

1910.  
NEW ZEALAND.

# LAND AND INCOME TAX DEPARTMENT:

CHARGES AGAINST MR. PETER HEYES.

*Laid upon the Table by Leave of the House.*

THE following is the extract from the Report of the Board of Inquiry under the Civil Service Act in connection with the charges made against Mr. Peter Heyes, dealing with the Wellington Terrace and Karamea properties:—

*Re ADVANCES TO PETER HEYES ON A PROPERTY IN WELLINGTON TERRACE.*

"That the said Peter Heyes, in September, 1906, made an application to the Advances to Settlers Office, of which he was then Superintendent, for a loan of £1,200 upon a property situated in Wellington Terrace, which he had agreed to purchase for £1,560, and wrongfully procured a special valuation of the property to be made, so that he could obtain the full amount applied for. That in respect of this loan the said Peter Heyes claimed and took the benefit of the rebates provided for by section 35 of the Government Advances to Settlers Act, 1906, although not legally entitled to them."

In the year 1906 Mr. Heyes purchased a property on the Wellington Terrace for the sum of £1,560. He then requested an officer of the Valuation Department to sound the City Valuer, Mr. James Ames, as to the amount at which he, the City Valuer, would value the property for the purpose of a loan. The City Valuer said he could not go beyond £1,600. This conversation was repeated to Mr. Heyes. The next step was an application from Mr. Heyes for a loan of £1,200 upon the property; and it must be remarked that he could not obtain a loan of £1,200 upon the valuation which the City Valuer had stated he was prepared to make. It is fair, therefore, to assume that some other valuations must have been in Mr. Heyes's mind when he made the application for £1,200. We should mention that valuations for loans in the City of Wellington proper—*i.e.*, excluding the suburbs—were almost invariably made by the City Valuer.

Mr. Heyes's application was dated 29th September, 1906. The requisition to the Valuer to make the valuation is dated 13th October, and is addressed to Mr. Dugdale. Mr. Dugdale's voucher for travelling allowances and expenses shows that he was absent from Wellington from 27th August to 11th October. On the 13th October Mr. Dugdale came to the public office of the Valuation Department, bringing with him the requisition above mentioned for signature. It was the practice of the Chief Clerk to sign these requisitions on behalf of the Valuer-General, but on this occasion he refused to do so without the consent of the Valuer-General, on the ground that the proceedings were unusual. To use his own words: "It was unusual for Dugdale to do Ames's work." The consent of the Valuer-General was thereupon obtained by Mr. Dugdale on a false representation that there was some special reason why he should make this particular valuation. Mr. Dugdale denies all this, and asserts that the instructions to make the valuation were given in the ordinary course, but we say quite plainly that we do not believe him.

Mr. Dugdale valued the property at £2,040, and on his valuation the loan of £1,200 was granted.

Taking all the circumstances into consideration, we cannot have any reasonable doubt that Mr. Heyes and Mr. Dugdale were acting in concert; for on no other supposition can the intervention of Mr. Dugdale be explained. Mr. Heyes denies that he took any action to procure the nomination of Mr. Dugdale as the Valuer on this particular occasion, and Mr. Dugdale told us that the instructions to make the valuation reached him in the ordinary course. We are unable to accept this evidence. The usual procedure was to instruct the City Valuer to make the valuation. In this case it was known to Mr. Heyes, when he made his application, that the City Valuer would not value the property at a sum sufficient to warrant the amount of the advance applied for; and, therefore, that his application could not be granted unless he could obtain a higher valuation by the nomination of some other valuer. The inference is irresistible, and we are satisfied that Mr. Dugdale's appointment on this occasion was directly due to the interference of Mr. Heyes.

It was proved on behalf of Mr. Heyes that immediately after his purchase of the property he was offered £2,000 for it; we are also satisfied that he had an offer of a loan of £1,500 from a private lender. Mr. Heyes probably thought that under these circumstances he was justified in assuming that the City Valuer's valuation did not represent the true value of the property, and that no risk of loss was involved by an advance of £1,200.

We are of opinion that, whatever the true value of the property may have been, a consideration of this nature can neither justify nor extenuate Mr. Heyes's conduct. We believe that he entered into an arrangement with Mr. Dugdale to prevent a valuation being made by the proper officer, with the purpose of obtaining from the Board the advance of a larger sum than the Board would have granted had it known the real facts of the case. Mr. Heyes was at the same time the head of the lending department and the borrower, and we are of opinion that he was guilty of gross impropriety, and that his conduct in the matter was wholly without justification or excuse.

It is admitted that in respect of this mortgage Mr. Heyes on two occasions took advantage of the rebates allowed for prompt payment of interest, although the interest was not paid in due time. We think that, by thus evading the payment of a sum of money lawfully due by him to the Department of which he was the head, Mr. Heyes again utterly failed to realize the responsibilities of his position. The rebates have since been paid.

#### *Re ADVANCE TO MR. HEYES ON KARAMEA PROPERTY.*

"That in April, 1907, the said Peter Heyes improperly obtained an advance of £500 from the Advances to Settlers Department upon the security of certain property situate at Karamea, in the Kongahu Survey District."

On the 15th December, 1906, Mr. Heyes made application to the Advances to Settlers Office for a loan on the security of certain freehold property owned by him at Karamea, on the west coast of the South Island. For the purposes of this application the property was, on the 14th January, 1907, valued and reported on by the local Valuer, who valued the property at £674. In making this valuation, he took no account of the timber standing on the land (which was of the value of £500 at least), on the ground that timber was not a security on which the Board would make an advance. For some reason, however, which does not appear, he mistakenly reported the property as good for a loan of £600, being £200 in excess of the maximum loan which could be granted on that valuation. The application came before the Board on the 29th January, 1907, when a loan of £400 was offered. Mr. Heyes, however, was desirous of obtaining a loan of £500, and therefore did not accept the Board's offer.

On the 31st January, two days after the meeting of the Board, a letter was written by Mr. Waddell, the Assistant Superintendent of the Advances Office, to the Valuer-General, Mr. Campbell, pointing out the discrepancy between the local Valuer's valuation of £674 and his recommendation of £600, and asking that the report be referred back to the Valuer with the view of increasing the valuation. Although there is no direct evidence on the point, we are satisfied from the contents of this letter that it was written at the request or by the direction of Mr. Heyes. The letter was forwarded by the Valuer-General to the local Valuer, who, on the 9th February, 1907, replied, declining to alter his valuation. This reply was received by the Valuation Office on the 28th February, and was forwarded to the Advances to Settlers Office, where it was received on the 2nd March. Shortly after the receipt of this letter by the Advances Office, Mr. J. P. Dugdale, the Inspecting-Valuer of the Valuation Department, went from Wellington to the West Coast with this letter in his possession, and sent for the local Valuer to meet him at Westport. An interview took place there between them on the 7th March, 1907, at which the valuation of Mr. Heyes's property for the purpose of the loan was discussed between them. Mr. Dugdale falsely represented to the local Valuer that timber was taken into account by the Board in determining the sufficiency of a security; the value of the timber was agreed on as £500, and the local Valuer's letter was there and then indorsed as follows:—

"The timber estimated at 15,000 ft. per acre, worth 6d. per hundred feet royalty, is not included in the valuation. I was under the impression that timber was not a security under the Advances to Settlers Act.—Meyrick Jones, Valuer, 7/3/07." "I agree with Mr. Jones. Add £500 to value.—John P. Dugdale, Inspecting Valuer, 7/3/07."

This letter so indorsed was brought or sent back to Wellington, and on 10th April, 1907, in accordance therewith a fresh certificate of the entry of the property in the valuation-roll was issued from the Valuation Office, as follows:—Capital value, £1,174; unimproved value, owner's interest £536, timber £500; improvements, owner's interest, £138.

Thereupon Mr. Heyes made a new application to the Board for a loan of £500 on the property. The meeting of the Board took place on the 9th April, 1907, and the loan was granted. The agenda paper prepared for this meeting, and distributed among the members, stated that the capital

value of the property, as valued by the local Valuer, was £1,174, and that he recommended the property as good for a loan of £600, but made no mention of the fact that timber to the value of £500 was included in the valuation. This circumstance did, indeed, appear on the document known as the "Board Paper," which is prepared for the purpose of every such application; but this paper was in the possession of Mr. Heyes himself at the meeting. We are satisfied that Mr. Heyes did not call the Board's attention to the fact that the valuation included timber, and that in this manner he obtained an advance which would not otherwise have been made. We are also satisfied that Mr. Heyes himself procured Mr. Dugdale to go to Westport for the purpose of inducing the local Valuer to alter his valuation by including the timber. It is true that the value of the timber ought to have appeared on the valuation-roll (since it was material for rating and taxation purposes), and, in omitting it altogether, the local Valuer was in error. But the purpose and result of the interview which Mr. Dugdale had with the local Valuer was to include the timber for the purposes of a loan, and this was wholly contrary to the established practice of the Advances to Settlers Office.

We find, accordingly, that Mr. Heyes, in co-operation with Mr. Dugdale, knowingly procured an improper loan from the Advances Office by misleading the local Valuer, and by failing to inform the Board of material circumstances which would have induced the Board to refuse to make the advance. We are of opinion, as in the last preceding case, that in so acting Mr. Heyes was guilty of gross impropriety, and that his conduct was without justification or excuse.

F. WALDEGRAVE, Chairman.  
JNO. W. SALMOND.  
FRED. FITCHETT.

SIR,—

Prime Minister's Office, Wellington, 21st June, 1910.

I have the honour to acquaint you that the Government, after full consideration of the report of the Civil Service Board of Inquiry in connection with your case, resolved to call upon you to resign. I have, therefore, to request you to do so accordingly.

I have, &c.,

J. G. WARD,

Prime Minister.

P. Heyes, Esq., Wellington.

SIR,—

Wellington, 21st June, 1910.

I am in receipt of your letter dated the 21st June, 1910, in which you inform me that the Government, after full consideration of the report of the Civil Service Board of Inquiry, has resolved to call upon me to resign, and requesting me to do so accordingly. I have no option but to comply with your request, and therefore place my resignation in your hands. I desire it to be clearly understood that the placing of my resignation in your hands is not to be deemed any concurrence by me in any conclusions adverse to me which may have been arrived at by the recent Civil Service Board of Inquiry, nor any admission of the justice of any such conclusions.

I have, &c.,

P. HEYES.

The Right Hon. the Prime Minister, Wellington.

SIR,—

Prime Minister's Office, Wellington, 30th June, 1910.

I have the honour to acknowledge receipt of your letter resigning the appointment of Commissioner of Taxes; and, in reply, have to inform you that your resignation has been accepted as from the 30th instant.

I have, &c.,

J. G. WARD,

Prime Minister.

P. Heyes, Wellington.

SIR,—

Office of the Minister of Internal Affairs, Wellington, 21st June, 1910.

I have to inform you that the Government, in consequence of the inquiry held recently by a Civil Service Commission into the case of Mr. Peter Heyes, have resolved to call upon you to resign your position in the Government Service. I have to request you, therefore, to tender your resignation accordingly.

I have, &c.,

D. BUDDO.

J. P. Dugdale, Esq., Inspecting Valuer, Valuation Department, Wellington.

DEAR SIR,—

Clyde Street, Island Bay, 23rd June, 1910

I have to acknowledge the receipt of your memorandum of the 21st instant; and, in reply, have to comply with your request, and I herewith tender my resignation as Inspecting Valuer in the Valuation Department.

I have, &amp;c.,

JOHN P. DUGDALE.

The Hon. D. Buddo, Minister in Charge of the Valuation Department, Wellington.

DEAR SIR JOSEPH,—

Wellington, 24th June, 1910.

I see by the newspapers that a demand is likely to be made for the publication of the report of the Board appointed to inquire into the charges made against Mr. P. Heyes. As you are aware, I acted as Chairman of the Board, and I think it right to let you know that the report was framed upon the assumption that it would not be published. It discloses the names and private affairs of taxpayers whose conduct (except in one case which has been made public through the Court) was not called in question, and who were not asked to attend the inquiry to give evidence. If we had thought that the report was to be published, we should have been seriously embarrassed in compiling it, as it was necessary to give full details in order that the facts upon which our findings were based might be fully before the Government. I am sure I express the opinion of all the members of the Board when I say that the report, so far as it refers to the affairs of persons other than officers of the Department, should not be published.

I have, &amp;c.,

F. WALDEGRAVE.

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