

250. Can you explain why what was contemplated by the Act originally was not complied with?—I, of course, could not get behind the ideas of the Colonial Treasurer at that time. I am inclined to think that there was not too much money to spare.

251. At all events, your answer is that the reason why the law as contemplated was not given effect to was that the Government was short of funds?—No, I am not prepared to say that entirely. I do not know what governed the mind of the Colonial Treasurer at the time.

252. Had there been any sinking funds when Mr. Ballance passed his law they would have been available under the law passed by Mr. Ballance in 1891?—Yes; decidedly.

253. *Hon. Sir R. Stout.*] Do you mean to say that the provisions of the Act authorises you to issue debentures against sinking funds. The words of the Act of 1891 are: "This Act shall be incorporated with and be deemed to be a part of 'The Consolidated Stock Act, 1884' (hereinafter referred to as 'the said Act'), and of 'The New Zealand Consolidated Stock Act, 1877,' respectively. In addition to the loans set forth in the Schedule to the said Act, the several loans raised under the provisions of the following Acts, that is to say: 'The District Railways Purchasing Act, 1885,' 'The Public Revenues Act, 1886,' 'The Government Loans to Local Bodies Act, 1886,' 'The District Railways Purchasing Act 1885 Extension and Amendment Act, 1886,' 'The Public Revenues Act, 1887 (No. 3),' shall be and are hereby declared to be convertible into stock, and all the provisions of the said Act shall apply to such conversion." Do you say that that gives you power to issue debentures against sinking funds?—We were so advised.

254. You are not expressing your own opinion?—No.

255. I understand you to say, Mr. Heywood, that there has been no case before of debentures being issued against accretions of sinking funds for past years except those under the Government Loans to Local Bodies Act?—I think that is the case.

256. Do you mean to say then, that when the Act of 1884 was passed you could go back and appropriate the accretions of previous years?—No.

257. You could only deal with one year?—Yes.

258. When you deal under this Act, what authorises you to go back on this loan?—Section 5.

259. That is the last paragraph; that is the only thing you have to rely on?—Yes.

260. It "shall be adjusted in the year in which such error is ascertained, and shall be included in the computation for such last-mentioned year"?—Yes.

261. Do you suggest that you made an error in computation before this year, in not dealing with the accretions under the Government Loans to Local Bodies Act?—Distinctly; we made an error of omission in not issuing debentures against the accretions of the sinking funds.

262. Do you call that an error in computation, when you did not do what the law permitted you to do?—That is my reading of it.

263. That an error in computation means not doing what the law provides?—Yes.

264. I understood you to say that the Law Officers were not asked for a specific opinion on that point?—No, not specifically.

265. *Hon. Mr. Seddon.*] You have stated your opinion as regards section 5, Mr. Heywood. Are you aware that it was on that section the Solicitor-General gave his opinion?—So far as I remember, all the matters and papers were placed before the Solicitor-General, and his opinion was asked as to whether the contemplated issue of debentures against the accretions of sinking fund under the Government Loans to Local Bodies Act could be legally made.

266. *Hon. Sir R. Stout.*] Under the Act of 1891?—Under the Acts governing all the operations, and that, I assumed, covered all the operations connected with the transaction; and his opinion was in favour of the action which the Government have taken.

267. I understood you to say that this point of being able to take past accretions was never submitted to the Solicitor-General?—Not specifically.

268. Do you mean to say that everything the Treasury recommended Mr. Ballance to do he did?—I do not say anything of the sort.

269. *Dr. Newman.*] Did the Auditor-General agree that you could this year take the accretions of past years?—The Controller and Auditor-General agreed to the computation as submitted to him, a copy of which you have before you, and that contains the accretions of previous years.

270. Is there anything peculiar about this loan which enables you to issue debentures against the accretions for all past time?—It is in a different position, inasmuch as the issuing of debentures against the accrued sinking funds did not take place until the third year after the accretions were in hand, whereas under the Act of 1884 the operations took place as soon as practicable after the Act was passed.

271. *Mr. Tanner.*] You have said that the Act of 1886 gave power to create sinking funds, but that no steps were taken to establish sinking funds until 1892?—Yes.

272. By the Act of 1892 a sinking fund was established?—Yes, by a different method.

273. Perhaps an improved method on that of 1886?—Yes.

274. Why were no debentures issued against the sinking funds in 1893 and 1894?—I cannot answer that. I consider it was an omission not to do so.

275. Yet at the same time you were issuing debentures against the accretions under the general loans under the Act of 1884 with its amending Acts?—Yes.

276. You have no reason then to assign for this omission in 1893 and 1894?—No.

277. *Mr. G. Hutchison.*] The Act of 1886 provided for a sinking fund of 1 per cent?—No; so much as might be appropriated by Parliament.

278. The local bodies pay 5 per cent. do they not?—Yes.

279. There is some indication that the interest is 4 per cent. and the sinking fund 1 per cent. Where was that?—It was in the original scheme that they should pay 5 per cent. for twenty-six years, 1 per cent. to be appropriated out of the Consolidated Fund, and 1 per cent. from the payment made by the local authority, making a 2 per cent. sinking fund.