

the following letter: Clerk of Writs' Office, Wellington, 1st October, 1909.—Sir,—Pursuant to the provision of section 148 of the Legislature Act, 1908, I have the honour to enclose herewith a copy of a writ dated the 3rd day of September, 1909, for an election of a member of Parliament to serve in the House of Representatives for the Electoral District of Rangitikei, with an indorsement thereon that the name of the person elected for that electoral district pursuant to the writ is Robert William Smith." I understood you to say a short time ago that no advances were made to Taihape either by the Treasury or the State-guaranteed Advances Board in 1909?—Yes. The Advances Board did not come into existence till the 2nd February, 1910, when the Act was brought into force. During the year 1909 no loan was granted to Taihape under the old system of loans to local bodies by the Treasury.

21. So that if a statement has been made here that an advance was made by the Treasury or the Government which was really to influence that by-election, that is not correct?—It is incorrect.

22. *Mr. Pearce.*] There is a statement of a loan in Exhibit N granted on 9th April, 1909: can you give any information as to what that is?—It is a loan from the Bank of New Zealand guaranteed by the State under the old system. Under the Act of 1908 there was power for the State to guarantee loans to enable local bodies to raise them. They would raise them privately, and if the security was sufficient the Government would guarantee the loan. The debentures came along to the Treasury, and some official appointed by the Government or Minister of Finance was authorized to put a statement on the face of it that it was guaranteed by the Government. That was a loan applied for by the Taihape Borough Council to the Bank of New Zealand. It was granted by the Bank of New Zealand and guaranteed by the Government. I have the file here.

23. There is another loan of £21,250 granted in 1910?—It is exactly in the same position. The two loans were granted by the Bank of New Zealand. They are for different purposes, but were both guaranteed loans.

24. In the statement it says "Application first received 26th February, 1909"?—That is the application to the Treasury to guarantee the loan. The Taihape Council may have applied to the Bank of New Zealand months before, and the arrangement was that if the Government would guarantee the loan the Bank of New Zealand would grant it. The application for the guarantee of the loan was dated the 26th February, 1909.

25. Then it says, "Loan procedure passed Law Officer" in both cases, 26th August, 1909?—Yes.

26. That is passed by the Government, I presume, not the Bank of New Zealand?—The Crown Solicitor, before the Government guarantees the loan, sees everything is in order, and the Government is not likely to guarantee a loan which was defective in its procedure—that is to say, it may be upset by a dissatisfied ratepayer on account of formalities.

27. The Taihape Borough Council was informed in 1909 that these loans were to be granted and guaranteed by the Government?—I could not say, I have not the file.

28. I understood you to say that the State guaranteed the bank?—It would not be guaranteeing the bank.

29. They guaranteed the loan to the bank?—But the Order in Council was not through till the 18th November, and the Council was notified on the 1st December.

30. How is it that Exhibit N states that the loan procedure was passed on the 22nd August, 1909?—The Crown Law Office would pass the procedure.

31. Would the local body be notified?—The first notification I can see is in December, but the Order in Council authorizing the guarantee is signed by the Governor on the 18th November, 1909. The notification by the then Secretary of the Treasury is dated the 1st December, 1909. It says, "With reference to your Council's application for a Government guarantee of loans of £21,250 for waterworks, &c., and £3,750 for drainage, I have to inform you that the Order in Council guaranteeing such loans was gazetted on pages 3023-4 of the *New Zealand Gazette*. It only remains for your Council to forward the debentures for signature." That was on the 1st December.

32. *Right Hon. Sir J. G. Ward.*] Some months after the election had taken place?—I do not know the date of the election.

33. *Mr. Pearce.*] You stated in your evidence that the Government did not guarantee the bank. Is not a guarantee equal to lending a loan?—A guarantee is a very different thing from lending money; one is a direct liability and the other a contingent liability.

34. *Mr. Lee.*] On page 587, *Hansard* 160, the remark of Mr. Fisher is this: "And does not that honourable gentleman know that the system under which a loan of £30,000 can be granted to one electorate within a few days of an election is a rotten system?" In your opinion it is not correct to characterize this sum to Taihape as granted by the Government?—No; it was not paid out of the Local Authorities Account.

35. It is inaccurately expressed?—Yes, it is inaccurately expressed. Neither the Treasury nor the Advances Office advanced the money.

36. The proper expression would be that it had been granted by the Bank of New Zealand and guaranteed by the Government—that is your position?—That is so. I understood you to say he expressed the transaction correctly.

37. I am referring to the extract in *Hansard* which I read of Mr. Fisher's speech. It is incorrect to state that that had been granted by the Government?—Yes.

38. What did take place is that the amount had been granted by the Bank of New Zealand and guaranteed by the Government under statutory authority?—Yes.

39. I am referring to the £21,250, and the £3,750?—I should say a rotten system did not exist there.

40. I am referring to those two loans of £21,250 and £3,750. Those two loans were granted by the Bank of New Zealand and guaranteed by the State under statutory authority. What was the statutory authority?—The Local Bodies' Loans Act, 1908, Part II, "Government Guarantee of Local Bodies' Loans."