

If the proposed reconstruction scheme or any such reconstruction scheme is adopted, there will be preserved the existing constitution of shareholders and debenture-holders in the Investment Executive Trust. Is there a debenture-holder who has intelligently followed the course of dealings with his money by the directors of the Investment Executive Trust, both before and after the inquiries instituted by the Governments, who believes for a moment that those directors will cease their ingenious activities to consolidate their positions, and eventually to use their position and rights as shareholders to realize their profits?

Mr. Justice Halse Rogers, in his final report, saw enough to lead him to state, on page 12, that, in his opinion, "the reconstruction plan was really inspired by Mr. McArthur." He was at that time dealing with the plan as it affected the New South Wales company and its debenture-holders. He continues,—

It is a compromise, but the essentials come from him. His counsel impressed on me over and over again that Mr. McArthur had faith in the future of the company and wanted it to have an opportunity of making good although, on the face of it, Mr. McArthur is to have no position of control. It was suggested that he might be employed as manager or financial adviser. Apparently some of the debenture-holders, represented by Mr. Pitt, are anxious to employ the services of Mr. McArthur and have the advantage, as it was put, of his great experience in trust matters. Mr. Monahan pointed out, in my opinion quite rightly, that there was no evidence before the Commission of any ability in Mr. McArthur in the matter of trust administration, as the whole of his connection with trust companies had been marked by maladministration. There is no doubt that he is extremely anxious that the "plan" should operate. In view of the evidence before the Commission and of the devious ways of the principal parties, one is naturally apt to suspect a hidden motive in such anxiety.

This suspicion is shared by the Governments of New South Wales and New Zealand. The advisers of those Governments represent to them strongly that they have no faith in the possibility of any adequate safeguard being devised under the proposed reconstruction scheme that could be expected to guard against Mr. McArthur regaining control of the companies. *The reconstruction scheme will commit the debenture-holders to a continued adherence to a company the constitution of which involves control by shareholders and debenture-holders, and the shareholders will almost certainly be, directly or indirectly, openly or covertly, the persons who have to date brought the debenture-holders into such an undesirable position.*

#### NEW ZEALAND COMMITTEE.

11. In making this statement, I desire to add that I am satisfied as to the *bona fides* of certain gentlemen in New Zealand who have interested themselves in seeking to organize New Zealand debenture-holders to move for their own protection. I am satisfied that they are genuinely working in what they believe to be the interests of the New Zealand debenture-holders.

In settling the details of the proposed legislation the Government will give full consideration to any representation that may be made by these gentlemen or by any other debenture-holders or their representatives. It is for the purpose of enabling such representations to be made that this statement is issued at the earliest possible moment.

#### GOVERNMENT ACTION NECESSARY.

12. It has been made clear throughout this statement that the New Zealand Government is acting in concert with the Government of New South Wales. The two Governments are satisfied that this plan offers the best possible result to the debenture-holders of the two trust companies. The agreement and all the details of the scheme have in view as the paramount consideration, the preservation of the rights of those debenture-holders. The debenture-holders in New Zealand, if there are any, who will still be inclined to consider supporting the reconstruction scheme, should know that if they do so they must face the fact that nevertheless the New South Wales Government will take steps by legislation to wind up the Southern British National Trust and protect the debenture-holders of that company against the results of the devious transactions referred to above. They are