

opinion that my duty is simply, when the Government proposes to take a course, to say whether that course is in accordance with the law as it stands or not.

337. Now, as to the operation, are you prepared to state to the Committee whether, in your opinion, this loan conversion is an advisable thing to do? What is your opinion as regards loan conversion? Is it advantageous to the colony?—I do not think I am called upon to give an opinion on the policy of the Government.

338. *Mr. Montgomery.*] You said that this was a curious transaction?—This consultation?

339. This issuing of debentures against sinking funds?—The transaction was simply one of creating a sinking fund for the purpose of destroying it again. It was creating a debt for the purpose of paying it off.

340. Do you consider that the issuing of debentures against the accretions of sinking funds was in accordance with the spirit of the Act of 1892 passed by Mr. Ballance?—It was simply the law.

341. Was it in accordance with the spirit of the Act of 1892? The Act of 1892 set up a sinking fund, because a sinking fund had not been actually previously set up. It was stated by Mr. Ballance that he intended to set up a sinking fund; and, as you say, it would be a curious transaction if he had, in setting up a sinking fund, intended that debentures should be issued against it. Did you consider when they were issued that it was in accordance with the spirit of the Act of 1892?—It was in accordance with the Act of 1892.

342. Was it in accordance with the spirit of the Act of 1892?—The Act of 1892 is peculiarly worded. The Act of 1892 is made to stand part of the Act of 1884.

343. You are referring to the Act of 1891?—No; the Act of 1891 made the debentures convertible. The Act of 1892 consisted of two clauses. It repealed clauses 45 and 47 of the Act of 1886, and said that the two clauses of the Act of 1892 shall be substituted for them. Being substituted for them, the latter became part of the Act of 1886; but by the Act of 1891 the issue under the Act of 1886 became convertible.

344. You are speaking now of the way in which you interpret the Acts; but the question I want to ask is this: apart from the legal interpretation of the Act, which was right, no doubt, if you had to decide on the spirit of the Act and the intention of Parliament, as far as you could ascertain it, would you infer that it was intended that debentures should be issued against sinking funds of local bodies?—I am not prepared to say that.

345. Do you consider that Mr. Ballance, in passing that Act of 1892, contemplated or intended that debentures should be issued against the sinking funds thereby created?—I cannot say what Mr. Ballance contemplated.

346. What would you infer from the fact that an Act had been passed in 1892 specifically setting up a sinking fund: would you infer that any Legislature setting up a sinking fund would intend that sinking fund should be practically done away with by issuing debentures against it under a previous Act?—I should not intend to infer anything derogatory of the dignity of Parliament.

347. *Mr. McGowan.*] The issuing of debentures against the accretions of sinking funds being a perfectly legal operation, do you hold the opinion that it is a prudent operation also?—The Committee will excuse me, but I do not think I am called upon to give an opinion as to the policy of the Government.

348. *Mr. Tanner.*] Assuming that this operation in regard to these accretions of the sinking funds had taken place in the year 1893, the first year after the Act of 1892 had been passed, would you have regarded it as in any sense a violation of the existing law: would your decision and practice have been the same as now?—No, I think not.

349. You think the practice would have been the same?—The last Act referring to the subject is that of 1892.

350. Assuming that what has been done now had been done in the previous year, would the opinion of the Audit Department have been the same?—Yes, I think so.

351. *Hon. Sir R. Stout.*] Do you remember that when the question was put to me—in May, I think it was—that it was as to A, B, and C statutes?—I did not recollect it, but now you call it to my memory I think it was so. It was only a question as to the interpretation of statutes generally.

352. Did you ever mention to me in any way that sinking funds had been used and debentures drawn against them?—No, I think not.

353. I had no communication with you at all except on that one case—of the interpretation of statutes?—I think none.

354. *Hon. Mr. Ward.*] Bearing upon this matter?—I do not know even that.

355. *Hon. Sir R. Stout.*] Supposing debentures have to be drawn against the loan, and it is legal to draw them, did you consider the question whether you could issue debentures in one year for accretions in previous years? Did that come specially before you?—Yes. Section 5 of “The Consolidated Stock Act, 1884,” specifically says that errors of one year may be corrected in another year; and upon that point my colleague agreed with me—that an error of omission was the same as any other error. That is to say, if there had been an omission in issuing debentures which might have been issued it would be legal to issue them in another year.

356. The Treasury is not bound to draw debentures against sinking funds: there is nothing compelling them to do so?—It is compulsory to make the computation.

357. My point is this: that the Treasury is not bound to issue debentures against the sinking funds that have accrued; it is only permissible?—That is so.

358. If, then, the Treasury omit for a certain number of years to issue stock against the Government Loans to Local Bodies Act, have they a right to come in three or four years afterwards and issue debentures for these past years?—We held that they had that right.

359. Do you see the difficulty of the point?—Yes; but we held that they had; and my colleague agreed with me on that point.

360. Do you not see a difficulty in the aspect of that question?—In the aspect, but not in the law.