

details by cable, and no details were obtained. After carefully considering the matter, the Government decided to ask Parliament to guarantee the £2,000,000. The Bank of New Zealand Share Guarantee Bill was accordingly prepared.

On the 29th June Mr. Murray wrote to the Premier as follows:—

Sir,—

Bank of New Zealand, Wellington, 29th June, 1894.

I have the honour to hand you a copy of the balance-sheet of the Bank of New Zealand.

Since that balance-sheet was issued the position has become impaired, and, indeed, seriously compromised, by causes set out in my letter to you of the 25th instant; but this does not imply that any heavy losses in the bank's business have been made. To the best of my knowledge and belief no such losses have been made. The difficulty arises rather out of the circumstances stated in my letter.

As a banker of forty-five years' standing—thirty years of which have been spent in New Zealand—and having occupied a prominent position during much of that time, and being in no way personally interested (some shares in the bank standing in my name do not directly or indirectly belong to me), I wish to be permitted to give my honourable assurance,—(1) That the occasion is one of the gravest public urgency; (2) that by the measure I have proposed I am absolutely convinced that the State will not lose one penny, but will, on the contrary, avert great loss to itself as well as to the community; (3) that by this measure the banking affairs of the colony will be placed on a greatly-improved footing for the future; and (4) that if the Government finally determine to go on with the measure it should be put through to-day.

I have, &c.,

The Hon. the Premier.

JOHN MURRAY.

During the day the Premier conferred with the leader of the Opposition (Captain Russell), the Hon. Sir R. Stout, and the Hon. Mr. Mitchelson; and the Colonial Treasurer conferred with the Hon. Mr. McLean, the Hon. Sir R. Stout, and Mr. Bell. The Bill was introduced as an urgent measure, passed the House of Representatives, and was sent to the Legislative Council. The Council appointed a Select Committee to investigate and report. The Committee took the evidence of the Premier, the Colonial Treasurer, and Mr. John Murray. No information in respect to the Estates Company was obtained further than that previously given to the Government by Mr. Murray. The Committee, however, recommended that the Bill should be allowed to proceed, and it was passed on the 30th June. This Act provided that the colony should guarantee the issue of £2,000,000 shares of the Bank of New Zealand for ten years; that the head office should be removed from London to Wellington, and authorised the calling-up of £500,000 of the shareholders' reserve liability. The Government were also empowered to appoint the President, with a power of veto, and the Auditor. An amendment Act was passed later in the session authorising stock to be issued instead of shares.

Mr. Hanna, in his evidence before this Committee, stated that he furnished a report to Mr. Murray on the 9th June, 1894, giving in detail the position, pointing out that the deficiencies in the Estates Company, including the deficiencies in the London balance-sheet (£200,000), amounted to £1,175,561, and recommending that application should be made for Government assistance. Mr. Murray, however, states that he does not recollect having received this memorandum. Beyond the assurance that there was "a big hole to fill," the Government did not obtain information as to the financial position of the Estates Company, and, seeing the important bearing it had in respect to the Bank of New Zealand, the Committee are of the opinion that it was essential that information should have been insisted on by the Government and the Committee of the Legislative Council, and that the withholding of this information, if intentional, was reprehensible. Had, however, fuller information been obtained at the time, it would not have been sufficient reason for the Government to refuse to assist the bank.

From detailed information now in possession of the Committee, they have no doubt that the action taken in assisting the Bank of New Zealand in 1894 was prudent, and that by so doing a national disaster was averted. It was not then practicable, in the short time at the disposal of Parliament, to pass legislation finally dealing with a subject so intricate and so difficult as the separation of the Estates Company from the bank.

1895.

In consequence of discoveries made at the end of the previous year by the President and directors of the bank, assisted by the Government Auditor, Mr. Butt, it became apparent that the position of the bank was even worse than had been previously represented, and the directors deemed it necessary to bring the matter under the notice of the Government. On the 23rd July the President wrote to the Colonial Treasurer as follows:—

Sir,—

Bank of New Zealand, Wellington, 23rd July, 1895.

I have the honour to hand you herewith balance-sheets of the Bank of New Zealand, the Bank of New Zealand Estates Company, and the Auckland Agricultural Company, as of 31st March, 1895. You are aware that the Bank of New Zealand Estates Company is entirely owned by the Bank of New Zealand, and the £750,000 debentures of the Estates Company guaranteed by the bank. In like manner the Auckland Agricultural Company is owned by the Estates Company, and the debentures of the Agricultural Company guaranteed by the bank. In the remainder of this letter, therefore, the term "Estates Company" will include the Auckland Agricultural Company.

I have also, with much regret, to enclose a letter, dated yesterday, which I have received from the Government Auditor of the bank for the colonies, and to state, with the concurrence of the other directors, the true position of the bank, involved as it is with the affairs of the Estates Company.

In the bank itself there are £3,085,296 represented as assets which are entirely unremunerative, £1,850,000 of this amount being shares of the Estates Company, and £1,235,296 consisting of other