

*Major Atkinson, M.H.R.* 4. But the bonds were not issued?—That was the technical difficulty we intended to provide against. It was our intention to ask the House to make provision for the issuing of debentures in proper form.

15th Aug., 1878. 5. *Mr. Montgomery.*] That technical difficulty over, they would become practically part of the debt of the province?—Yes.

6. *Mr. Stevens.*] And would now be assumed as part of the debt of the colony?—Yes.

7. *Mr. Montgomery.*] So that the legislation of 1876 was in accordance with the understanding you had with the Superintendent of Canterbury, and the only difficulty that has prevented the debentures becoming part of the debt of the province was the technical difficulty in the way of issuing debentures?—Yes. We thought that the House had fully authorized us to do that by passing that Act. That was firmly our impression at the time the Financial Arrangements Act of 1876 was passed.

8. A division took place upon that clause?—Yes. I think Sir George Grey opposed it.

9. *Mr. Stevens.*] I should like to ask whether there has been an appropriation taken for the payment of interest on this account in the colonial estimates?—Well, I could not say as a matter of fact; but I should think so undoubtedly. Of course the Government made arrangements with the bank, and were responsible for the interest. I have no doubt appropriation would be taken, because in my Financial Statement I informed the House what I had done.

10. Do you remember the circumstances under which the matter came before the House—namely, that of removing the debt from the Harbour Board?—So far as my memory serves me I brought it forward in accordance with the agreement with the Superintendent of Canterbury.

11. Do you remember whether the matter was fully discussed?—It was fully discussed because Sir George Grey was very strong against it at the time. I think I was misapprehended. It was supposed that it gave the Lyttelton Harbour Board another £100,000.

12. I am right in thinking that the matter received the fullest attention?—Oh yes.

13. *Mr. Montgomery.*] There was a division taken upon it?—Yes.

14. *Hon. Mr. Ballance.*] The papers do not show the reason why the debt was removed?—No, there were a great many interviews about it with the Superintendent. Clause 39 of the Financial Arrangements Act was introduced for the purpose of making it a provincial debt instead of a Harbour Board debt, and it was upon the authority of that decision of the House that we made the arrangements we did. It was not known certainly then that there would be any difficulty. It was thought the difficulty might have been got over, but we found the contrary when we came to look into the matter.

15. *Mr. Stevens.*] You consider that under that clause of the Financial Arrangements Act that sum should form part of the debt of the colony?—Yes, that was my understanding of the matter.

16. *Mr. Montgomery.*] That was the object of the legislation you obtained in the House?—Yes; but of course we should have sought further legislation to give effect to that; but owing to the change of Government the matter was lost sight of.

17. You treated it as part of the permanent debt in your Financial Statement?—Oh, yes; no doubt I put it in Table A. If I recollect aright it will appear simply as an advance.

18. For which the colony was liable?—Yes.

19. *Mr. Oliver.*] This 39th clause is only a guide as to what the intention of the Government was. If there are no moneys borrowed and raised, this clause does not touch the matter at all; it is only evidence of what was the intention of the Government?—Yes. Then, as a matter of fact, we did raise this £100,000, but did not sell the bonds. We raised it in the Bank, with the view of handing it over to Timaru.

20. How was the money raised?—By the General Government; the General Government being responsible for it. We were asked to raise the money. They said, "Now, give us the money." I am now speaking from memory only. When we came to look into it, to see if we could issue these bonds, the Superintendent telegraphed to us, or to me, that there was a certain price offered for some of these bonds. When the matter was looked into, as to whether the bonds could be sold, it was found that there was a great doubt as to their position. We found that we could not advise to sell them, and so we said, "very well; this is evidently the intention of the Legislature; we will amend the Act in order to get the best price we can, and in the meantime we will raise the money due to Timaru, and pay it to Timaru." We raised the money, and paid it over. Then we went out of office, and no provision was made at all.

21. *Hon. Mr. Ballance.*] All that was done, I understand, to assist the province out of a difficulty?—No; it was done to carry out the agreement we thought we had made, which was that this money was to be a part of the permanent debt.

22. Does the correspondence not show that the Superintendent of Canterbury wished you to assist them in what they could not do themselves?—They could not help themselves, because the Legislature could not meet. There was not the least idea on my part that it would be a Colonial liability then. It would be a Canterbury liability. The whole thing changed subsequently, by the colony taking over the provincial debts. If the money could have been raised profitably, no doubt we could have sold the bonds. We had stopped provincial legislation. The province was, as it were, in our power, and we felt ourselves bound in honor to carry out what was the evident intention.

23. *Mr. Moss.*] Is there any Act authorizing the cancelling of these bonds?—No.

24. *Mr. Stevens.*] This point I wish to ask you about: if those bonds which were hypothecated to the Bank had been made payable to bearer, would they not have been floated in London by the Bank, and consequently give that clause full operation?—Yes; but that is only my opinion. I do not remember distinctly what was the difficulty, but I know the bonds were in that state that I did not consider myself justified in selling them, because I felt that I could not obtain for them what I thought they should fetch.

25. *Hon. Mr. Ballance.*] If they had been sold at that time, they would have been a charge on the rates and dues of the Lyttelton Harbour Board?—I suppose they would, if sold before the passing of "The Financial Arrangements Act, 1876."

26. It was in consequence of a technical difficulty that they were not sold?—As far as I know.