated the 3rd and 10th August were read.

On the motion of Mr. Driver, seconded by Mr. Montgomery, *Resolved*, That Mr. Mason do take the chair.

On the motion of Mr. Montgomery, *Resolved*, That Mr. J. G. Wilson do take the chair in the absence of Mr. Mason.

On the motion of Mr. Driver, seconded by Mr. Montgomery, *Resolved*, That the *Hansard* reporter or reporters be summoned to appear before the Committee, and to bring note-books containing Mr. Dargaville's speech on the property-tax delivered on Tuesday, the 31st July, 1883.

The Committee then adjourned till 11 a.m. on Thursday, the 16th August, 1883.

THURSDAY, 16TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present*: Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The minutes of the previous meeting were read and confirmed.

The order of reference dated the 14th August, 1883, was read.

Mr. Fisher, Mr. Drake, and Mr. W. A. Parkinson, *Hansard* reporters, were present, and read over the notes taken by them of Mr. Dargaville's speech delivered on the 31st July, 1883.

On the motion of Mr. Steward, *Resolved*, That the Chairman be directed to ascertain whether Mr. J. Grey, *Hansard* reporter, will be able to appear before the Committee at the next meeting; and, if not, that the Chairman shall take means to verify the report.

The Committee then adjourned till 10 a.m. on Friday, the 17th August, 1883.

FRIDAY, 17TH AUGUST, 1883.

The Committee meeting lapsed for want of a quorum.

MONDAY, 20TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present*: Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The minutes of the previous meeting were read and confirmed.

The Chairman gave notice that he had verified the report of that part of Mr. Dargaville's speech, delivered on the 31st July, taken down by Mr. Grey, *Hansard* reporter. He read out that portion of the speech, and pointed out the corrections made.

On the motion of Mr. Driver, *Resolved*, That the uncorrected report of the speech of Mr. Dargaville, made in the House on the 31st July, 1883, has been verified by the examination of the reporters' notes, and found to be substantially a correct report.

*Resolved*, That the Committee is of opinion that the speech of Mr. Dargaville on the 31st July, 1883, does impute political corruption against the Premier and Treasurer, and that it also imputes personal dishonour to the Treasurer, and is capable of being interpreted as imputing personal dishonour to the Premier.

The Committee adjourned till 11 a.m. on Tuesday, the 21st August, 1883.

THURSDAY, 16TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present*: Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The minutes of the previous meeting were read and confirmed.

Mr. Dargaville was present and gave evidence. In answer to that part of the resolution passed by the Committee on Monday, the 20th August, 1883, namely, "That the Committee is of opinion that the speech of Mr. Dargaville on the 31st July, 1883, does impute personal dishonour to the Treasurer, and is capable of being interpreted as imputing personal dishonour to the Premier," Mr. Dargaville made the following statement: "I did not intend to convey any personal imputation of dishonesty against the Premier and Treasurer, and I only regret that the Committee consider the words could bear such an interpretation."

The Committee then adjourned till 11 a.m. on Thursday, the 23rd August, 1883.

THURSDAY, 23RD AUGUST, 1883.

The Committee met pursuant to notice.

*Present* : Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The minutes of the previous meeting were read and confirmed.

Mr. Dargaville attended.

Mr. Dargaville was asked by the Chairman the following questions : 1. Do you intend to go outside the extracts which have been read over to you, and on which the Committee arrived at the conclusion stated to you? (See page 4, question 52.) 2. Do you wish to make any statement bearing on the charge of political corruption? (See question 61.) 3. Do you intend to call witnesses to prove the charge? (See question 65.) 4. And when will you be prepared to produce the evidence? (See question 67.)

On the motion of Mr. Steward, *Resolved*, That the Chairman be requested to ask for extension of time for reporting for one week.

On the motion of Mr. Macandrew, *Resolved*, That the Committee do adjourn till 11 a.m. on Monday, the 27th August, when Mr. Dargaville said he would be prepared to produce evidence.

MONDAY, 27TH AUGUST, 1883.

The Committee met, pursuant to notice.

*Present* : Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The Hon. the Premier, the Hon. the Colonial Treasurer, and Mr. Dargaville also attended the meeting.

Mr. Dargaville read charge No. 1 as follows : That the Government lent a sum of £225,000 of trust funds, over which the Treasurer has control, to the Bank of New Zealand, without security, for a term of years, in a manner not contemplated by the law, thereby giving undue advantages to one banking establishment closely allied with the present Administration. Further, that Parliament has not yet been informed of the transaction.

The room was then cleared for deliberation, when the following resolution was passed : "That the Committee will proceed to-day with the inquiry into the charge at present formulated, and will proceed to-morrow with the same, if needed, and, if time allow, any further charges; but will require any additional charges beyond then to be submitted in general terms to the Committee not later than Wednesday, before 11 a.m."

Mr. C. G. Knight, Actuary, attended and gave evidence, taken down by shorthand reporter, after which he was released from further attendance.

*Resolved*, That Mr. Dargaville give the Chairman notice each day as to witnesses he may require for attendance at next meeting, and to produce any documents that may assist in giving such evidence.

The meeting was then adjourned till 11 a.m. on Tuesday, the 28th August, 1883.

TUESDAY, 28TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present* : Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, and Mr. J. G. Wilson.

The Hon. Major Atkinson and Mr. Dargaville both attended.

The minutes of the previous meeting were read and confirmed.

*Resolved*, That the Chairman be instructed to summon the following gentlemen : D. M. Luckie, Commissioner of Annuities; R. C. Hamerton, Public Trustee; W. Gray, Post Office Savings Bank; J. C. Gavin, Secretary to the Commissioners of the Public Debts Sinking Fund, to appear at I Committee-room, at 11 a.m. to-morrow, the 29th August, 1883, and to produce Orders in Council having reference to investment of trust funds since 1877 of their respective departments.

The meeting was then adjourned till 11 a.m. on Wednesday, the 29th August, 1883.

WEDNESDAY, 29TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present* : Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, and Mr. J. G. Wilson.

The Hon. Major Atkinson and Mr. Dargaville were present.

The minutes of the previous meeting were read and confirmed.

The minute *re* formulating further charges was then read by the Chairman to Mr. Dargaville.

Mr. D. M. Luckie attended and gave evidence, taken down by shorthand reporter.

The meeting was then adjourned till 11 a.m. on Thursday, the 30th August, 1883.

THURSDAY, 30TH AUGUST, 1883.

The Committee met pursuant to notice.

*Present* : Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The Hon. Major Atkinson and Mr. Dargaville attended.

The minutes of the previous meeting were read and confirmed.

Mr. D. M. Luckie attended and gave evidence, taken down in shorthand. He also read papers which he was authorized to produce relative to evidence given at previous examination.

Mr. Gray, Secretary for the Post Office Savings Bank, attended, and gave evidence, taken down by shorthand reporter,

Mr. J. C. Gavin attended, and gave evidence, taken down by shorthand reporter.

Two opinions of the Solicitor-General were then read to the Committee, one dated the 27th August, 1883, and the other the 30th August, 1883. Another opinion of the Attorney-General and the Solicitor-General, during the premiership of Sir George Grey, dated the 20th November, 1878, was read to the Committee.

The room was then cleared for deliberation, when the following resolution was carried: "That the Committee be supplied as early as practicable with printed copies of evidence and papers to be furnished to each member."

The meeting then adjourned till 10 a.m., on Monday, the 3rd September, 1883.

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#### MONDAY, 3RD SEPTEMBER, 1883.

The Committee met pursuant to notice.

*Present*: Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, Mr. J. G. Wilson.

The Hon. Major Atkinson and Mr. Dargaville attended.

The minutes of the previous meeting were read and confirmed.

The Hon. the Colonial Treasurer attended, and said that either he or the Premier would be happy to attend if necessary when called to answer any questions relative either to the charges already brought against him, or any other questions that might be asked.

Mr. Dargaville stated that he wished to say nothing further than what he had already said, and then left the room.

The Committee then deliberated, and some discussion took place as regards the evidence, when the Chairman was requested to send the following letter to Mr. Dargaville: "3rd September, 1883.—Sir,—Will you immediately return all the copies of evidence for correction.—Yours truly, THOMAS MASON.—J. M. Dargaville, Esq., M.H.R." To which the following answer was sent: "Memorandum for Mr. Mason.—Unfortunately, I have distributed all except two amongst my friends. These two I shall retain meantime.—J. M. D.—3rd September, 1883."

*Resolved*, That, when the evidence is corrected, the Chairman be the only one who shall see a copy of the evidence, except with his authority.

On the motion of Mr. Steward, *Resolved*, That the following note be printed at the head of the evidence: "Note.—The matter appearing in ordinary roman and erasure type is as transcribed from the shorthand notes; that in erasure type and in italics, respectively, showing omissions, substitutions, and amendments subsequently made, at the desire of the witnesses, as corrections of their evidence."

*Resolved*, That the Chairman be requested to ask Mr. Dargaville for the omission on page 14 of evidence. The omission was supplied as follows: "Thereby giving undue advantages to one bank-establishment closely allied with the present Administration."

The Committee then deliberated on the evidence, and adjourned till 11 a.m. on Tuesday, the 4th September, 1883.

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#### TUESDAY, 4TH SEPTEMBER, 1883.

The Committee met pursuant to notice.

*Present*: Mr. Mason (Chairman), Mr. J. E. Brown, Mr. Driver, Mr. Macandrew, Mr. Montgomery, Mr. Steward, and Mr. J. G. Wilson.

The minutes of the previous meeting were read and confirmed.

The Committee then deliberated and agreed to the report.

*Resolved*, That the Chairman be instructed to present the report, accompanied with the minutes and evidence, and to move that they be printed, and that the report be read.

The Committee then adjourned *sine die*.



NOTE.—The matter appearing in ordinary roman and erasure type is as transcribed from the shorthand notes : that in erasure type and in italics respectively showing omissions, substitutions, and amendments subsequently made at the desire of the witnesses as corrections of their evidence.

## MINUTES OF EVIDENCE.

TUESDAY, 21ST AUGUST, 1883 (Mr. MASON, Chairman).

Mr. J. M. DARGAVILLE, M.H.R., examined.

1. *The Chairman.*] Mr. Dargaville, the Committee have agreed to this resolution : "That the Committee is of opinion that the speech of Mr. Dargaville on the 31st July, 1883, does impute political corruption against the Premier and Treasurer ; and that it also imputes personal dishonour to the Treasurer, and is capable of being interpreted as imputing personal dishonour to the Premier." Do you wish to state anything to the Committee in regard to that resolution ?—So far as the first part of the resolution goes, I agree with it. I did impute political corruption ; I intended to impute political corruption. I have yet to learn that in doing so I have transgressed ordinary parliamentary rules. That is the position I take, as far as regards the first part of the finding of the Committee. I entirely dissent from the finding in regard to the rest of it. I have to ask that the Committee will indicate what portions of my speech impute personal dishonour to the Treasurer, or are capable of imputing personal dishonour to the Premier. If the Committee will indicate the portions that do that, then I will further reply.

2. I may state that the Committee has based its decision upon the following passages in your speech :—

"I regret to think that in the financial arrangements of the Government of this colony the public interest is not first considered ; and I say it is almost necessarily so, because they are so bound up with the interests and necessities of a certain institution of this colony that it has become a matter of vital public importance that they should study the interests of that institution ; and I give it as my candid opinion here, apart from all party considerations, that the principal inducement on that occasion was to consider the interests of the institution that I have named.—(Name.) I mean the Bank of New Zealand. I say that I believe—indeed, it is my sincere conviction—that had it not been for the interests of that institution the Government would have been able to carry on until this year without going to the loan market.

"I will only refer to the financial legislation of the colony, so as to be able to show from the past that I have reasonable ground for accusing this Ministry—and when I say this Ministry, I do not refer to any members of it, except the leaders of this bicephalous Government ; I mean the leader in the Upper House, and the leader in this House—the Hon. the Premier and the Colonial Treasurer. Those are the gentlemen I am referring to when I am speaking now of financial legislation and the effects of the property-tax. I shall go back a considerable distance, and trace the origin of the influences that are now at work, and have been for years, in controlling the financial legislation of this country. I go back to the year 1867, when two Acts, which will not readily be forgotten by those who were connected with politics at that time, were passed. One was called the Public Debts Act and the other the Consolidated Loans Act. These Acts provided that the debts and obligations of different local bodies—Provincial Governments and others—should be consolidated ; that the colony as a whole should adopt them, and undertake the payment of interest and principal. By the passing of those Acts something approaching an enormous political fraud was committed upon the whole colony. Profits to the extent of hundreds of thousands of pounds were placed in the pockets of a few individuals, and I charge the prominent persons connected with the present Government with being the prime movers in that.

"The gentlemen who were instrumental in doing that were the honourable member who now occupies the position of Premier in this colony, and his partner Mr. Thomas Russell ; and I say that in consideration of their services for that matter—to show how valuable their services were regarded as being—they were paid the sum of £10,000 by the Bank of New Zealand for their political services in connection with that matter. I want to mention these things to show that these influences have been at work in the past, and are now at work. I say that, from that day to this, having tasted the sweets of the financial legislation of the colony at that time, they have panted for the same thing ever since. They have enjoyed it over and over again, and now in respect of this property-tax they enjoy special immunities and advantages which are placing annually thousands of pounds of profits in their pockets ; and I will proceed to show how. I pointed out last year that one of the effects of this property-tax was to place a hindrance in the way of persons who are desirous of investing money in the colony—that it was a hindrance to the introduction of foreign capital. That is so as regards private individuals only. The Act is so framed, and the provisions are so cunningly drawn, as to give special facilities to loan companies. I shall show how the Act, as it is now framed, operates in respect, firstly, we will say, of the principal loan company in the colony—I suppose that is the New Zealand Loan and Mercantile Agency Company—and afterwards in relation to this new bantling introduced to the public during the last few days, the prospectus of which is published in our daily papers. It is provided by the 15th section of the Property Assessment Act.

"The honourable gentleman says 'Hear, hear.' I say that if he was a party to that Act he ought to hide his head in shame, for such a gross piece of class legislation was never before enacted in this or in any other colony. I now come to this other bantling which has been introduced to the public within the last few days. I mean the New Zealand Land Mortgage Company (Limited). What do we find here ? Another of the companies which are to derive special benefit and exemption from this Property Assessment Act. I may say that the company is launched under the auspices for the most part of the ring in Auckland, who I firmly believe govern the financial policy of this country. The honourable gentleman calls himself the Treasurer of New Zealand. Sir, he is not the Treasurer. He is the accountant—he is the instrument in the hands of those men. He is their willing tool. They keep him in his office. He knows it. He knows that he could not occupy those benches for a single week beyond the time he had their support at his back. He knows that : and therefore I say he is their willing instrument ; and therefore I charge him—fully believing that I charge him justly—with being a party to this gross class legislation under the Property Assessment Act.

"It taxes very lightly the moneys of those capitalists who are bound together, and who are already exercising an enormous power and influence, politically and otherwise, to the injury of this colony, and that it comes down very heavily upon those who have small means, or who send their money out to be invested apart from the operations of that company. I charge the Colonial Treasurer with being a party to this, because he was the man who brought in an Act to abolish a tax which acted fairly and justly, and to put this in its place.

"They may laugh, but their standing-ground is not built upon rock: it is built upon class legislation, it is built upon public wrongs, it is built upon political corruption, it is built upon nepotism, it is built upon financial terrorism. These are the powers which hold these gentlemen on their feet. But I see a wave coming towards them. It is now above the horizon; it is gathering force: and the time will come, probably at the next general election, when it will have reached them, and I am much mistaken indeed if it does not overwhelm them. Then, when they have fallen, there will be amazement that in a colony like this, with an intelligent population and free institutions, men behind the scenes could so long have subordinated the legislation of the country to their individual wishes, and sacrificed the public interest to their schemes of selfish aggrandizement."

—Well, I have only to express my surprise so far at the basis on which the Committee have seen fit to ground their finding; and before I enter further into the matter, it will be necessary for me to carefully consider and consult probably with my friends. Therefore I propose to meet you on whatever early day you think it may be convenient.

THURSDAY, 23RD AUGUST, 1883.

Mr. J. M. DARGAVILLE, M.H.R., re-examined.

3. *Mr. Dargaville*: Mr. Chairman, I do not think that I have anything to add to or take from what I said before, either in the House or at your last Committee meeting. I simply adhere to what I said, so far as my speech imputes political corruption to the Government, and I am prepared, if opportunity is afforded me, to give more definite form and shape to the charges, in order that the Committee and the House and the country may judge how far I was justified in using the language that I did. I further say here that I spoke solely from a sense of duty. I have carefully weighed since the language that I then used, and, although I might, *if I so desired*, have shaped the expressions so as to evade the responsibility which now appears to be put upon my shoulders; yet the mere fact of my having spoken straightforwardly and in unmistakeable terms is not, to my mind, any sufficient reason why I should ~~now~~ show a craven spirit and either express regret for or desire to withdraw the language I then used. I again say, for the last time, let it have what weight it may, that I did not charge those two gentlemen with personal dishonour or dishonesty. But I did, and do, charge the administration with political corruption; and I presume, Sir, it now remains for me to substantiate that charge, if the Committee think it desirable that I should do so, from public records, and from the oral evidence of reliable witnesses; if they think that desirable or necessary, I am prepared to go into the matter. I have nothing more to say, Sir, at present.

4. *The Chairman*: The duties delegated to us were of two kinds—first, relating to personal honour; and second, to political corruption. The first we have disposed of. The second is, whether these allegations of political corruption are true or not. It is for the Committee to determine in what mode they will proceed with the latter question—as to whether these allegations are true or not.

5. *Mr. J. Evans Brown*: That is, the allegations of political corruption?

6. *The Chairman*: That is all.

7. *Mr. Driver*: I should like to ask Mr. Dargaville what is his distinction between political corruption and personal dishonour? He has stated here that he had not imputed any personal dishonour.

8. *Mr. Montgomery*: Is this being taken down?

9. *The Chairman*: The shorthand-writer is taking down the questions, of course.

10. *Mr. Montgomery*: I wish to know, though, whether Mr. Driver is asking a question now?

11. *The Chairman*: He has asked for the distinction between personal dishonour and political corruption.

12. *Mr. Driver*: I submit that I am in order.

13. *Mr. Montgomery*: But I wish to know how we are proceeding—whether we are going to examine Mr. Dargaville as a witness, or to accept Mr. Dargaville's statement?

14. *The Chairman*: If we know what the distinction is between political corruption and personal dishonour, and if we coincide with the definition of that distinction, we shall possibly have a line to go upon.

15. *Mr. J. E. Brown*: As Mr. Dargaville has imputed political corruption to the Premier, perhaps he will be good enough to say what particular part of his speech charges him with political corruption, and what charge he intends to prove?

16. *Mr. Montgomery*: I do not wish to have my question overlooked. I think the Chairman has put the thing very fairly; there is the second charge to consider, viz., as to whether these allegations are true.

17. *Mr. Driver*: But, Mr. Chairman, Mr. Montgomery says he is not going to be put down. I claim the same privilege for myself. I have asked Mr. Dargaville a question, and Mr. Montgomery is going to shut us up by asking something else.

18. *The Chairman*: If the Committee will allow it, it will be better for Mr. Dargaville to say whether he will answer that question or not.

19. *Mr. Macandrew*: I may say that I, for one, should not be bound by Mr. Dargaville's definition of political corruption.

20. *Mr. Driver*: Nor I either.

21. *Mr. Montgomery*: I was going on to say, when I was interrupted, that I wanted to know what is the mode of procedure we ought to adopt in regard to this second charge; whether Mr. Dargaville is to be examined as a witness or not in the matter. I understood Mr. Driver took exception to what I stated about the mode of procedure. He says he has a perfect right to ask questions. I do not dispute that.

22. *Mr. Steward*: I would submit this: Mr. Dargaville stated, if I caught him correctly, that he adheres to the statement or accusation of political corruption as against the Administration. He



went on further to say that, if the Committee so desired, he would formulate the charge; that is, he would point out in what matters he intended to prove that contention. I submit, therefore, that it is for this Committee to consider now whether it desires Mr. Dargaville to so formulate those charges.

23. *Mr. J. E. Brown*: It would be far better for Mr. Dargaville to say what are the charges that he intends to formulate.

24. *Mr. Driver*: I should have followed up my previous question by asking that. But I fail to see, for the life of me, why he should not be willing to answer the question I have asked him. I wished to know from him what his distinction was between personal dishonour and political corruption; and afterwards I should have asked him to point out, in support of his allegation, the paragraph in his speech, a copy of which we have already placed in his hands. These are the only questions I have to ask, and I think they have a material bearing upon the whole subject.

25. *The Chairman*: I think the Committee may safely allow Mr. Dargaville to make an explanation, if he feels free to do so.

26. *Mr. Montgomery*: Certainly.

27. *Mr. Dargaville*: I am quite prepared to answer the question if Mr. Driver will put it again.

28. *Mr. Driver*: I ask you simply to state to the Committee what is, in your opinion, the distinction or difference between political corruption and personal dishonour.

29. *Mr. Dargaville*: Well, Sir, the distinction ~~where the two separate~~—the line of demarcation separating the two—is a very nice one, as it appears to me. But on the broad ground there is this clear distinction: that personal dishonour or dishonesty would mean the action of a public man performed with a view to direct gain to himself individually. I would call that personal dishonour and personal dishonesty. Where, however, a public man, either in legislation or administration, has before his mind the benefits to be conferred upon his supporters and their friends, as distinguished from the benefits to be conferred on the colony at large, that I would call political corruption. Of course, in giving this definition of it, it should be remembered that I am not a lawyer, nor am I skilled in these nice distinctions between one term and another. But that was, at all events, in my mind when I discriminated between personal and political corruption. Of course I am quite aware that hypercritical people will say that it amounts to the same thing, and that a political man who does not do his duty by everybody alike is personally corrupt; but that certainly is not the common acceptance of the term.

30. *Mr. Driver*: Then, you have a proof copy of your speech in your hands, with certain paragraphs marked and numbered. Will you state in which of these paragraphs you charge political corruption without personal dishonour?

31. *Mr. Dargaville*: That is a matter which, at this moment, I am not prepared to do, because I was not aware of the direction your proceedings would take to-day. I did not expect that a question of this kind would be put to-day me, or I should probably have been prepared not only to answer it definitely, but also to say what I propose to do in the way of substantiating the general charges. I gathered from what transpired at the last meeting of the Committee that on this occasion—or at all events until the Committee came to a resolution calling upon me to produce witnesses—I should not be asked to do what Mr. Driver now speaks of.

32. *Mr. Steward*: I do not know whether the questions should not be put through the Chair. That would be the most convenient course to adopt, I think; it would enable the Committee to consider the expediency of having the question put or not. It is desirable that a question should be put to Mr. Dargaville to the following effect: Seeing that you have stated that you adhere to your charge of political corruption against the Administration, do you desire to submit to this Committee any evidence in support of that charge? That, I think, is the question that ought to be put.

33. *Mr. J. E. Brown*: I do not think the time has quite arrived for that question. I think Mr. Dargaville has told us that he is prepared to substantiate what he calls political corruption on the part of certain persons. He denies all the rest. I should like him to state what charge it is that he is going to prove.

34. *Mr. Driver*: That is what I have asked him already, and he says he is not prepared to answer it to-day.

35. *Mr. Steward*: Speaking again to the question I propose to submit, which is the matter under discussion, I would say this: that it does not appear to me to be necessary to press Mr. Dargaville to formulate further charges. The charge is sufficiently definite already. He says, "I charge him with political corruption." He should now be asked whether he desires to submit any evidence in support of the charge.

36. *Mr. J. E. Brown*: Considering that Mr. Dargaville has already stated in the House that he did not impute political corruption.

37. *Mr. Dargaville*: Oh!

38. *Mr. J. E. Brown*: Here it is in your speech in the House. [Mr. Brown read extract from speech: "I say that I did not accuse the Premier of corruptly using his political position."]

39. *Mr. Dargaville*: On what page of *Hansard* is that?

40. *Mr. J. E. Brown*: Page 306.

41. *Mr. Dargaville*: And will you read what comes after that.

42. *Mr. J. E. Brown*: "What position had Mr. Whitaker in this House at the time?"

43. *Mr. Dargaville*: Exactly. That was in 1867. Mr. Whitaker was not in the House in 1867. You should read the whole story. (To the Reporter): Are you taking all this down?

44. *Reporter*: Yes.

45. *Mr. Driver*: He had better take everything down, and then it can be sifted afterwards.

46. *Mr. Dargaville*: I could not have accused Mr. Whitaker of using his political position at that date, because he had none. He was simply solicitor to the Bank of New Zealand. I endeavoured in the House to explain that in a most elaborate distinct and unmistakeable manner.

47. *The Chairman* : If the Committee decide that I shall put Mr. Steward's question I will do so—as to whether Mr. Dargaville wishes to submit any evidence in support of the charge.

48. *Mr. J. E. Brown* : Before that is put I should like to consider the thing. From what Mr. Dargaville has stated now, I do not consider that there is any necessity to bother about the thing any more.

49. *Mr. Montgomery* : I do not express any opinion about the matter one way or another.

50. *The Chairman* : I would ask the Committee to allow me to do one thing before we proceed to that, and that is to ask Mr. Dargaville if he will instance any one or more charges in his speech which he wishes to substantiate? If the Committee decide that shall not be done, then we may deliberate first.

51. *Mr. J. E. Brown* : Then I ask that we may deliberate, and that the room be cleared.

[The room was accordingly cleared.]

On Mr. Dargaville's examination being resumed,

52. *The Chairman* : Mr. Dargaville, the Committee have decided to ask you three or four questions. First, Do you intend to go outside the extracts which have been read over to you, and on which the Committee have arrived at the conclusions stated to you?

53. *Mr. Dargaville* : I do not understand you exactly.

54. *The Chairman* : I am referring to the particular portions of the speech which were marked. Do you intend to go outside these to prove political corruption?

55. *Mr. Dargaville* : Do you mean to ask me whether I want to go beyond my own statements?

56. *The Chairman* : No; whether you propose to go over the whole speech, or whether you will be content to limit the matter to those extracts which have been marked.

57. *Mr. Dargaville* : I ~~intend~~ *am prepared* to substantiate the charges of *political corruption*.

58. *Mr. J. E. Brown* : I do not think you have made yourself quite clear, Mr. Chairman.

59. *Mr. Driver* : You are aware, Mr. Dargaville, that the Committee found four or five paragraphs in your speech imputing political corruption; you disclaim any imputation of personal dishonour; the Committee want to know now whether, in your opinion, your proof of political corruption lies within those marked paragraphs, or whether you wish to take other parts of your speech?

60. *Mr. Dargaville* : The whole speech should be taken together.

61. *The Chairman* : The next question is, Do you wish to make any statement bearing on the charges of political corruption?

62. *Mr. Dargaville* : Now?

63. *The Chairman* : Yes, or in the course of a day or so.

64. *Mr. Dargaville* : Certainly, *if the Committee so desire*.

65. *The Chairman* : Then the third question is, Do you intend to call witnesses to prove the charge?

66. *Mr. Dargaville* : *In such case*, Yes.

67. *The Chairman* : And the last question is, When will you be prepared to produce the evidence? The Committee want to have some idea of the nature of the evidence you wish to produce?

68. *Mr. Dargaville* : I could begin on Monday.

69. *The Chairman* : Not to-morrow?

70. *Mr. Dargaville* : Possibly I might be able to begin to-morrow, but the position in which I am placed is this: Standing as it were alone, with very considerable power and authority *and legal talent* against me, I must be careful not to take any false step. Not that I am particularly afraid of doing so, but I am aware that at any moment ~~I am liable to~~, *if I gave an opportunity, I should be tripped up and annihilated*; so I wish to proceed deliberately. This is a question of great magnitude, and it is only reasonable that you should give me time. I will specify a convenient number of charges *as proposed*, and these may be taken as characteristic of *the political* actions generally that my speech refers to. I propose to take a few *at a time*.

71. *Mr. J. E. Brown* : When can you do that definitely?

72. *Mr. Dargaville* : The charges that I propose to go into at the outset ~~are~~ *will probably be* those which can be more conveniently proved here in Wellington.

73. *Mr. J. E. Brown* : But you talk about formulating these charges. When do you propose to give them?

74. *Mr. Dargaville* : On Monday, *if convenient to you*.

75. *Mr. Driver* : Mr. Dargaville will probably recognize that he has had considerable time already. We have now been sitting since Tuesday week.

76. *Mr. Dargaville* : You adjourned till to-day, instead of yesterday, at my request. That is only one day. I am entirely free from any imputation that the sittings of the Committee have been protracted on my account, beyond that.

77. *The Chairman* : Could you not facilitate business by formulating one or two charges, in order that we may commence the examination of witnesses to-morrow?

78. *Mr. Dargaville* : I am not prepared to do that, because I have to confer with my witnesses and friends. I do not want to enter on this matter without being able to complete it.

79. *The Chairman* : Could you formulate one or two charges to-morrow, so as to expedite business.

80. *Mr. Dargaville* : I think it will expedite business to have the matter in form at the outset.

81. *Mr. Driver* : Then you will have it in a complete form on Monday.

82. *Mr. Dargaville* : Some of them.

83. *Mr. Steward* : You will probably be able to proceed with some of them on Monday.

84. *Mr. Dargaville* : Yes.

85. *Mr. J. E. Brown* : In writing?

86. *Mr. Dargaville* : Yes.

87. *The Chairman* : I will ask you, further, whether you could not possibly make it convenient to produce your witnesses on Monday ?

88. *Mr. Dargaville* : It is almost certain that I shall be prepared on Monday with certain charges illustrative of what I mean, and probably with one, or more witnesses to corroborate them. You said, Mr. Chairman, that you are most anxious to *finish* this matter. So am I. But the *onus probandi* is now, it appears, placed by you on my shoulders, and therefore I demand time for consideration.

89. *The Chairman* : What I said was only from personal feeling, not in my position as chairman of this Committee. You must dis sever the two. Personally, I want to get the matter completed as early as possible.

MONDAY, 27TH AUGUST, 1883.

Mr. DARGAVILLE further examined.

*The Chairman* : The meeting was adjourned till to-day, as you are aware, Mr. Dargaville, in order that you might have time to formulate your charges.

*Mr. Dargaville* : Well, Sir, on considering the matter, I have come to the conclusion that it is *probably* better that I should proceed with one charge at a time ; and, *having disposed of that*, so long as the Committee deem it necessary, to go on from one charge to another. But I venture to assume that, if the first charge will show sufficient grounds to warrant me in imputing political corruption, it will not be necessary for me to multiply charges. I assume that I am not put here by you, gentlemen, to undertake the *task* of an accuser of the Government, but simply to justify what I myself have said so far. Am I right in that, or not ?

*The Chairman* : I think so. The question that we have to consider is : Are these allegations which you have made in your speech true or untrue ?

*Mr. Montgomery* : Hear, hear.

*Mr. Dargaville* : And if I produce sufficient evidence to show, generally, that I am warranted in making the allegations which I did, I presume I shall not be required to go on multiplying charges which *would* cover almost an infinity of space, and occupy a great length of time. The Committee, I presume, are desirous of bringing a report up to the House this session, and the session is already drawing to a close. If, therefore, I were to multiply charges, it would be utterly impossible for me to substantiate every one of them within the time at your disposal ; consequently I propose to go on with one charge at a time. Is that agreeable to the Committee ? After this one charge is disposed of—exhausted, so to speak—and if the Committee say, “ We don’t think Mr. Dargaville was warranted in imputing political corruption on the strength of what *he has adduced* ; we require him to go on with other charges ; ” then I shall *probably* do so. But I presume that, if I *shall have succeeded* in showing you that I had reasonable grounds for imputing political corruption, you will not require me to go over the whole range of the proceedings of this Administration during the time they have been in power. ~~This~~, *Such a course would* to my mind, be reducing the *inquiry* to an absurdity, and it would be placing it beyond the power of this Committee to come to a definite conclusion before the end of the present session. That is why I propose to take one charge—if they are to be called “ charges ”—at a time, and exhaust it before proceeding to another. I hold one of these charges *in writing* in my hand ; it is the first I propose to place before the Committee. If the Committee say to me, when I submit that charge, “ Even if you substantiate that charge, we do not call it political corruption, ” then I shall know the ground that I am standing upon, *and what further steps to take*.

*Mr. Macandrew* : I should say that, if the Committee are satisfied that the one case which Mr. Dargaville intends to bring forward bears out the charge of political corruption, that would be an end of the matter.

*Mr. Montgomery* : I think, Mr. Dargaville having the order of reference before him, and there having been a finding of the Committee that he has imputed political corruption, it is his duty now to proceed, in whatever way he considers best, to show that the allegations are true ; and it is for the Committee to decide afterwards whether he has actually proved those charges or not.

*Mr. J. E. Brown* : That is a question which the Committee ought to carefully consider. At our last sitting it was understood that Mr. Dargaville was going to formulate charges which would come within the term of “ political corruption. ” Now he proposes to take one charge—

*Mr. Dargaville* : At a time.

*Mr. J. E. Brown* : And, having exhausted that, and if we decide that it is not political corruption—or, if it is, that he must prove it—then he has many other charges to fall back upon.

*Mr. Dargaville* : Not to “ fall back upon, ” but to “ go on with. ”

*Mr. J. E. Brown* : That is what I meant. I understood that he was going on to say that he was going to formulate his charges. If he has a dozen of them, and he proposes to travel over one of them without informing the Committee of what else is to follow, I think that would be very inconvenient for us. In my opinion the whole thing could be settled in five minutes without that.

*Mr. Driver* : I think Mr. Dargaville might do this : While we cannot expect him to prove the whole of the charges at the same time, I think he should state to the Committee the various charges he has to make, and then take one at a time, after he has told us what these charges are. I would submit that we have got ten ~~days~~ yet in which to make a report—at any rate, all this week ; and, to enable him to get on—as I dare say Mr. Dargaville is as desirous of ending this matter as we are—the Committee might agree to sit daily at a convenient hour, and finish the thing off. It is quite open to Mr. Dargaville to take any course he likes : the Committee cannot compel Mr. Dargaville to prove his charges, nor make him say anything in support of them. The Committee only say, “ We make certain findings, and we give him an opportunity of saying what he likes about them. ”

*Mr. Steward* : As a matter of individual opinion, in reply to what Mr. Driver has said, I may

remark that it is not necessary for Mr. Dargaville, in establishing his allegations, to prove that throughout their administration the present Government have been guilty of political corruption: it would be sufficient to prove an instance or instances of such corruption.

*The Chairman*: But it seems to me more convenient that Mr. Dargaville should put all the charges before us, and that he should proceed with them on the understanding on which the Committee parted the other day.

*Mr. Dargaville*: That would be unfair to the Government and unfair to myself, because I should then have made certain specific charges, *the inquiry into many of which would not have been otherwise could not be entered upon at all this session.* I presume the time at your disposal would not enable you to go into them all. Already it is alleged that I am ~~spinning out~~ *protracting* this inquiry with a view of preventing the Committee from arriving at a decision this session.

*Mr. Driver*: The Committee has not said so, has it?

*Mr. Dargaville*: No; *but the friends of some of them have.*

*Mr. Driver*: Then I do not think you have any right to take any notice of outside opinion.

*Mr. Dargaville*: I am telling you what has been said, and I wish to state that it is not my intention to do anything of the kind. That is why, in fact, that I propose to go on with one charge at a time. As I have already said, it would be unfair to myself as well as unfair to the Government were I to specify a large number of charges, which could not possibly be disposed of within the time at your disposal, and which would be therefore left in an unsupported or uncontradicted state; it would be unfair to everybody concerned. The best way is to go on in a business-like manner and take the charges one by one.

*Mr. Driver*: In my opinion this matter has now assumed the position not as between Mr. Dargaville and the Government, but as between Mr. Dargaville and the House, although I grant that the Government are affected by it. This Committee, I would point out, has been appointed by the House, which has given it certain instructions, and we are bound by the House to do certain things, keeping in mind the necessity of doing everybody justice. Therefore it is our duty to treat Mr. Dargaville fairly, and to base our report on the evidence that comes before us. You (Mr. Dargaville) have made certain charges, and we are asked to say whether these charges are made and whether they are true. We have simply to hear what you have got to say and to give you every latitude in proving them, if you choose to do so.

*Mr. Steward*: Then the position I understand Mr. Dargaville asks us to put him in is this: that he may be allowed to proceed with the general indictment, first on a count which he will now disclose, and afterwards, if necessary, on a presently-undisclosed count.

*Mr. J. G. Wilson*: Surely we can only go into those charges which are down on the minutes.

*The Chairman*: I think you will find that Mr. Dargaville said in his evidence that he did not confine himself to these particular parts of his speech.

*Mr. J. E. Brown*: But the Committee decided that the only thing we could see in the shape of alleged political corruption was in the quotations that we have furnished to Mr. Dargaville, no matter what he wishes to prove outside of these.

*The Chairman*: I should like to ask you, Mr. Dargaville, whether, supposing the Committee does not choose to give a decision on the first charge, you will then proceed with the second or third, as the case may be?

*Mr. Dargaville*: I think the Committee ought to come to a decision on each charge as it is exhausted.

*The Chairman*: But are you prepared, in case the Committee refuses to consider number one charge, to go on with number two.

*Mr. Dargaville*: Not if the Committee declines to consider it at present. I am not going to be entrapped in that way. The obvious intention of that would be to get me to formulate ~~the whole of my charges at the present time~~ *several charges at a time.*

*Mr. J. E. Brown*: That is what you promised to do.

*Mr. Macandrew*: Mr. Dargaville has said in his former evidence, "I did, impute political corruption, and I impute political corruption." What is political corruption?

*Mr. Driver*: We are not asked to decide what political corruption is.

*Mr. Montgomery*: It is now for Mr. Dargaville, if he thinks proper, to justify the allegations he made in the House.

*Mr. J. E. Brown*: From our findings.

*Mr. Dargaville*: I await the convenience of the Committee to begin.

*Mr. J. E. Brown*: Then I ask, Mr. Chairman, that we deliberate on this point.

*Mr. Driver*: I do not think any deliberation is necessary. It would be the wiser course, and we should get on with the business of the Committee faster, if we intimate to Mr. Dargaville that to-morrow we shall expect him, if he is not prepared with the whole of his charges to-day, he shall have them ready for the Committee as a whole by a certain date. This question of deliberation, however, is taking up almost the whole of our time.

*The Chairman*: I was going to suggest that, after hearing the first charge, we could consider whether we should decide at once upon it, and then determine whether we should give Mr. Dargaville an answer upon that, and proceed.

*Mr. Steward*: Mr. Dargaville has already said that he is ready to proceed with his first charge.

*Mr. Dargaville*: Yes; ~~at~~ *it is* this, I have it in writing: "That the Government lent a sum of £225,000 of trust funds, over which the Treasurer has control, to the Bank of New Zealand, without security, for a term of years, in a manner not contemplated by the law, thereby giving undue advantages to one banking establishment closely allied with the present Administration. Further, that Parliament has not yet been informed of the transaction."

*Mr. Driver*: What date?

*Mr. Dargaville*: My witnesses and the records will give you that. I now ask the Committee to

deliberate on this point: whether that statement, as it stands, if substantiated by records and evidence, will constitute political corruption or not?

*Mr. Driver*: The Committee cannot do that.

*The Chairman*: Let us proceed with the proof you have to offer.

*Mr. Dargaville*: I will prove it from the evidence of the Actuary of the Life Insurance Department, and from Mr. Forster Goring, both Government officials, *Clerk of the Executive Council*, and others, as well as from official documents. It would, of course, have been unbecoming on my part to have gone to these gentlemen personally and told them that I ~~wanted~~ *required* them to give evidence ~~on my behalf in this matter~~; and I therefore ~~require~~ *request* you, as Chairman of this Committee, and by virtue of the powers vested in you by the House, to ~~request~~ *procure* the attendance of these gentlemen.

*Mr. Driver*: They cannot be got to-day.

*Mr. Dargaville*: They can; Mr. Knight, the Actuary, was on the Public Accounts Committee only half an hour ago.

*The Chairman*: Have you any other charge that you could go on with without waiting for witnesses?

*Mr. Dargaville*: I am not going to make any charge on my own unsupported assertion.

*The Chairman*: Have you any charge for which witnesses can be got more easily than these? I have sent for the witnesses you have named, but I think it might expedite business if you had any other charge that could be gone on with in the meantime.

*Mr. J. E. Brown*: I think the sense of the Committee should be taken as to the charge. It does not, I think, arise out of the order of reference.

*Mr. Dargaville*: It does. I referred over and over again to the intimate relations existing between the present Government and the Bank of New Zealand; and if that does not arise out of the order of reference I do not know what does.

*Mr. J. G. Wilson*: Of course you were aware, at the time you made your speech in the House, that this sum of money was placed to the credit of the trust funds of the Bank.

*Mr. Dargaville*: Of course.

*The Chairman*: Do you know whether this money was lodged with the Bank of New Zealand here or in Auckland?

*Mr. Dargaville*: I presume, Sir, that is immaterial.

*The Chairman*: But my object is to expedite business; and when I asked the question I had in view the facility of procuring the necessary witnesses.

*Mr. Dargaville*: You need not help me much in that direction; I will undertake to do my part of the business. You have put upon me the necessity of proving these things, and my witnesses will prove everything. I do not want anything to be taken on my own bare, unsupported assertion.

*The Chairman*: If the Committee wishes to deliberate—

*Mr. J. E. Brown*: Certainly; I wish the Committee to deliberate on the question I have raised before we proceed any further.

*Mr. Dargaville*: Is it desired, then, that I should withdraw while you are deliberating?

*The Chairman*: Everybody, of course.

*Mr. Dargaville*: There is one submission I wish to make to the Committee before I withdraw, and I think it *will be admitted* that it is a reasonable one. It is this: I think it would, *in fairness to me*, be *held to be* questionable—I put it respectfully, and on general grounds—*whether* any member or members of this Committee who are pecuniarily interested in the affairs of the Bank of New Zealand *should sit and vote on the question now before the Committee—on No. 1 charge*. I submit that to you for your consideration as men of honour.

*Mr. Driver*: This charge appears to be made directly against the Treasurer.

*Hon. Mr. Whitaker*: If the Committee will permit me for a minute or two, I should like to say a few words. I presume that, in the ordinary mode of adjudicating upon matters of this kind, I should have been at liberty to be present throughout the investigation, and to take part in the proceedings. I was perfectly content to leave the whole matter in the hands of the Committee. I have not interfered in the matter in any way whatever so far; but if I can afford the Committee information of any description whatever, or if the Committee desire to examine me, I am quite ready to waive the right of an accused person not to be examined, and am prepared to state anything I know in connection with these charges. I shall be very glad to attend and be examined by Mr. Dargaville, if he pleases, or any of the members of the Committee, or subject myself to any cross-examination, or anything that may be desired. I desire that the Committee should receive the fullest possible information I can give them on the subject; and, with regard to the Treasurer, I am authorized to say the same thing on his part. Having said that, I do not know that I shall return to the Committee, unless something happens which seems to require my attendance. I am desirous that the whole thing should be sifted to the bottom, and I am prepared, with the Treasurer, to afford all possible information. I presume I have a right to be present and take part in the proceedings if I desire.

*The Chairman*: Undoubtedly.

*Hon. Mr. Whitaker*: So far I have not thought it desirable to do so.

*The Chairman*: I might perhaps ask you to tell the Treasurer of the charges, and he can attend the Committee if he likes. The present charge is directly a charge against him.

*Hon. Mr. Whitaker*: Yes; it is a matter which I myself know nothing about. I would simply remark, with regard to the charge, however, that it does not mention any date.

*The Chairman*: True; but that will come out in evidence.

*Hon. Mr. Whitaker*: But perhaps Mr. Dargaville will give us the date.

*Mr. Dargaville*: The witnesses and records will give all that.

*Hon. Mr. Whitaker*: Yes, but if you would tell me about what time this took place—within a year.

*Mr. Dargaville* : It is within a year from the present date.

[The Committee then deliberated in private.]

On resuming,

*The Chairman* : The Committee have come to the following resolution, *Mr. Dargaville* : " That the Committee will proceed to-day with the inquiry into the charge at present formulated, and will proceed with the same to-morrow, if needed, and, if time allow, any further charges; but will require any additional charges beyond these to be submitted in general terms to the Chairman not later than Wednesday next, at 11 o'clock." You will be allowed to-day and to-morrow to proceed with all the charges you please, but on Wednesday you will be asked to complete your list of charges before 11 o'clock.

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*Mr. KNIGHT* examined.

*The Chairman* : *Mr. Knight*, you are called upon by *Mr. Dargaville* to give evidence in support of the charges he has made.

*Mr. Dargaville* : You are one of the principal officers of the Government Life Insurance Department, are you not, *Mr. Knight*?—I am the Actuary.

Are you aware of the manner in which the funds belonging to the department are invested?—The investment of the funds does not come before me in my present capacity as Actuary.

That is, officially?—Officially.

In the official routine?—Exactly.

Are you aware that a sum of £250,000 has been invested in a certain direction by the department within the last year or so; invested here?—Yes; I am aware that some £225,000 has been lent to the Bank.

To the Bank of New Zealand?—Yes.

In the study of your profession you have had experience of the manner in which insurance companies generally are managed and conducted? You have made a study of them, I presume?—I have.

Are you aware of any insurance company—but before I ask you that let me ask you this: Do you not think that the Life Insurance Department of the Government ought to be conducted on such a basis as that it should stand or fall—it should be in a position to stand or fall—by itself, without relying on the colonial guarantee?—It should do so, certainly.

To be sound business?—Yes.

Quite as much so, in fact, as any so-called private insurance company?—Just the same care should be taken.

Are you aware of any insurance company that has lent, or would lend, to the Bank so large a sum as that in proportion to its means—I suppose nearly a third of its whole assets—for a lengthened period without security?—I am not aware of ~~one~~ any.

Would you consider that an insurance company which would do that was acting in a careful and prudent manner?—I think a private company would divide such a large sum of money over other banks; not put it all in one bank.

You would not think it prudent to do so? From your experience you are satisfied that a private company would not consider it prudent to do so?—I do not think a private company would do it.

You have been away on leave of absence, have you not?—Yes.

Were you in the colony about six or seven months ago, in the performance of your duties here, when the money was lent to the Bank?—I think not.

You were not consulted in any way?—No.

If you had been consulted as Actuary, or as a principal officer of the department, would you have advised such an investment?—I would not have advised the investment, but of course it might have suited the Government to do this as a matter of general policy, quite independent of the particular policy of the office.

*Mr. Dargaville* : That is all I have to say to *Mr. Knight*. I now want *Mr. Forster Goring's* evidence to be taken.

*The Chairman* : Do you know anything, *Mr. Knight*, of the date of this deposit with the Bank? Have you any idea of it?—No; the actual date was given in evidence before the Public Accounts Committee recently. The transaction took place in my absence.

Can you state in what month it took place?—No; but it must have been between November, 1882, and March, 1883.

*Mr. Montgomery* : Does the Treasurer want to put any questions?

*Hon. Major Atkinson* : No.

*The Chairman* : Do you know, *Mr. Knight*, if any interest is allowed by the Bank, and, if so, at what rate?—I believe interest at the rate of 6 per cent. was given, but I cannot speak from my own knowledge.

You have no certain knowledge of it?—No, but I believe it was 6 per cent.

*Mr. Macandrew* : For what period was this money borrowed?—For a term of years, I think; but I cannot speak positively; I really had nothing to do with it.

*Hon. Major Atkinson* : Before the Committee separates I wish to say that I shall be happy to expedite the business before it in any way I possibly can, either by the production of public documents, or offering myself to be examined as a witness, or in any other way.

TUESDAY, 28TH AUGUST, 1883.

Mr. FORSTER GORING, Clerk of the Executive Council, examined.

*Mr. Dargaville.*—Mr. Goring, I presume you have in your hand the minutes of the proceedings of the Executive Council?—Yes. Every distinct resolution of the Council is entered in the minute-book of the Council.

*Hon. Major Atkinson.* I have very great doubt whether the Clerk of the Executive Council should be permitted to produce the minutes of the Executive; and as one of the Executive I am sworn to secrecy, and it appears to me such a thing should not be permitted, at any rate without an order from the Governor, in whose charge this book is.

*Mr. Dargaville.* In reply to what the Treasurer has said, I say that, although the members of the Executive Council may be sworn to secrecy generally, yet, in a matter of this kind, where an Act of Parliament is being given effect to, or ought to have been given effect to, by the Executive Council, not only is it a matter in regard to which secrecy should not be observed, but it is a matter which ought to have been made known by Proclamation in the *Government Gazette* to the whole world. One part of my contention is that an act has been done by the Government not contemplated by the law, and it will be necessary for me to ascertain what Order in Council, if any, has been made in terms of section 19 of "The Public Revenues Act, 1878," or section 5 of "The Public Revenues Act, 1882." I require to know whether any Order in Council in terms of those sections of the Acts has been made, and, if so, the terms in which it has been made. It is obvious that secrecy in a matter of that kind is never contemplated, because it has reference to a matter of public concern, which the whole of the public have a right to know, namely, what class of investments are open to the public for the public money; the money of the Public Trustee, owned by the public; also the money of the Government Insurance Department: and I claim we have a perfect right to know in what way moneys of that kind may be invested. To further justify my contention I would quote that the original Act, called "The Government Insurance and Annuities Act, 1874," indicates particularly, and limits, the securities in which these moneys may be invested. That clause is as follows:—

"37. Any part of the moneys standing to the credit of the Government Insurance Account may be invested, under the direction of the Governor in Council, in Government securities of New Zealand, or of the United Kingdom, or of any of the Australasian Colonies, including Tasmania, issued under the authority of the Parliament of the said countries respectively, or in any provincial, Road Board, or municipal securities in New Zealand, issued under such authority: Provided that, for any uninvested part of such moneys, interest at the highest bank rates allowed at the time for other trust funds shall be paid from time to time out of the Consolidated Fund, and credited to the Government Insurance Account."

I may say that, since that Act was passed, "The Public Revenues Act, 1878," and "The Public Revenues Act, 1882," have been passed, giving extended powers; but this serves to indicate that the fullest publicity should be given to these things. To contend, therefore, that a further extension of the provisions of that clause should be regarded as a matter of profound secrecy is contrary to reason and common-sense. The other clause to which I have referred—section 20 of "The Public Revenues Act, 1878,"—says,—

"20. All securities for public moneys so invested, and all securities held by or on behalf of the Commissioners of the Public Debt Sinking Funds, the Postmaster-General, the Government Insurance Commissioner, or the Public Trustee, shall be held in the joint custody of the Audit Office, the Secretary to the Treasury, and one or other of the above-mentioned officers, and shall be secured under three keys, one of which shall be held by each of the officers having custody of the said securities. All such securities shall be inspected by the officers in whose custody they are, or by three officers of their respective departments on their behalf, at least once in each year, and a return of all the securities found on such inspection shall be laid before Parliament within thirty days after the opening of each session."

That is the section of the Public Revenues Act bearing upon this matter now before the Committee. Section 5 of the Public Revenues Act of last year says,—

"5. The subsection to the nineteenth section of the said Act is repealed, and the following shall be read in lieu thereof: The Postmaster-General, the Government Insurance Commissioner, the Public Trustee, and the Commissioners of the Public Debts Sinking Funds, may, subject to the approval of the Colonial Treasurer, and any Act or Acts to the contrary notwithstanding, invest any part of the balances of their respective accounts in such securities as the Governor in Council from time to time declares to be securities in which such moneys may be invested, and may from time to time sell and convert into money any such securities, and cause such money, together with any interest accruing thereon, to be paid into the account to which such securities belong."

Now, what I want Mr. Goring to prove is this: whether an Order has been made by the Governor in Council declaring that the Bank of New Zealand is a security in which these moneys, the £225,000, may be invested. First, I want to know if such an Order in Council or Orders in Council have been made; second, the terms in which they are made, namely, what limitation they placed upon this power, because it is important to the public to know whether, if a quarter of a million or so may be invested for two or three years, two or three millions may not be invested or locked up in the same way for ten or twenty years. It is an important matter therefore to know not only whether the Order in Council has been made, but the terms and conditions which surround it. That is my reason for having asked you to be good enough to ask Mr. Goring to appear here to-day to give his evidence. Before I question him, however, I will, with your permission, in order to fortify myself in the position I take up—namely, that this Order in Council should have been regarded as a matter of public concern, and not a secret resolution of the Executive Council—if you will permit me to do so, I will ask Sir George Grey—than whom no one is more familiar with the duties and obligations concerning an Order in Council—to tell us what the practice is in regard



to matters of this kind. Then, if you think that Mr. Goring ought not to be examined, or that it is too sacred a matter to enter upon, of course I will submit to your ruling; but I will ask you to allow me to place on record the opinions of Sir George Grey as to the usual practice in respect to matters of this kind.

*The Chairman:* Are you willing, Mr. Goring, to produce the minutes bearing upon this question to-day?—Not without the direction of the Governor. If you ask me to mention the matter to the Governor, and he orders me to attend and show everything, I shall do it.

WEDNESDAY, 29TH AUGUST, 1883.

Mr. D. M. LUCKIE, examined.

*Mr. Dargaville:* You are Commissioner of Government Insurance?—Yes.

Has the sum of £225,000, funds of your department, been placed for a term of years in the Bank of New Zealand?—Yes; in five separate sums.

On different dates?—Yes; in January, February, and March last; the amounts were £10,000, £10,000, £5,000, £100,000, and £100,000.

For what period?—Two years.

Do you know if any Order in Council was issued in terms of section 5 of "The Public Revenues Act, 1882," or any other Act, as to the investment of the funds and the securities on which they may be invested?—No; I have no Order in Council bearing on the ~~investment on deposit~~ disposal of funds belonging to the department.

I am speaking of investments such as this for a period of two years?—It has been held that this is not an investment.

You have no Order in Council?—No; *not as respects deposits.*

You mean by "it has been held," that that is the opinion of some persons?—Yes.

Then, in doing that, you did not act under the authority of or in compliance with any Order in Council?—No.

And, so far as you know, there is no Order in Council having reference to the transaction or to similar transactions?—No; *there was no such order.*

You are familiar, I presume, with the provisions of "The Public Revenues Act, 1878," a subsection of section 20 of which provides: "All such securities shall be inspected by the officers in whose custody they are, or by three officers of their respective departments on their behalf, at least once in each year, and a return of all the securities found on such inspection shall be laid before Parliament within thirty days after the opening of each session"?—Yes.

Are you aware when any such inspection took place last?—In March last.

You have, I presume, in your possession the acknowledgments of the bank for these moneys?—The deposit receipts are in my possession.

Your individual possession?—Yes, *as Commissioner; they are in my safe.*

Not under the control of three persons?—No.

Do you not regard them as "securities" under the meaning of the Act?—No.

Do you hold, then, that you would not be evading or breaking the law by investing these moneys to any amount or for any period of years in the same manner?—I do not think I have been breaking the law.

If it had been two millions instead of a quarter of a million, do you think that investing it in the same manner for a period of years would not have been evading the law?—I do not think it is fair to put such a hypothetical question. I am dealing with only £225,000; *and I am advised the deposit is not a "security" under the Act.*

I submit to the Committee that I am warranted in putting the question, because my object is to test the legality of the transaction as to whether there has or not been an evasion of the law; because, you will observe, I have asserted it has been done in a manner not contemplated by the law. I wish to substantiate that, because if the law contemplated the investment of a quarter of a million, and placed no limit, it must be held to have contemplated the investment of a much larger sum.

*To the Witness:* I therefore ask you again if you would feel yourself at liberty to invest, say, half a million of the money of the department in the same way?—I do not know until the circumstances arose. I act in accordance with what seems best for the office at the time.

As to the term for which this money is lent to the bank, do you consider that the term of two years might, under any circumstances, be exceeded?—I do not think I should like to exceed it.

Why not?—I think it would be too long to exceed it, except under *very* particular circumstances.

Can you give your reason for that?—I can only say that it is advisable not to go to too great an extent in depositing moneys in that fashion.

Yes; but will you give us some reason, not your opinion?—I do not think it would be advisable. I might require the money for better investment. I get 7 per cent. sometimes.

But was there no prospect of your getting better investment for this, say, 7 per cent. during the period of two years?—Yes; but I *am* always having more moneys accruing. The ~~gross~~ income of the department is about £208,000 a year.

And therefore you feel that you are warranted in lending this money to the bank for that long period?—Yes.

I presume you consulted the Treasurer?—I mentioned the matter to him.

Did he approve of it?—Yes; he offered no objection. I was getting payment of Treasury bills, for which I had been getting 3 5 per cent., and for which there was then no demand. I made about £1,400 to £1,500 a year of *additional interest* by the change.



Do you consider that the rate of interest obtained for investments of that kind is the first consideration?—No; safety, I should say, would naturally be the first, and a good rate of interest the second; *and I think I secured both.* I look upon that as simply deposit account.

For two years?—Yes.

I call that investment.—The Controller-General does not hold the same opinion.

If it had been for three years, would it have been an investment?—You are asking again *for an opinion on a question that I think is hypothetical.*

You assert that you look upon it not as an investment, and I want to know what period would constitute an investment?—I do not know.

Do you regard it as a deposit and not an investment on account of the shortness of the term?—No.

Why, then?—Because it is put in the bank on deposit account.

Are you not reasonably warranted in assuming that the bank uses the money?—I should think so.

It does not hold the money there simply for safe custody?—~~I do not know.~~ It is part of its business to use it, I presume.

Notwithstanding that, you consider it simply as a deposit, and not a loan to the bank?—Yes.

Have you had experience in the management of insurance companies before you were put in this position?—No; I had a good deal to do with insurance matters at various times.

Are you aware of any insurance company which to your knowledge has invested so large a proportion of its available means in a manner similar to this?—I could not say. I know that some of the larger companies ~~even here in these colonies~~ have very large sums on fixed deposit and large sums at call.

Are you aware of any insurance company in these colonies having lent anything like £225,000 to one bank for a period of two years?—No; I am not aware of it.

Have you had any experience in financial matters prior to your being placed in your present position?—Not much; I have had a very general experience; I was in a lawyer's office as a young man, *and had to do with conveyancing and mortgages.*

I presume, in a large matter of this kind, you would feel it your duty to be guided by the Treasurer to a very great extent?—I would be guided by him as to whether or not he could afford me Treasury bills. Of course I should not have invested such a large sum without letting him know what I proposed doing.

Then, he knew and approved of it before you did it?—Yes; he consented to it.

Then, the receipts you hold from the bank for this £225,000 you do not regard as securities of such a nature as are required under the subsection of the Act of 1878 which I read?—In point of fact I *do not* and did not. Before my time these deposit receipts were in the habit of being held by the Controller-General under the three keys, but towards the close of 1879 the Controller-General said to me, "These are not securities. You must keep them yourself. It is simply another account which the Commissioner has opened in the bank. They are not securities. Take them away and keep them yourself;" and that I have done ever since.

Is that why you did not think it necessary that Parliament should be informed what the transactions were?—Parliament is informed of it *in due course* in the regular annual accounts of the department, which show all the securities held.

Is this deposit of £225,000 shown in any published record?—No; because, by the Public Revenues Act of last year, the financial year of the department was changed so as to end on the 31st December instead of the 30th June *as formerly*; and, therefore, the published accounts ~~only~~ *were only* up to the 31st December last. Before the Public Accounts Committee I have submitted a draft account for the half-year ending the 30th June, in which ~~this is~~ *these deposits* are shown.

That is not before Parliament yet?—No; *the statutory period had not arrived.*

You supplied that information *to the Committee* in reply to a question asking for it?—Yes.

How came this money to be dealt with in that way? Can you, of your own motion, without even the verbal approval of the Treasurer, do it?—If you turn to section 10 of "The Public Revenues Act, 1878," you will find that the account of the department can be operated on only by the cheque of the Commissioner, countersigned by the Controller-General.

It was in that way these moneys were transferred?—It was.

Transferred from ordinary account to this form of investment or loan to the bank?—Those are not my terms.

Section 12 of the Act of 1878 says all moneys in the bank are lent to the bank, so you are familiar with the terms?—Yes.

But you do not hold that you would be at liberty to undertake an enormous transaction like ~~this~~ without the knowledge and consent of the Treasurer?—I do not think I should be right without ~~telling~~ *consulting him.* But it is simply a transfer of account. I believe the law gives me power to do it, acting with the Controller-General.

Do you believe the law gives you power to invest an unlimited amount for an indefinite period in the same fashion? Has the law, according to your interpretation of it, placed no limit to it in that way?—I do not know; that is a legal question.

You told us you believe ~~you~~ were acting under your legal power. Now, I ask if what I have stated would be within your power?—You speak of an unlimited amount and an unlimited period, and you expect me to give a sensible answer.

Yes?—Well, I cannot do it.

You do not think a quarter of a million for two years is an unreasonable period or amount?—No.

And the Treasurer agreed with you?—Yes.

I presume you are familiar with the provisions of "The Government Insurance and Annuities Act, 1874"?—Yes; *quite familiar*.

You are aware that section 37 distinctly defines the manner in which such moneys should be invested—in Government securities, &c.?—Yes.

And limits the investment to such securities?—*Witness*: Have you read section 5 of the Act of 1882?

*Mr. Dargaville.*] Yes; but, notwithstanding that, the section I refer to has not been repealed. Do you hold that under section 5 of the Act of 1882 you can entirely disregard section 37 of the Act of 1874, and invest such large sums for any term of years you may think reasonable?—Yes; *I can deposit*.

I consider that section 37 of the Act of 1874 has not been repealed?—I will read section 5 of "The Public Revenues Act, 1882."—"5. The subsection to the nineteenth section of the said Act is repealed, and the following shall be read in lieu thereof: The Postmaster-General, the Government Insurance Commissioner, the Public Trustee, and the Commissioners of the Public Debts Sinking Funds, may, subject to the approval of the Colonial Treasurer, and any Act or Acts to the contrary notwithstanding, invest any part of the balances of their respective accounts in such securities as the Governor in Council from time to time declares to be securities in which such moneys may be invested, and may from time to time sell and convert into money any such securities, and cause such money, together with any interest accruing thereon, to be paid into the account to which such securities belong." That is absolutely a repeal *as respects the limitation*.

I say, No. It gives extended powers, but does not repeal clause 37 of the Act of 1874. Well, notwithstanding that clause of the Act of 1874, you hold you may invest these sums of a quarter of a million or so for any period of years in the way you have stated with the consent of the Treasurer?—Yes.

And without an Order in Council?—Yes.

And you mean to continue to do so, unless Parliament interposes some check, should occasion arise?—I do not see any reason why I should not. The money would have lain in the bank at 3 per cent. if I could not get investment otherwise, *and that would have been suicidal injurious* to the interests of the department.

~~I suppose you know that with the necessities of any department or corporation~~ I suppose you know that *it is in proportion to the necessities of any banks, corporations, or individuals* they are always prepared to give a *higher high* rate of interest for money?—I do not know. I am sure the rate of interest is generally governed by the demand for money in the market.

Have you heard the axiom, "The higher the rate of interest the worse the security"?—Yes; it is a common axiom.

If the bank had been prepared to give you 7 or 8 per cent. for this money, I presume, according to your view of the matter, you would have been all the readier to invest it?—I do not know. You are supposing circumstances that have no existence, and then asking me what I should do in them.

That is a higher rate than you could get in other investments?—Yes.

Did it ever occur to your mind to consider the desirability of the investment on the ground of safety and convenience to the department?—I thought it was a good, safe, and sound ~~investment~~ *transaction*, otherwise I should never have thought of making it.

You now hold yourself at liberty to repeat an operation of that kind should circumstances arise?—If similar circumstances existed I should say it would be a wise course to follow.

*Mr. Driver.*] When were you appointed Commissioner?—In February, 1879.

Has this mode of making deposits with the Bank of New Zealand been always the custom of the department?—It was the course I found in existence, and I have followed it.

As a matter of fact, although the money is lent to the Bank of New Zealand for a term of two years, can that money be withdrawn at any time?—I believe it can as public money.

Did the idea of making these special deposits originate with you or with the Treasurer?—With myself.

Refreshing your memory, was it not earlier in 1879 than you said that you received certain instructions from the Controller-General?—I will ascertain the exact date. It was a few months after my entering the department.\*

*Mr. Steward.*] Did you invest any other money of the department about the same date?—I think not; but I can ascertain. I should have remembered if it had been an amount of importance.

If you did, will you ascertain the terms and the rate of interest?—Yes.

*Mr. Montgomery.*] Can you furnish us copies of the deposit receipts?—Yes.

Were there large deposits of money belonging to your department in any bank at the time you took office?—Yes; on the 28th February, 1879, there were £74,000 on deposit for six and twelve—generally twelve—months with the Bank of New Zealand.

How long had that been deposited before you took office?—Since the 15th of February, 1878.

And when did you take office?—26th February, 1879.

You consider the law gives you power to act as you have done?—Yes.

Could you have made that deposit in any bank?—I do not think it would *have been* legal. I am bound to perform my transactions with the bank of the Government; that is my opinion.

How do you arrive at that opinion?—There is a specific *agreement arrangement* connected with the Bank of New Zealand, which necessitates that the Government insurance moneys shall be so treated.

*Mr. Macandrew.*] Is the question as to how, and to whom, any insurance funds shall be disposed of decided on your absolute authority?—No.

What authority is there?—It is on mine, as regards dealing with the banking account.

Then, it is deposited in the bank on your authority absolutely?—Coupled with the concurrency of the Controller-General; he must consent.

\* The date was April, 1879.

Then, what distinction do you draw between deposit and investment?—I consider that this money is open to call in reality as being public funds.

But this is on fixed deposit for a given time, and you say it can be recalled at any time?—As public moneys I think it could.

Then, what does fixed deposit mean? It is a misnomer surely. If the Colonial Bank, say, had offered an eighth per cent. more, would the deposit have been laid there?—I do not think it could have been. I would have been willing ~~if it was~~ *had it been* permissible.

Supposing by an possible contingency any loss should arise in respect of insurance funds lodged in any bank or banks, upon whom would that loss devolve?—I suppose upon the department or the Government. I do not know which.

What is the difference between the Government and the Insurance Department?—The department's funds are distinct from the other funds of the Government.

*Mr. J. G. Wilson.*] You said this money was placed at a high rate of interest. You took into consideration at the time that you could withdraw it, did you?—I did not think about withdrawal, because I did not think I should want to withdraw it. We are accumulating funds every month, which I have to dispose of to the best advantage, and which in the meantime I am putting into deficiency bills, which at that time I could not *obtain*.

*Mr. J. E. Brown.*] Have you any information which would tell us when this system of deposit with the bank commenced?—I have mentioned the date, *15th February, 1878*. Here is a memorandum which was ~~given~~ *submitted* to the Colonial Treasurer on behalf of the department more than a year before I joined. (See Appendix.)

Who was the then Treasurer?—Mr. Larnach.

Then, this system was commenced by Mr. Larnach in 1878?—It was approved by him.

Upon the suggestion of Mr. Knight?—Yes, who was then acting for the Commissioner.

That system has continued ever since?—Yes.

Did you make this deposit of £225,000 simply because you had no other investment of your funds?—Yes; the Government was paying off the Treasury bills at the time.

Then, you could not purchase debentures of other colonies without the consent of two other persons?—I could not have purchased them; *and, besides, the interest on these would have been too-low*.

You could not have purchased them without the consent of the Controller-General or some one else?—Without the consent of the Treasurer, and acting under the authority of an Order in Council.

You did not require an Order in Council or even the consent of the Treasurer to make a deposit of money in this way?—I do not think legally it would be absolutely necessary to have the consent of the Treasurer; but I would always, if it was a large sum, report the circumstance to him, and have his concurrence, and ascertain whether he could give me an investment himself.

Do you consider that this, being public money under the Public Revenues Act, could be withdrawn from the bank to-morrow if you saw a better investment?—I do not know as to to-morrow; I believe it could be withdrawn, but I do not think I should be likely to withdraw it to-morrow.

What I mean is, have you or the Government power to take that money?—I believe, as public moneys, it could be withdrawn.

*Mr. Macandrew.*] Do you say there were no insurance funds on fixed deposit in the Bank of New Zealand before February, 1878?—I think not; but I will submit a list of all deposits made.

Was there a current account?—Yes.

But there is no difference between fixed deposit and open deposit, according to you, inasmuch as the money can be drawn out at any time?—According to the Public Revenues Act I believe the money could be drawn out without notice.

Practically there is no distinction, then, as far as the bank is concerned?—So it would appear. At the same time I do not think it at all likely that such a result would occur. *I operate on the amount current, but leave the deposits alone.*

*The Chairman.*] In case the money were drawn out it would simply mean a forfeiture of interest?—Yes.

Do you consider that the entire control of these deposits rests with yourself and the Controller-General?—Yes; generally.

*Mr. Dargaville.*] Casting your eye over the range of similar operations before, have you found any approximating such magnitude as this in amount, or for any thing like a similar term?—No; the largest sum previously was £92,000, and the longest period twelve months, and the rate of interest, I think,  $5\frac{1}{2}$  per cent.

You think, by the Public Revenues Act, this money could be withdrawn at once without notice?—I understand so.

Is that not in case of any doubt arising as to the safety of the deposit?—I do not know.

I think you will find that it is in case of any doubt as to the soundness of the institution that the moneys can be withdrawn. Have you any conception of what the effect would be upon the bank of the immediate withdrawal of £225,000? My object is to arrive at the practicability of the suggestion that the money may be withdrawn?—I should say it ~~would~~ *might* be disastrous to the bank. I do not contemplate withdrawing any of the money.

Therefore, for all practical purposes, this money must be held not to be withdrawable without notice?—I certainly have no intention of withdrawing it. I think it is very good interest we get for the money.

Mr. Driver.] You say by law you could not do business with any bank?—No.

And you say the immediate withdrawal of £225,000 would be disastrous to the bank?—I will modify that term; I think it might be injurious.

And do you think it would be if the money was simply withdrawn from deposit account, and placed to current account?—No; I think it would not in that case; *it would be simple transfer.*

Mr. Montgomery.] What is the date on which you made the last deposit?—I think the 16th March.

Mr. Dargaville.] I now propose to refer briefly to the written statement I handed in, and to give my reasons for making it ~~which I hold have been supported so far by the existing state of the law.~~ First, "That the Government lent £225,000 of trust funds, over which the Treasurer has control, to the Bank of New Zealand, without security, for a term of years." That has been established by the evidence submitted, the term of years being two years in this instance. And if a transaction of this kind could be entered into for two years, in the discretion of the persons who advised it and completed it, there is *nothing* to prevent them entering into it for a much longer term—*say, five or ten years—for a million or two*, "in a manner not contemplated by the law." I think that almost goes without saying, in view of the sections I have read from the various Acts prescribing definitely the manner in which these funds should be invested, and that, *before any investment is made*, an Order in Council shall have been first obtained. In the present instance no Order in Council appears to have been obtained, "thereby giving undue advantages to one banking establishment closely allied with the present Administration." It did not appear to me to be necessary to call evidence to prove that; it is so self-evident. The alliance of the banking establishment referred to with the present Administration will be seen in two ways: firstly, from the correspondence of Mr. Murdoch, the General Manager of the bank, with the Government at the time *the present agreement between the bank and the Government was made*, namely, 1880. Mr. Murdoch speaks there of the disadvantage to the bank of having to hold coin to provide for any reduction or withdrawal of the Government balances, in what he calls the "very conceivable event of a hostile Ministry coming into power." That correspondence, and particularly that expression, coupled with the fact that the present Premier was only a short time ago a director of the bank, and is now a shareholder in it, as well as being standing counsel for the bank—these facts, *and the well-known anxiety of the bank to keep these honourable gentlemen in office*, warranted me in stating that that banking establishment is closely allied with the present Administration. Further, "that Parliament has not yet been informed of the transaction." *It will be seen*, from the subsection of section 20 of the Act of 1878, that the intention of Parliament was that particulars of these transactions should be laid before Parliament within thirty days after the opening of each session. *It is thus so evidently the intent and meaning of the Act that Parliament should be made aware of these investments*, that I hold I was perfectly justified in adding to my statement "that Parliament has not yet been informed of the transaction," although Parliament has now been in session two or three months. I have nothing more to add to those words. I hold that an extraordinary and unprecedented transaction has been entered into with this particular bank, whereby an undue advantage has been given to the bank, and that Parliament should have been made aware of the transaction in due course, which has not been done. I say, further, it was done *in a manner not contemplated by the law*, but with the concurrence and approval of the Treasurer, who is, therefore, responsible for it.

Hon. Major Atkinson: I wish to know whether this is all that is preferred against me. I am ready to meet any and all charges.

The Chairman: Do you intend to make any more charges?

Mr. Dargaville: Not this morning. I have already stated that this charge should be gone on with, completed, and exhausted, and that ~~they~~ *the others* should be taken one at a time. I have repeatedly stated that that was my intention, otherwise a number of charges would be made without any possibility whatever, with the time at the disposal of the Committee, of investigating them *in time to report to the House this session*, which would be unfair both to myself and the persons charged. We have been already three or four weeks —

Mr. Driver: Doing nothing.

Mr. Dargaville: Over this business. I thought the *present charge* the most concise and most easily to be proved or disproved, and that it would be inexpedient for me to formulate any more charges until we have disposed of it.

Mr. Driver: Of course the Committee have no control over you, Mr. Dargaville; but it is quite competent for the Committee to arrive at a different conclusion from you as to the conduct of the business. We have already arrived at a decision, and given you notice of it, and it is for the Committee to say whether it will take a different course now. For myself, there would have to be very strong reasons to induce me to consent to accept anything fresh after to-day.

Hon. Major Atkinson: I submit, with all respect, that the position assumed by the honourable gentleman is one that, in justice to the Committee and myself, he has no right to assume. He made in his speech definite, distinct charges against me—or rather, *I should say*, general and sweeping charges of the most grave character against me. I should say there can be no doubt when he made that speech that he had what he considered sufficient evidence to support every one of those charges. The Committee was appointed to inquire into the fact as to whether charges had been made, and to give Mr. Dargaville an opportunity of proving them to be true. *If the Committee find charges have been made*, the Committee is directed to report whether they are true or not. Then I submit that, in justice to myself, I had the right to ask immediately, if I had so pleased, what were the charges against me. The rule is clear that no man can be brought up charged with grievous offences without knowing what the charges are. I understand that the Committee have given Mr. Dargaville ample time—some three weeks—because I assume he must have known the grounds of those charges before they were made—to formulate them, and to prepare his evidence. Now, I ask

the Committee to inform me whether the case against me is closed by Mr. Dargaville. I say it is a gratuitous assumption by Mr. Dargaville that this Committee is not prepared to investigate these charges. I myself think the House is prepared not to adjourn before these charges are investigated, and, if it is necessary, I hope the Committee will extend the time they have allowed Mr. Dargaville. Now, the question is, can the Committee tell me *that this is the only charge* against me? If I am to be brought up day after day, and charged with one charge when another fails, *then I say* that is a position which no person, especially a high officer of State, has any right to be put in. I hope the Committee will therefore call upon Mr. Dargaville to make all the charges he has to make and to complete his case, and then I will give my reply.

*Mr. Montgomery* : I submit that, having heard the Treasurer's statements, and Mr. Dargaville having also heard them, we may ask him what he is going to say on the matter, which he thinks will convince the Committee to take his view, and that then we should deliberate.

*Mr. Dargaville* : I have already stated that I hold it would be most ~~unfair and inconvenient~~ for me to state a number of charges without any prospect whatever of the Committee being able to investigate them, which I hold to be the situation. I shall await the decision of the Committee in this matter, and, if necessary, the decision of the House in reference to it. There is a clear and distinct imputation against the Treasurer, and I hold that, without mixing up any other matter with it, it is most desirable that some definite conclusion in reference to it should be arrived at, which can be done easily and speedily. I see no reason in what the Treasurer has said, and I could find none in my own mind for postponing this matter, which is not by any means agreeable to any one concerned, longer than necessary. I hold that I have substantiated a very grave charge against the Treasurer, and I shall await the decision of the Committee, and probably of the House, in reference to that matter.

*Hon Major Atkinson* : The honourable gentleman has—from his own printed speeches, and from what he has now stated—in reservation several other charges which he intimates he could make against the Government and against me, and which—it will go forth to the public—he could not have investigated for want of time. I hold that the whole of the charges should be formulated at once, and submit, with the utmost respect, that he *should be called upon* to formulate the whole of ~~them~~ of the charges which he thinks he is capable of formulating against me, and I will undertake—and I think I can undertake—that this Committee shall have ample time to investigate every charge he may make. But I submit it should not go forth to the House and the country that a public man *could be proved* guilty of malversation of office if the Committee had only had time *to complete the inquiry*. I think I can fairly ask the Committee to protect me from such insinuations going out. I think the Committee should do it.

*Mr. Dargaville* : If it will be any satisfaction to the Treasurer I will say this : that, in view of the desirability that the decision of the House should be arrived at at an early moment in this matter, I am content to rest, for justification of the general terms in which I have accused that honourable gentleman, upon the matter now before the Committee.

*Mr. Driver* : In other words, you rest your general charges upon the one before the Committee.

*Mr. Dargaville* : I do that, so that the Treasurer may not plead that I hold other charges over his head, and that I merely covered myself under the pretext of not having time to investigate them.

*Mr. J. E. Brown*.] Then, I understand, you rest your charge upon your present case?—In the circumstances, I am willing to do that.

*Hon. Major Atkinson* : I understand Mr. Dargaville has withdrawn the whole of the charges of personal dishonour, and that now he rests his accusation of political corruption upon the one charge now before the Committee. That being so, I am perfectly content; otherwise I offer the honourable gentleman the fullest time for investigation.

*Mr. Dargaville* : I have withdrawn nothing that I said.

*The Chairman* : I understand, Mr. Dargaville, you are perfectly willing to accept the decision of the Committee on this point, without preferring other charges.

*Mr. Dargaville* : Not of the Committee, because I regard it as a hostile Committee. I await the decision of the House.

*Mr. Montgomery* : I think Mr. Dargaville should not say that. This Committee is appointed by the House.

*Mr. Dargaville* : I am expressing my opinion. You ask me to submit to the decision of the Committee, and I give you my reason for not doing so. I propose the House shall deal with it.

*The Chairman* : I do not think it is fair to charge the Committee with any injustice or partiality in the matter.

*Mr. Dargaville* : I mean that I ~~might~~ will not accept your decision as final. Whatever decision the Committee come to I reserve the right to explain the matter fully in the House.

*The Chairman* : Will you expect us to go into further charges after deciding this?

*Mr. Dargaville* : Not necessarily.

*Hon. Major Atkinson* : Then, Sir, I submit Mr. Dargaville has entirely failed to prove his case : "That the Government lent the sum of £225,000 of the trust funds." Sir, the Government have lent no such sum. I ask the special attention of the Committee to that. Mr. Dargaville has not made any attempt to prove that the Government have done so. Secondly, "That the Treasurer had control over it." As a matter of fact, the honourable gentleman has not given the slightest evidence that the Treasurer had control over it, as, in fact, the Treasurer had no control over it. The third count, "That Parliament has not yet been informed of the transaction." Evidence is before the Committee that, by law, Parliament will not be informed of this particular transaction until the annual report of the Government Insurance Commissioner is submitted to it, with which the Treasurer or the Treasury has absolutely nothing whatever to do. The whole of the insurance business is, by law, conducted sepa-

rately from the Treasury. The Treasurer never sees the accounts, and knows nothing of the funds any more than the Commissioner chooses to tell him. It is entirely under the control of the Commissioner and the Auditor-General, by law. That is all I wish to say. I ask the Committee, before I call witnesses, whether the honourable gentleman has not absolutely failed to prove any one of the three allegations he has made. Whatever may be the finding of the Committee in that respect, I submit, as this is a very grave charge, which ought to have been proved definitely upon every point—whatever may be the decision of the Committee—I shall ask the Committee to examine witnesses in order to show how these transactions arose. These transactions did not originate under the present Government; they have been going on for years, and they are perfectly regular and right. But, before I call anybody, I ask the Committee to say whether this charge is proved or not. I submit I might go away without calling any evidence, because there is none against me. Before anybody should be called upon for his defence, you must decide that there is evidence in support of the charge. Is there any evidence in support of this charge? I submit not on either of the three points: That the Government lent this money, which is not the fact. No member of the Government had anything to do with it; the money is not under the control of the Treasurer in any way. Then, that it has not been reported to Parliament; that is, because there is proper provision made by which it will be so reported at the proper time. I ask the decision of the Committee on those three points. It seems to me perfectly clear that there has been no evidence whatever produced to prove either of those points. Then I ask the Committee, in order that the public and the House may know the nature of these transactions, and what goes on in all trust funds, to let me produce evidence to show how trust funds are dealt with, which is a very serious matter; and I hope the Committee will allow that course.

*Mr. Macandrew*: Do you wish to call evidence in support of the statement you make now?

*Major Atkinson*: Certainly.

*Mr. Montgomery*: Why not call your witnesses?

*Major Atkinson*: Surely the onus of proof is on the person who makes the charge. I cannot well prove a negative. If on those three points a *prima facie* case had been shown, then I submit the Committee would have been entitled to call on me for my defence.

*Mr. Steward*: You contend that this is a grand jury, and you ask it to say there is no *prima facie* case, and to return "No bill." Now, it appears to me, we are not exactly in that position. We have heard the evidence on one side, and it is not for us, I think, to say we will dismiss the matter on the ground that there is no *prima facie* case, but that we shall hear the whole and then come to an opinion on it.

*Mr. Dargaville*: It is my contention that this money has been lent in a manner not contemplated by the law, and I have shown that the Treasurer was a party to that, because he was cognizant of it, approved of and consented to it. I entirely dispute Mr. Luckie's interpretation of his powers and duties, in that I hold this is an investment of money contemplated under the Act I have quoted from, which requires that an Order in Council should be obtained antecedent to it, where securities should be held, and that these securities should be inspected by the officers appointed by law to inspect them; also that a return of the securities should be laid before Parliament within thirty days of the opening of the session. These are the points where I differ from the honourable gentleman. My contention is that these things were not done in accordance with the law which surrounds such large transactions in trust funds with special safeguards. I say that in this instance these special provisions of the law have been disregarded, money lent in enormous sums in a manner not contemplated by the law, and that the Treasurer has been a party to it.

*Major Atkinson*: The honourable gentleman's opinion is so-and-so. He calls witnesses to prove his case, which fails absolutely. Then, I submit, it is not a question of his opinion or my opinion. The question is, Was this money under the control of the Treasurer? I submit he has given no evidence to prove that. Was the money lent by the Government, and ought it to have been reported to Parliament? His own witness shows not. This being the charge, I submit the Committee ought to say whether they call upon me for any defence at all. Then, after they have decided that, I am going to ask to call witnesses to prove how this system arose, and I shall show that larger sums have been deposited in the bank under a previous Government—under the Government of Sir George Grey. I will prove that by evidence, and the way the whole thing arose. But that is quite apart from this question now, for I contend that none of the charges made against me have been proved.

*Mr. Dargaville*: I submit that the evidence of Mr. Luckie and Mr. Knight, as to matters of fact, entirely corroborates my statements. As to Mr. Luckie's evidence respecting his powers under the law, I submit that must be taken by the Committee as his opinion, not as evidence of fact. I stated the law clearly, and when Mr. Luckie says that what was done was in accordance with the Act, he merely gives that as his opinion. I contend it was not in accordance with law. I respectfully submit also, in reply to what the Treasurer has just said, that whatever mistakes may have been committed by the honourable gentleman's predecessors in office has nothing whatever to do with the much larger matter now before us. This matter must be determined upon its own merits.

THURSDAY, 30TH AUGUST, 1883.

Mr. W. GRAY, examined.

*Hon. Major Atkinson.*] You are Secretary of the Post Office and Telegraph Department?—Yes. Has any money of the department been placed on fixed deposit in the Bank of New Zealand since you have been Secretary?—Yes.

When was the first deposit?—In 1878.

Who was then Premier and Postmaster-General?—Sir George Grey was Premier, and Mr. Fisher was Postmaster-General.

Have you continued to make fixed deposits since then?—Yes; up to 1880.

Is the Colonial Treasurer's approval necessary before you make these deposits?—No.

How much had your department on fixed deposit on the 25th March, 1879?—£120,000, I think.

And how much on the 30th September, 1879?—£80,000.

Why did you place the money on fixed deposit?—There was no other outlet for investing the money.

Would it have been in the interest of the Bank of New Zealand to have left the money in current account instead of placing it on fixed deposit?—Yes, undoubtedly.

Why?—Because the Government only received at the rate of 3 per cent. on its current balances, and when the money was placed on fixed deposit  $5\frac{1}{2}$  and 6 per cent was paid by the bank.

Then the deposits were made in the interest of the department?—Yes.

*Mr. Dargaville.*] What was the longest term for which money was lodged in that way?—Twelve months.

Are you one of the gentlemen who have the custody of these moneys and the control of them?—No; I am not one of the Trust Fund Commissioners.

You can give no opinion or evidence as to why they did this?—The fixed deposits on behalf of the Post Office were made on the authority of the Postmaster-General. These deposits were made entirely outside the authority of the Trust Fund Commissioners, and in the interest of the department by the Postmaster-General of the day.

You are not aware of any deposit having been made at any time for such a long period as two years?—No.

This £120,000, was that in one amount?—No; in several.

Extending over a considerable period?—About eighteen months.

This £120,000 was the highest aggregate amount at any one time?—Yes.

You had your answer ready to that question. I presume you had an intimation from the Treasurer that you would be examined on this particular subject?—I had an intimation from the Colonial Treasurer that I would be examined on the subject of fixed deposits, and therefore I came prepared with those figures.

Then you are virtually, so far as these moneys are concerned, a subordinate officer to the Trust Commissioner?—No; to the Postmaster-General.

And you can give no explanation of the reason which induced him to invest these moneys in that way?—Yes. The Treasury had no securities the Post Office could buy with its surplus cash, and there was no other outlet for the money. It was then decided it would be far better to place the surplus on fixed deposit than to leave it in current account, because of the difference in the rate of interest.

Were there no mortgages available?—The Post Office is not permitted to lend on mortgage.

Are you not permitted to lend money, with the approval of the Treasurer or under an Order in Council, on good security?—Since 1882 we are; but prior to that date there was no such approval required.

Not under "The Public Revenues Act, 1878"?—No. Under that Act the Postmaster-General could invest in such security as he thought fit without any reference to the Treasurer, but with the authority of the Governor in Council.

Mr. LUCKIE, further examined.

*The Chairman.*] You were required to produce certain documents to the Committee; will you produce them?—Yes (see Appendix). Then I was to ascertain at what date the Controller and Auditor-General handed me over the deposit receipts referred to. It was on the 5th April, 1879.

*Mr. Dargaville.*] This manuscript of Mr. Luckie's evidence has only just been put in my hand. I have not had time to read it, but it is very clearly in my mind that Mr. Luckie stated yesterday in part of his evidence that he acted on the presumption that those moneys, in terms of the bank's agreement, could not have been deposited with any other bank, or could not have been distributed amongst the other banks for safety. I ask him, was I right in that?—Yes.

I think Mr. Luckie also stated that he acted upon the conviction or impression that the moneys were withdrawable at any time from the bank. Is that so?—Yes; on forfeiture of interest.

I understood him to say that he believed that the Public Revenues Act, or one of the Acts, provided that these moneys might be withdrawn from the bank on demand?—I believe so.

At the time the money was so invested, were you under that impression?—Yes.

Now, Mr. Chairman, I undertake to show that Mr. Luckie was entirely wrong in both impressions. I have before me the agreement between the bank and the Government. It will be found in the Appendix to the Journals of the House of Representatives, 1880. The second clause of that agreement provides: "All moneys paid to the Government shall, subject to the terms of this agreement, be deposited with the bank: Provided (1) that whenever the balance at credit of the Public Account or the New Zealand Public Account, either alone or taken together, shall exceed three hundred thousand pounds, the Treasury shall at any time be at liberty to invest such excess in interest-bearing securities, or in fixed deposit with any bank; and (2), further, that the Treasury shall have the like powers of investment in respect of all or any part of the moneys at credit of the Receiver-General's Deposit Account, the Post Office Account, the Government Insurance Account, the Public Trustee's Account, or other special accounts of the Government." I submit that there can be no other interpretation put upon that but that the Insurance Account moneys may be deposited with any other bank or banks. I also venture to say that there is no provision in "The Public Revenues Act, 1878," authorizing the withdrawal, as stated, of any money lodged in



the bank for a fixed period before the time is up. The 34th clause of that agreement says, "Nothing in this agreement shall be deemed to prejudice any right or power which the Governor in Council or any Commissioners appointed by him may have under the fifty-third section of 'The Public Revenues Act, 1878.'" The 53rd section of "The Public Revenues Act, 1878," refers only to moneys in the United Kingdom. I have perused all the Acts carefully, and I assert, without fear of being contradicted, that there is no provision for the withdrawal of these moneys on demand, and that the terms of the contracts made with the bank respecting these loans very clearly prohibit such withdrawal. Therefore I assert that the opinion that Mr. Luckie has given—firstly, as to his inability legally to invest these moneys in any other bank but one; and, secondly, as to his ability to withdraw the moneys on demand at any time from the bank—these opinions were based on an entire misapprehension of the state of the law, and in ignorance of the terms of this agreement made with the bank. I wish to place this on record before proceeding any further. Further, I may say that I have asked a gentleman who has some experience in these matters (Mr. Larnach) to be present here this morning. He was at one time Colonial Treasurer, and was a bank manager for some years. I wish to place his evidence on record for the purpose of showing that this transaction could not in the ordinary sense of the term be regarded as a deposit in the bank, but as a loan and an investment of moneys for a term in every sense of those terms.

*Hon. Major Atkinson:* I do not propose to raise any objection to this, but merely wish to point out for what it may be worth that Mr. Dargaville's case closed yesterday, and now he wishes to produce what he thinks is evidence to discredit that given by his principal witness. I wish that to be placed on record.

*Mr. Dargaville:* Mr. Hardcastle, our local Resident Magistrate, tried a certain case recently, and refused to hear certain witnesses when the plaintiff's case was closed. Consequently a gross miscarriage of justice occurred. The Treasurer, apparently, is now desirous of acting like Mr. Hardcastle.

*Hon. Major Atkinson:* I said distinctly that I raised no objection whatever, but I merely wished to point out the way Mr. Dargaville is catching at straws.

*Mr. Macandrew.]* Did Mr. Luckie examine the records of the department prior to 1878 as to the respective dates of fixed deposits in the bank?—Yes. At least, I have instructed the clerk in charge to do it, and he made out the list produced.

That list contains the whole?—Yes.

*Mr. Macandrew.]* Do I understand that during the thirteen years this department has been in existence, collecting money, they have never had a fixed deposit in the bank until 1878?—That is the information I have from my officers. There is no record of any deposit receipt prior to that date.

*Mr. Driver.]* My recollection of it is that the department dragged on very slowly for a number of years, and until about that time moneys did not begin to accumulate?—In June, 1878, the accumulated fund was £292,000, and before that the funds were chiefly absorbed in Treasury and deficiency bills.

*Hon. Major Atkinson.]* Were you summoned as a witness, Mr. Luckie, before to-day?—Yes; I attended yesterday on summons.

Were you in attendance the day before?—I was.

At whose request did you come here?—Mr. Dargaville met me on the previous night and asked me if I could be present as he wished me to attend as a witness. I wrote to Mr. Mercer, the clerk of the Committee, telling him I would be in the Under-Secretary's room, where I waited for an hour and a half.

Ready to give evidence at the request of Mr. Dargaville?—Yes.

What is your position?—I am Government Insurance Commissioner.

When were you appointed?—On the 26th February, 1879.

Who was then Prime Minister?—Sir George Grey.

Were any insurance moneys at the Bank of New Zealand on fixed deposit when you took office?—Yes; I have given a list.

How much?—On the 28th February, 1879, there was £74,000. I was appointed on the 26th.

Did you continue to make fixed deposits from time to time?—Yes.

Did you consider it necessary under the law to consult the Minister of the day whenever you made a fixed deposit?—No; I did not.

What was the date of the first deposit made by the department?—19th February, 1878.

What was the amount you had on fixed deposit on the 25th March, 1879?—£89,000.

What was the amount on the 30th September, 1879?—£70,000.

With reference to the sum of £225,000 now on deposit at the Bank of New Zealand, did you consult me before you made it?—Yes; I came to see you.

Why?—Because I wanted to see whether I could get any advice from you with respect to other investments—Treasury bills and the like.

Were you compelled by law to get my approval before you made this deposit?—Not according to the law, as I read it, and as I have acted upon it.

If I had declined to give you my advice on the question, what would you have done?—If I had no other means of investing the moneys I should have put it in the bank on deposit, inasmuch as I should have lost 3 per cent., at any rate, if I had allowed it to remain on account current; and the interests of the office demanded that I should secure a better rate than that.

That is to say, if you have authority by law to deposit the money, it was done without my assent?—Provided I had the concurrence of the Controller and Auditor-General, who must counter-sign any cheque with me before it becomes a valid transaction.

You can make a deposit of this sort without previously consulting the Treasurer?—Yes.

Has the Treasurer anything to do with the custody of insurance moneys or with the accounts?—None whatever.



Has the Treasurer anything to do with the disbursement of insurance moneys?—No.

How often are your accounts published?—Yearly.

In these accounts do you show what money is on fixed deposit?—Yes.

Are you required by law to report to Parliament, except yearly, what money you have on fixed deposit?—No.

Have you ever made any such report?—No; never, other than yearly.

*Mr. Dargaville.*] Can you refer to any Act or provision of the law which enables you to make these fixed deposits?—I stated yesterday very fully that I had been advised, and the Controller-General was of a similar opinion, as shown by his acts, that these moneys put in the bank on deposit were not investments or securities under the Act referred to. That action of the Controller-General was, I believe—if my memory serves me rightly—arrived at after consultation with and after an opinion had been obtained from the Law Officer. I can simply repeat that I consider these moneys on deposit account not investments, and I am borne out by the Controller-General and the practice of the office.

Can you refer the Committee to any law enabling you to do this?—I think it is a case where it should be pointed out that the law prevents it. Section 10 of "The Public Revenues Act, 1878," says, "10. Moneys received under any Act for the time being in force relating to the Government Insurance and Annuities, together with all interest accruing from such moneys, shall be deemed to be public moneys within the meaning of this Act, and shall, anything in any such first-mentioned Act notwithstanding, be kept in a separate account at the bank, called 'The Government Insurance Account,' which shall be operated on only by cheque of the Government Insurance Commissioner, countersigned by the Controller and Auditor-General." That clearly limits the operation and the account.

I agree with you that it limits it; but where we differ is as to whether it warrants the extension of it?—I will use the term "defines" instead of "limits."

Very well; I understand you rely, for your power of placing this money in the bank for a period of years, on section 10 of "The Public Revenues Act, 1878"?—Yes; partly that.

Is it partly that, and partly anything else?—Yes; it is on that.

On that section of the Act solely?—Yes; and what has been the practice, based, as I understand, upon the advice of the Law Officer, received by the Controller-General at the time that the change took place.

Do I understand you to say distinctly that the Solicitor-General has interpreted section 10 of that Act in such a manner as to warrant you in lodging these large sums with the bank for a period of years?—I do not know that he has given it for a period of years.

Say for two years?—I do not know for two years.

But you have acted in that direction, have you not?—Not under the advice of the Solicitor-General.

On your own interpretation of the law, then?—Yes; fortified by the action of the Controller-General in handing me back those deposit receipts in the manner I mentioned in my evidence yesterday. I considered I was acting for the true interests of the department in the matter.

You have handed in a return of fixed deposits made since the year 1878. That you assume to be correct?—Yes.

The average of these operations, I suppose, would be £3,000 or £4,000 each deposit?—Sometimes I gave £1,000 because I was unwilling to lose the bank interest that could be secured for, as the maxim is, I believe the accumulation of small sums to be the basis of good insurance management.

And you felt safe in assuming that the practice which theretofore obtained in the department warranted you in depositing this large sum of £225,000 for two years?—Yes; because, in point of fact, £13,000 in 1878 was just about on a par with £200,000 in 1883, seeing that the accumulated funds had grown so large, and that it was found a necessary thing that I should not lose the opportunity of getting as good interest as I could obtain.

Had you any applications made to you by public bodies or others about this time, or shortly before it, for moneys—I am speaking of the time when this £225,000 transaction occurred; I think it was in February or March?—Yes; there were a few borough applications. One, in point of fact, was ready to be granted, if the conditions had been fulfilled, for a sum of £3,000 or £4,000 perhaps.

Would you be prepared to supply the Committee with a statement of applications that came within your cognizance for three months prior to the 16th March: all the applications or inquiries for loans made to your department that came within your ken during the period of three months prior to the 16th March?—Yes; I think they are very little.

*Mr. Dargaville:* I beg here to record that I entirely dissent from the proposition that the Treasurer has volunteered at the outset of his remarks, namely, that Mr. Luckie is to be regarded as my witness or as a witness on my behalf. I say that he is obviously a witness for and on behalf of the Treasurer. The whole tendency of his evidence goes to justify his own action and the Treasurer's, and he cannot possibly be held to be my witness therefore.

*Mr. Macandrew.*] Who is the political head of your department?—The Colonial Treasurer for the time being.

Do I understand you rightly to say that you do not consider it necessary to consult the Minister in connection with the deposits you make?—Yes; practically the money has been continuously placed on fixed deposit if I could not get deficiency bills.

In point of fact, do you ever lodge any money on fixed deposit without consultation previously with the Colonial Treasurer?—In point of fact, from the time I went in that has been done. It was the practice, as I said yesterday, and I did not consult the Treasurer unless in this way: I considered myself bound to see whether or not there were Treasury bills which would suit for investment.

Who was Commissioner at the time Mr. Larnach was Colonial Treasurer?—Major Heaphy.

He appears to have consulted the Treasurer in making such deposits?—That was at the time it was the impression it was an investment, and was the beginning of the deposit system. Within two or three months after I took office it was found and acted upon that it was not an investment.

Subsequently Mr. Ballance was Treasurer, and Sir George Grey. Did you make any fixed deposits during their tenure of office without their knowledge?—Not without their knowledge, because the Audit reported the state of the bank account to the Treasurer every day.

Did you not, in point of fact, ask Sir George Grey when he was Treasurer?—No; I do not think I did. I acted on the practice I found existing.

All I can say is it seems strange, because I know that in Mr. Ballance's time a close eye was kept on the money in the Insurance Department—with what object I cannot tell; but I am bound to say that never a penny was deposited in the bank without his knowing it?—There are no records from him upon the question as to whether or not deficiency bills were available; but there were at that time no Treasury bills available.

*Mr. J. E. Brown.*] Until a certain period, I understood you to say, these deposits were treated as investments, and could only be made with the consent, as provided by law, of the Auditor-General. They were treated in that way from the beginning—treated as securities?—Yes.

And by law they require the Auditor-General's consent?—Yes; by law it now requires his countersignature to obtain moneys for such a transaction.

*Mr. Macandrew.*] In respect to all other investments, have you to get the authority of the Minister?—Yes; according to clause 5 of "The Public Revenues Act, 1882."

*The Chairman.*] Were any of these deposits made in Mr. Ballance's administration?—Yes.

Did you consult him about these deposits?—No; I followed the current practice.

Had he any particular knowledge other than the general knowledge of the statement supplied to the Treasury?—He would be supplied with the account which the bank and the Audit furnished to the Treasury. He knew every day the balance on the Treasury account and the different trust accounts.

Did he ever personally interfere in the matter?—No.

You never deemed it necessary to apply to him before making a deposit?—No. It was a continuous practice, carried on because it was the only way in which, in the absence of statutory investments, I could dispose of the money of the department.

*Mr. J. E. Brown.*] Would you have made this deposit of £225,000 if you could have bought deficiency or Treasury bills?—No; I do not think I should. Treasury bills were not available, and I did not know what otherwise to do with the money.

*Mr. Montgomery.*] You stated that you believed the deposit could only be made with the Bank of New Zealand, the fixed deposit?—Yes.

How did you arrive at that opinion?—I understood there was a binding arrangement by which I could only deposit at the Government Bank.

Did you consult the Treasurer as to whether you could deposit with any other bank than one?—I did speak about it.

To the Treasurer?—Yes.

What was his reply?—I do not remember exactly, but I think we found that it could not be legally done. I suggested, I believe, that we might give something to the Colonial Bank, but that fell through. I do not remember how.

And you got that opinion from the Treasurer?—I think so.

Did you get it from the Auditor-General?—No; I did not discuss it with the Auditor-General.

Did you say you conferred with the Treasurer as to the deposit of this large sum of £225,000, and he approved of it?—It was not necessary to have his approval. I desired it for the sake of the interest, and he thought it would be a judicious deposit.

*Mr. Driver.*] Are you not obliged by law to make your deposits in what may be termed the Government bank?—That is what I understood should be done, and I have always acted on that belief.

And if you made deposits in any other than a Government bank, you would subject yourself to prosecution probably, and be liable for the whole amount in case of loss?—I have never gone into the question because I thought it a settled matter that the Government bank was the one in which I was to make my deposits.

*Mr. Macandrew.*] Then, it appears, notwithstanding your belief that the law requires you to invest in the one bank, you proposed investing in the Colonial Bank?—If it were practicable.

*Mr. Dargaville.*] You have said two or three times that the Law Officers of the Crown have given an opinion that this was not an investment, and the bank must not be regarded as security under a certain section of the Public Revenues Act. Was that opinion given in writing?—I do not know. I cannot tell whether or not the Controller-General got the opinion in writing. I did not see it, but that was what he told me.

But, in dealing with such a large sum as this—nearly a quarter of a million of money—did it not occur to you that you should take care and have an opinion in writing to warrant you in undertaking it, especially as you knew that at one time previously it was held to be an investment, and that the terms of the Act should have been complied with?—I did not think it necessary, on two accounts: first, that the practice had been what I say; secondly, if I had not transferred the money from current account to deposit, it would have been equivalent to a loss of 3 per cent. interest.

You say it was not an investment, and you hold you were fortified by some supposed opinion given by the Solicitor-General, but which you have never seen?—I cannot recall to my memory that I have seen it; but I am sure the Controller-General, when he handed me back the receipt on the 5th April, 1879, was acting under legal advice.

The Controller-General told you that this was not a legal investment in terms of the Act, nor

were the receipts of the bank securities in the sense contemplated?—Yes; it was not an investment, and the receipts were not securities under the Act.

*Hon. Major Atkinson* : I propose to put in a copy of the opinion of the Attorney-General and Solicitor-General on that.

THURSDAY, 30TH AUGUST, 1883.

Mr. GAVIN, examined.

*Hon. Major Atkinson.*] What are your offices?—Secretary to the Treasury, Paymaster-General, and Receiver-General; also Secretary to the Commissioners of the Public Debts Sinking Funds.

When were you appointed Secretary to the Treasury?—In December, 1878.

Who was Premier then?—Sir George Grey.

Can you tell me whether the Sinking Fund Commissioners have had any money on fixed deposit since, say, 1877?—Yes.

What amount?—About £75,000 was the maximum amount in the aggregate.

Why did they make this investment?—They had some sinking funds to realize in about six months from the time the matter was considered; and they thought it better to place the money in the bank on fixed deposit at interest rather than allow it to remain unproductive.

That is to say, it was done in the interest of the department?—Yes.

What amount was there on deposit on the 25th March, 1879?—About £45,000 on account of the sinking funds.

Can you tell me the total amount on fixed deposit on the 25th March, 1879?—£262,000 altogether.

Can you tell me the total amount on the 30th September, 1879?—£150,000.

Has the Treasury anything to do with the accounts of the Insurance Department?—Nothing whatever.

Or with the money of the Insurance Department?—Nothing whatever.

The Treasury Department is in no way responsible for them?—No.

In fact, we never see them until they are published?—That is so.

*Mr. Dargaville.*] The amounts you name as being on deposit on the two dates include the whole of the trust funds, I presume?—Yes.

Post Office, Insurance, Public Trustee, and Commissioners of Sinking Fund?—Yes.

What has been the longest term it has been customary to put money on fixed deposit?—Six to twelve months. I believe the longest term relates to the money recently invested.

That is, two years?—Yes.

That, then, as far as your experience goes, is unprecedented?—It has never occurred before.

You say the Treasury had nothing to do with the Insurance Department funds?—I do.

Do you mean by that that the Treasurer has nothing to do with the investment of Insurance funds?—I cannot say what the Treasurer may have had to do with it. I say the Treasury Department had nothing to do with it.

That is to say, you and your subordinate officers had nothing to do with it?—Yes.

You are aware of the provisions of the Public Revenues Act?—Yes.

You are aware that it imposes certain duties on the Treasurer in respect to the funds of the Insurance Department?—Yes. I quite understand that the Treasurer has to do with the investment of trust funds in this way: subject to his approval, they are to be invested in such securities as the Governor, by Order in Council, declares to be securities in which such funds may be invested.

*Mr. Macandrew.*] What is the amount on fixed deposit in respect to all departments at the present moment?—£225,000. There is nothing at present on deposit in connection with any other department than the Insurance Department.

*Mr. Dargaville.*] You have had, I presume, a good deal of financial experience in your position?—I have been twenty-three years in the Treasury. My experience has therefore been gathered chiefly there.

In that wide experience, have you ever known it to be customary with any bank to receive what are ordinarily termed deposits for a longer period than one year?—My experience not lying outside the Treasury, I think I have already answered the question.

I am not speaking of you officially but as a man of general observation and information, who generally notices what is going on in connection with Government operations and other matters of public concern, and I ask you if you know of a single case in which a bank has taken a fixed deposit for a longer period than twelve months?—In connection with any Government department?

Yes?—No, certainly not; except in this particular case.

What period, in your opinion, would make a distinction between a deposit in the bank and an investment of money by way of loan to the bank? What period would make the distinction; that is to say, if you lodged money in the bank for five years, would you still call that a deposit, or would it, in your opinion, become an "investment" of the money?—I do not see any distinction.

Then, you regard deposits as investments?—I do not.

Then, any lodgment of money in the bank, no matter for how long a period, would you call a "deposit" in the ordinary sense?—I would; but, as I have said, I have never known a case of money being deposited for any such long period as two years, except the case in question.

*The Chairman.*] In all cases of deposit, is it understood that the money can be withdrawn at any time on forfeiture of interest?—I believe that is customary with banks.

What would you consider the difference in a deposit for five years with a bank, and an ordinary investment?—This difference: that the deposit could be withdrawn with the concurrence of the bank at any time.

*Mr. Driver.*] Not without the concurrence of the bank?—I should think not; I should think that money deposited for a fixed term would be of the nature of a contract, and that you would want the concurrence of the bank to withdraw it.

You take it that for the first year it cannot be withdrawn without the concurrence of the bank?—I should say not until the period had expired.

Then, I understand you to say, it could not be withdrawn?—Not without the concurrence of the bank.

*Mr. J. E. Brown.*] According to the Public Revenues Act, is not all Government money in the bank, whether on deposit or not, public money, subject to be withdrawn at any time, whether the bank may consent, or not?—I should think the money could not be withdrawn until the expiration of the six months' notice to terminate the agreement with the bank.

Are you aware that the Public Revenues Act makes all Government money public money, which can be operated upon at any time?—I should think not. All Government moneys could not be withdrawn except by ending the agreement, which requires six months' notice.

Please look at these deposit receipts, and tell us whether they are not receipts of transfers from one account to another—from an account bearing interest at 3 per cent. to one bearing 6 per cent.?—That is so. The money is taken from one account and placed in another at the bank; but it still remains at credit of the department, and can be operated upon by the Insurance Commissioner and the Controller-General at the expiration of term just the same as any ordinary account.

And drawn out by cheque to-morrow?—Yes; the bank consenting.

You observe that this receipt is for a voucher, not to an individual?—It is not customary to name in deposit receipts the persons in whose favour they are drawn.

This is simply a transfer from an arrangement bearing 3 per cent. to an arrangement bearing 6 per cent.—Yes.

*Mr. Dargaville.*] Do you say that the money might be withdrawn at any time by cheque?—With the consent of the bank.

*Mr. Macandrew.*] I understand you to say that fixed deposits with the bank can be withdrawn on six months' notice from the Government?—The Government account can be withdrawn at six months' notice. Deposits would be subject to special arrangements made with the bank.

If the bank chose to insist that the deposit should remain the fixed time, could it be withdrawn in that case?—That would be a legal question. I am not competent to answer it.

*Mr. Montgomery.*] In your opinion, could that money mentioned in that agreement be withdrawn within twenty-four months of the date mentioned there if the bank would not consent?—I believe there has been a legal opinion given that it could be withdrawn.

Do you believe this is a contract?—I believe these fixed deposit receipts are of the nature of a contract.

Do you believe, or do you not, that the bank can refuse to pay any of that money until the end of the term?—That is a legal question.

But, upon the face of it, this is a contract, you think?—Yes; it is a contract.

*Statement, put in by Mr. Gavin, showing the Moneys standing in fixed Deposits with the Bank of New Zealand on the 25th March and 30th September, 1879, respectively, on behalf of the under-mentioned Departments:—*

	25th March, 1879.			30th September, 1879.		
	£	s.	d.	£	s.	d.
Post Office ... ..	120,000	0	0	80,000	0	0
Government Insurance Department ...	89,000	0	0	70,000	0	0
Commissioners of Public Debts Sinking Funds	44,953	11	6	...		
Public Trust Office ... ..	9,000	0	0	...		
Totals ... ..	£262,953	11	6	£150,000	0	0

JAMES C. GAVIN,

Treasury, Wellington, 28th August, 1883.

Secretary to the Treasury.

*Hon. Major Atkinson.*] Sir, I would like now to point out to the Committee that the charge is that the Government "lent the sum of £225,000 of trust funds, over which the Treasurer had control, to the Bank of New Zealand, without security, for a term of years, in a manner not contemplated by the law." Sir, I have shown by the statement of Mr. Luckie that the Government had no control whatever over this money; the Treasurer had no control over this money; the Government did not lend the money; but the Commissioner deposited not lent it any more than moneys on deposit in the Bank are lent. But, to make it still clearer, as this is only the opinion of the Commissioner—who has, however, had the control of these funds for years, and has operated on them by cheques countersigned by the Controller and Auditor-General—I put in the opinion of the Solicitor-General to show how far the Treasurer has control over the funds of the Insurance Department. I will read it (see Appendix B., No. 2). I would state that since I have been at the Treasury that is the principle upon which I have acted. I have had no doubt about the law all through, and in any communication with the Commissioner I have always told him that the responsibility in these matters rests upon him with regard to fixed deposits, because they are nothing but a change in the accounts—they are simply really a sub-account under the general account. And in further proof of that I will put in the opinion of the Solicitor-General, also ascertained since this case arose, with a view of making it quite clear, but upon which the office has acted for years, ever since Sir George Grey was in office. I will read an opinion given by Mr. Stout, the Attorney-General, and Mr. Reid, the Solicitor-General, in April 1878 or 1879, that these moneys fixed deposits are not securities under the Public Revenues Act, but, being public moneys in the Government Bank, they are liable to be dealt with as public moneys. There seems to be no doubt about that by law that is so. Here is that opinion (see Appendix B.,

No. 1.) I have shown that the Government have not lent the money—that it remains in the bank of the Government, and is liable to the *provisions of the Public Revenues Act*. And in this connection I may say, here arose the difficulty of making deposits in other banks, because, had the Insurance Commissioner and the Auditor-General signed a cheque to withdraw *moneys from the bank* authorized by the Governor and placed it in another bank, they would, I think, have been personally liable, because public moneys would have been lodged in a bank in which there was no authority to lodge it. The question of the bank agreement has nothing whatever to do with *the question*. That *does agreement* can not affect the law in any *form way* or shape. That *It* merely authorizes the Treasurer, if the law *is so and so permits*, to make deposits, as far as the bank is concerned, *without question*. That is to say, if the law will permit us we can take *it the money* and invest it without the bank *being able to objecting*. The object was to leave the Treasurer perfectly free to to act upon the public account when the deposits reach a certain amount, so as to obtain interest if Parliament authorized *us Government* to make particular investments. That *The* bank agreement does not and cannot affect the law. That *part with regard to deposits* is merely binding on the bank, so the Treasurer is free to act as Parliament may direct with regard to these investments. Then I come to this question: The Committee will have observed that I asked each witness when this system of fixed deposits began, and what was its object, and in every case, the Committee will observe, *the answer was that* they began when Sir George Grey was Premier. Now I have made this point clear with this object: that it is a matter of public notoriety that Sir George Grey would not for a moment think of doing anything in the interest of the Bank of New Zealand prejudicial to the various trust funds. *When* We find, as a matter of fact, that during his government very large sums were *invested placed on fixed deposits*: at one time the total *investments fixed deposits in the Bank of New Zealand*—on the 25th March, 1879—amounted to no less a sum than £262,000; and a few days before he went out of office they still remained at £150,000. And, if further evidence was wanted on the subject, it would be seen that these funds were drawn out gradually as the Treasury could supply Treasury or deficiency bills or other securities for their investment. I should wish the Committee to draw this conclusion from that evidence, that this system of making fixed deposits was started with the sole object of promoting the interest of the various funds, and subsequent *Treasurers Governments*, believing that the arrangement was perfectly right, and was in the interest of the different funds, and the only way in which the funds could be *properly profitably* dealt with, have followed out that arrangement. So, although it is impossible *for me* to prove a negative, *namely*, that *it this deposit of £225,000* was *done made* in the interest of the bank, as is asserted *here in this charge*, there is evidence to show that successive Governments have continued this operation; that it was begun by a Government who are above suspicion with regard to doing anything in the interests of the Bank of New Zealand; and therefore we may safely conclude that these deposits are made—as is undoubtedly the case—simply and solely in the interest of the departments concerned. Then I have shown also by the evidence of the Commissioner (and the Committee may see it by looking at the law) that the Commissioner is only directed to make up his accounts for publication once a year, and that, as a matter of fact, when he does make up the accounts these transactions are shown. If honourable gentlemen will turn to *the some of the yearly* accounts they will see the entry “cash on deposit.” I have shown that during all these years these deposits have been going on the Commissioner has never considered, nor has any other department, that they were bound to make a return of these fixed deposits *which—I hold is them to be* simply another form of account in the authorized bank, and not an investment of funds, which *they* are directed by the Public Revenues Act to report to Parliament. Therefore I say that the implied censure, from the fact that *it this transaction* has not been reported to Parliament, will not stand for a moment: that everything has been done in this matter which ought to have been done. I might also say, though this of course is only a matter of opinion to a certain extent, to explain why the authority of the then Treasurer (Mr. Larnach) was, upon the recommendation of Mr. Knight, given to the investment, so-called, of these funds, that is to say the first fixed deposits made by this department, and the reason no doubt was that these *deposits* were then looked upon as investments; they were treated as *fixed deposits securities* by the Controller and Auditor-General, and all *these fixed deposit* receipts were then kept in the safe and treated like any other security. The same question appears to have arisen in November, 1878, as to what they were, and upon that the opinion of Mr. Stout, then Attorney-General, and of Mr. Reid was taken as to the question whether they were securities or not. They gave it as their opinion that they were not securities within the Act. I will read their opinion, which is dated 18th November, 1878 (see Appendix B., No. 1). The Committee will observe that that was the opinion of the Attorney-General and Solicitor-General during the Premiership of Sir George Grey. Speaking from memory, I think the whole of these so-called investments in *fixed deposits*, except the first Post-office investment, took place after that *opinion was given*. I think the Committee will draw the conclusion from *that these facts* that *they fixed deposits* were not considered investments by the Government—that they were really considered, as they are, a change of account in the bank; that they were made in the interest of the various trust funds, and for the purposes of obtaining *an investment interest* which could not otherwise have been obtained; and that, if they had not been so *invested, deposited*, they would have had to remain in the *public current* account, to the great advantage of the bank, at a very low rate of interest. I submit the honourable gentleman has entirely failed to prove one particular of his allegations, and I submit, further, that I have succeeded in proving a negative in every case. I have no further remarks to make.

Mr. Dargaville: I wish to draw the attention of the Committee to this, in the last opinion read: “Even where a general power of investment is given, we do not think placing money on fixed deposit at a bank could be termed ‘investment.’ Such a course could only be taken temporarily under a proper investment offer.”

Major Atkinson: I would merely like to say now that I should like to offer myself for examination by Mr. Dargaville or any member of the Committee.

The Chairman: Do you wish to ask the Treasurer any questions, Mr. Dargaville?

Mr. Dargaville: No, Sir; *Timeo Danaos et dona ferentes!*

## APPENDICES.

## APPENDIX A.

*Return handed in by Mr. D. M. Luckie.*

## GOVERNMENT INSURANCE ACCOUNT—LIST OF FIXED DEPOSITS—BANK OF NEW ZEALAND.

Date.	Number.	Term.	Rate.	Amount.	Date.	Number.	Term.	Rate.	Amount.
		Months.	Per cent.	£			Months.	Per cent.	£
1878.					1878.				
19 Feb.	84,330	12	5½	7,500	5 Dec.	113,739	12	6	1,000
28 "	84,340	"	"	2,000	12 "	113,741	"	"	1,000
7 Mar.	84,357	"	"	1,000	18 "	113,744	"	"	1,000
12 "	84,363	"	"	1,500	1879.				
19 "	84,369	"	"	2,000	2 Jan.	113,759	"	"	1,000
26 "	84,379	"	"	1,000	15 "	113,772	"	"	2,000
13 April	84,397	"	"	2,000	21 "	113,780	"	"	1,500
17 "	84,400	"	"	1,000	29 "	113,787	"	"	2,000
25 "	84,605	"	"	1,000	5 Feb.	113,796	"	"	1,000
1 May	84,613	"	"	1,500	11 "	113,903	"	"	2,000
7 "	84,619	"	"	6,000	7 Mar.	113,674	6	5½	13,000
14 "	84,631	"	"	2,500	12 "	113,675	"	"	3,500
21 "	84,643	"	"	1,500	19 "	113,676	"	"	3,000
30 "	84,664	"	"	1,000	26 "	113,682	"	"	2,000
5 June	84,668	"	"	1,500	22 April	115,108	3	5	5,000
11 "	84,675	"	"	1,500	25 "	115,112	"	"	1,000
21 "	84,689	"	"	1,000	14 Aug.	113,974	12	6	2,000
29 "	84,404	"	"	2,500	28 "	113,983	"	"	2,000
9 July	84,413	"	"	1,000	3 Sept.	113,987	"	"	2,000
17 "	84,426	"	"	2,000	6 "	113,990	"	6½	13,000
26 "	84,443	"	"	1,500	9 "	113,991	"	"	1,000
31 "	84,454	"	"	1,500	11 "	113,992	"	"	1,500
14 Aug.	84,475	"	"	2,000	13 "	113,993	"	"	4,000
28 "	84,494	"	"	2,000	13 "	113,994	"	"	2,500
11 Sept.	113,509	"	"	1,000	19 "	113,997	"	"	5,000
19 "	113,522	"	"	1,500	24 "	113,998	"	"	2,000
2 Oct.	113,701	"	6	1,000	26 "	113,999	"	"	2,000
14 "	113,707	"	"	2,000	1880.				
17 "	113,715	"	"	1,500	29 July	115,547	"	5	4,000
23 "	113,717	"	"	2,000	1883.				
31 "	113,720	"	"	1,000	18 Jan.	173,608	24	*	10,000
31 "	113,721	"	"	6,000	18 "	173,609	"	*	10,000
5 Nov.	113,725	"	"	1,000	19 "	173,611	"	*	5,000
8 "	113,728	"	"	1,500	28 Feb.	173,643	"	*	100,000
13 "	113,729	"	"	2,500	16 Mar.	173,654	"	*	100,000
19 "	113,734	"	"	1,000					
26 "	113,738	"	"	1,000					

\* Interest, 6 per cent. for first twelve months and 5½ per cent. for second twelve months, payable half-yearly.

## APPENDIX B.

(1.)

*Legal Opinions referred to in Evidence by the Hon. Major Atkinson.*

WE are clearly of opinion that, where an Act specifies a particular mode of investment, there is no power to go outside its terms.

Even where a general power of investment is given we do not think placing money on fixed deposit at a bank could be termed "investment." Such a course could only be taken temporarily until a proper investment offer, and, following the rule adopted by the Chancery division of the Supreme Court in England, such a power would ordinarily mean an investment upon Government or real securities of an unobjectionable character.

As to the last paragraph of this opinion we must be understood as speaking generally, and without reference to any particular state of facts.

Crown Law Office, Wellington, 18th November, 1878.

ROBERT STOUT.

W. S. REID.

THE question upon which an opinion is desired is, "What is the position of money issued out of the Government Insurance Account, and paid into a bank upon fixed deposit?"

Moneys received under "The Government Insurance and Annuities Act, 1874," are declared by "The Public Revenues Act, 1878," section 10, to be public moneys, and are liable to be dealt with under the provisions of that Act.

The authority for investing such moneys is contained in the 37th section of "The Government Insurance and Annuities Act, 1874," and the 5th section of "The Public Revenues Act, 1882."

The securities upon which such investments may be made are indicated in those sections; but nothing is said about fixed deposits; and indeed, in my opinion, a deposit of money in a bank to be repaid with interest after a stated period is not an "investment" within the meaning of these provisions.

Fixed deposits in a bank are usually made upon a voucher signed by the person making deposit, in exchange for which he gets a receipt from the bank, stating the period of deposit, rate of interest, &c. Both these documents must be looked at and read together, to see what is the actual contract; but, as in the present case, there is no legal authority for making such a contract, I am of opinion the moneys so placed on fixed deposit remain public moneys, and are liable to be dealt with under any law affecting them.

Crown Law Office, 27th August, 1883.

W. S. REID.

(2.)

I UNDERSTAND the questions upon which you wished to be advised are,—

(1.) What control the Treasury has over moneys of the Government Insurance Account; and

(2.) Whether moneys belonging to such account placed in a bank on fixed deposit are securities within any law authorizing investment of such moneys.

1. In answer to the first of these questions, the present law affecting the receipt and control of moneys in the account referred to is to be found in "The Public Revenues Act, 1878."

Section 10 of that Act overrides section 36 of "The Government Insurance and Annuities Act, 1874," and declares that moneys received under that Act are "public moneys," to be kept in a separate account, and operated on by cheque of the Commissioner, countersigned by the Controller and Auditor-General.

I am therefore of opinion that, so far as affects the control of these moneys, the Commissioner is independent of the Treasury, both under section 10 and section 12 of the same Act, and no Treasury regulations could alter the operation of these sections. It is only when the Commissioner requires to invest money under the 5th section of "The Public Revenues Act, 1882," that the Colonial Treasurer's approval is required to the proposal. In this latter respect the Commissioner of Government Insurance stands upon the same footing as the Postmaster-General and the other functionaries mentioned in the 5th section, who are required to obtain a like approval of investments proposed by them.

2. In answer to the second question, I think that fixed deposits in a bank of moneys belonging to the Government Insurance Account are not securities within the meaning of the 37th section of "The Government Insurance and Annuities Act, 1874," or the 5th section of "The Public Revenues Act, 1882."

Crown Law Office, 30th August, 1883.

W. S. REID.

#### PAPERS HANDED IN BY MR. LUCKIE.

MEMORANDUM from C. GODFREY KNIGHT to the Hon. the COLONIAL TREASURER.

Government Insurance Department, Wellington, 11th February, 1878.

IN consequence of there being no Treasury bills available, the moneys that have accrued from the 1st of January to the credit of the Government Insurance Account have not been invested as hitherto, and there is now a sum exceeding £8,000 awaiting investment.

I would propose that, until Treasury bills or other securities specified in section 37 of "The Government Insurance and Annuities Act, 1874," are available, the moneys from time to time accruing should be placed on fixed deposit with the Bank of New Zealand at  $5\frac{1}{2}$  per cent., instead of remaining there at call as at present, and only bearing 3 per cent.—C. GODFREY KNIGHT, *pro* Commissioner.—The Hon. the Colonial Treasurer.

Cheque No. 154 for £7,500 handed to Dr. Charles Knight for deposit as above.—(Sd.) T. J. BOYES, 15/2/78.

11/2/78, Approved; (Intd.), W. J. M. L., Colonial Treasurer.

Fixed deposit receipt No. 173609; due 18th January, 1885.

Bank of New Zealand. Deposit receipt. Wellington, 18th January, 1883.—Received from No. 173609 the sum of ten thousand pounds as a fixed deposit, repayable at the end of twenty-four (24) months, bearing interest at the rates as indorsed from the date hereof.

£10,000.

For the Bank of New Zealand. { , Manager.  
 , Accountant.

When payment of this receipt is required, the receipt must be returned, duly indorsed.

[INDORSEMENT.—Rate of interest for the first twelve months, (6) six per cent. per annum; for the last twelve months, ( $5\frac{1}{4}$ ) five and a quarter per cent. per annum. Interest payable half-yearly.]

No. 173608, ten thousand pounds, 18th January, 1883; No. 173611, five thousand pounds, 19th January, 1883; No. 173642, one hundred thousand pounds, 28th February, 1883; No. 173654, one hundred thousand pounds, 16th March, 1883.—The above are all repayable at the end of twenty-four months, and all bear the same indorsement as to interest.

Balances, Government Insurance Account.—January 18, 1883, £7,064 9s. 2d.; January 19, 1883, 1,758 15s. 2d.; February 28, 1883, £4,932 10s. 9d.; March 16, 1883, £2,508 6s. 7d.—R. M. LANE, Accountant.

