48. *Mr. W. Fraser.*] You told us the interest you paid for six months was £8,000 odd; but the interest at 3 per cent. on £500,000 does not come to that?—It came to that at the time. The original arrangement with the Government was 3 per cent., but now the Government pays $3\frac{1}{2}$ per cent.

49. *Captain Russell.*] What interest could you have got if you had gone into the outside market?—The highest interest allowed by the Act under which the debentures were issued would have been 4 per cent.

50. Could you not have done better than taking these 3-per-cent. debentures from the Government at par if you had gone into the open market?—I did not think I would be justified in doing that. It would have led to a lot of expense. We could not have found an investment here, and would have to go Home for one, which would have meant the employment of agents and many other expenses. It would have doubled the expenses, and as the interest on this money belonged to the Government it would not have been wise to do that. I thought the best way out of the difficulty was to accept the offer of the Government. The interest on the money belonged to them, and that was the easiest and simplest way.

51. *Rt. Hon. R. J. Seddon.*] What you said about the 3 per cent. was in error?—Yes; that was the original offer.

52. Well, take such a contingency as its being accepted, the Government would be paying 3 per cent. on the original debentures?—Yes; but it is immaterial what rate they are paying—whether it is 1 per cent. or $3\frac{1}{2}$ per cent.—because it goes back to them again.

53. It would nominally mean a loan at $\frac{1}{2}$ per cent.?—No. If the Government want the money and get it here in this way, we are really getting at the rate of 4 per cent. for it, supposing that to be the market rate, because there is no expense in the transaction, and no interest is paid away.

54. At all events, you say that passing an amending law would clear up any difficulty; but you yourself have no doubt?—I have no doubt whatever myself, but others may have, and a few words in the section would clear up all doubts.

55. As Public Trustee you are perfectly satisfied?—Yes, perfectly satisfied.

56. *The Controller and Auditor-General.*] I do not think the Treasury is authorised to pay more than 3 per cent., because that is the rate mentioned in the debentures. The Audit Office should not have passed a higher rate, and the Treasury should not have paid it. I would ask the Public Trustee whether there is not any statutory authority for the Public Trust Office investing any money coming into it without special direction as to investment—whether it should not be paid into the common fund?—I look upon this as a special matter. Of course, if it went into the common fund we should have to pay 4 per cent. on it, and we should lose by the transaction.

57. Does not section 29 of the Public Trust Office Consolidation Act make it compulsory that all such moneys received should be paid into the common fund?—That is more with the object of giving the security of the State to any moneys invested in the Public Trust Office, and before the money comes in it must go through certain forms; but this was a special matter, and if the money had to be paid into the common fund it would have been disastrous to us.

58. But the question is, whether by law it must or must not be paid into the common fund?—I do not think it need be. I regard this as a special statutory trust.

59. Section 29 of "The Public Trust Office Consolidation Act, 1894," provides: "Subject as is provided by section thirty of this Act, all capital moneys, however arising, whether before or after the coming into operation of this Act, and whether directed to be invested or not, shall, unless expressly forbidden to be invested, become one common fund, and such moneys shall be invested as provided by section thirty-one of this Act; and any investments made from such common fund shall not be made on account of or belong to any particular estate." Should you not be guided by that section?—That is a very reasonable question to ask; but I regard this as a special creation, and I do not consider that the money should fall into the common fund. In this case a certain interest is guaranteed and the State gives its security for the payment of that interest; therefore it is a special case which does not come under section 29 of the Public Trust Office Consolidation Act.

60. This is an investment which belongs to the common fund under that section of the Public Trust Office Consolidation Act?—If it should, we should be placed in the funniest position, as we should have to pay more interest on the money than we received for it.

61. The rate of interest to pay—if you can pay any—would be the rate of interest payable on the common fund?—Yes; that is 4 per cent. on the first £3,000, and $3\frac{1}{2}$ on the excess. Of course, it would be impossible for us to pay that rate.

62. The common fund has a legal right to the interest at 3 per cent. on this investment?—Yes; but I regard this as a special statutory investment not coming under section 29 of the Public Trust Office Consolidation Act.

James Barnes Heywood in attendance and examined. (No. 4.)

63. *Rt. Hon. R. J. Seddon.*] You are Secretary to the Treasury and Paymaster-General?—Yes.

64. Have you heard the reference to the payment of £8,000 and odd for half-year's interest?—Yes.

65. Has that reached the Treasury?—Yes.

66. How long ago?—I think it was during last month. The money was returned by the Public Trust Office to the Treasury less a small amount for cable-expenses.

67 You got the money all right?—Yes; that is all right.

68. Has there been anything further since this matter last came before the Committee?—Yes; the dispute is now growing with regard to this payment back to the Treasury. The Audit Office states that the Public Trustee should not have paid it back to the Treasury, and has