

## APPENDIX No. 13.

Produced at Meeting, 19th October, 1875.

(Put in by Mr. Batkin, Secretary to the Treasury.)

I HAVE the honor to submit the following memorandum, in reply to certain remarks by Mr. Bridges, on a statement made by me at the request of the Public Accounts Committee:—

With regard to the observation that the original understanding as to the rate of interest on the London balances has not been carried out, I have to remark that the question to which my statement replied referred in no way to the rate of interest, but was an inquiry as to whether the agreement with the Bank operated to restrict the Government in the advantageous disposal of its surplus balances in London. In answering that question, I stated that the Bank took the account originally on the understanding that “the terms allowed were to be the same as those granted by other banks;” and I made that statement, not with any view to setting forth what those terms were, but simply to show that the only condition attaching to the arrangement was one which in no way restricted the Government “in the advantageous disposal of its surplus balances in London.”

With reference to the remark that “it now appears that the paper submitted to Parliament as embodying the agreement is merely a memorandum by Mr. Batkin,” I may state that I am unable to perceive the point of the observation. If it be the case that Mr. Bridges supposed that paper to be other than a memorandum by myself, I can only express my regret that he did not make himself more perfectly acquainted with the document.

I do not know on what ground Mr. Bridges takes upon himself to assert that I evidently wish an incorrect, and therefore improper, inference to be drawn from my remarks as to the division of the account. The assertion is absolutely untrue, and therefore quite unjustifiable. The statement contained in the succeeding paragraph is an uncalled-for impertinence, which I decline to notice further.

The charge of 1s. per cent. for moneys remitted by telegraph is a recent modification of an old, though unrecorded, arrangement. The statement that such a charge is not made to private individuals is erroneous; since I learn that it is the practice of the banks, when remitting by telegraph for private individuals, to charge exchange rates in addition to all telegraph charges.

Mr. Bridges’ illustration of the cost of transmitting money from London agrees with the statement made by myself, but his illustration of the cost of negotiating a bill on London is erroneous. Mr. Bridges states it thus:—

For negotiating a bill on London at 60 days’, you must pay	...	£	s.	d.
Less interest on funds in London, 4 months	... ..	100	2	6
		1	0	0
		<hr/>		
		£99	2	6
		<hr/>		

But this sum must be reduced by a further sum of £1 for the interest accruing on the Colonial Account during the currency of the draft, making the amount £98 2s. 6d., or 1 $\frac{3}{4}$ ths better than the plan of drawing in London, as stated in the illustration given in my memorandum (page 31).

Mr. Bridges’ answer, as printed, to the question No. 121, is so unintelligible that it is impossible to argue from what he said, or appears to have said; but his answer certainly implied that it was more profitable to draw in London on New Zealand, than to draw in New Zealand on London; but in the memorandum by Mr. Bridges now under reply, he admits that the plan of negotiating a draft in the colony is more favourable by  $\frac{3}{4}$ ths (7s. 11d.) than drawing on New Zealand, and had he allowed credit, as he should have done, for the interest on the proceeds of the draft credited to the Colonial Account from the date of drawing to the maturity of the draft, say four months, at 3 per cent.=£1, his calculation would have agreed with mine in this case likewise.

Mr. Bridges’ remarks as to the course of post being forty-five and not sixty days are incorrect, the time occupied by the San Francisco mails for the past ten months being—

	Inwards.	Outwards.
Maximum length of voyage	59 days	61 days.
Minimum	47	46,,
Average	51	52,,

Taking the average at fifty-one, and adding sixty-three days for the currency of the draft, the result is 114 days. I have, however, in my calculation, adopted the same terms on both sides, and the difference of time would disturb the calculation very slightly. In answer to the remarks as to the rate of interest in London being now only 1 $\frac{1}{2}$ , I need only say that when I wrote it was 2 $\frac{1}{4}$ . I might argue that in November 1873 the Bank rate was 9 per cent., and in November 1874 was 6 per cent., in which case the Colonial Account under the arrangement now subsisting would have borne 8 $\frac{1}{4}$  and 5 $\frac{1}{4}$  per cent.; but it appears unnecessary to inform the Committee that, in a calculation based upon a fluctuating rate of interest, the profit on these transactions would fall or rise with that rate.

I pass over Mr. Bridges’ comment as to the character of my remarks on the evidence of Mr. Morrah. I do not know what “inference Mr. Morrah drew” from the answer he gave to the Committee. The statement I commented on was Mr. Morrah’s answer to the questions 491–2, that there was a sum of “£340,000 not accounted for in the Financial Statement;” and I pointed out that this apparent deficiency could not be accounted for by the conclusion that it was a sum “advanced by the Bank of New Zealand.” I now perceive that Mr. Morrah had assumed that the Government had obtained an advance of £340,000 from the Bank of New Zealand, and had concluded that the apparent deficiency in the cash balance on the 31st May was caused by that sum having been repaid to the Bank of New Zealand, not advanced by the Bank, as stated in his answer. I feel it due to Mr. Morrah to say that I was myself misled by his answer, and I believe he will acquit me of any intention to misrepresent him.