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ANNUAL REPORT  
OF THE  
**Bank of New Zealand**

For the year ended 31st March, 1945

AND

REPORT OF PROCEEDINGS

AT THE

ANNUAL MEETING OF PROPRIETORS

On 15th June, 1945.

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WELLINGTON:

Printed by Blundell Bros., Limited, Willis Street

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# Bank of New Zealand

*Incorporated by Act of the General Assembly, 29th July, 1861.*

## AUTHORISED CAPITAL.

Preference A Shares—500,000 at £1 .. ..	£500,000
C Long-Term Mortgage Shares—468,750 at £1 ..	468,750
D Long-Term Mortgage Shares—937,500 at £1 ..	937,500
Preference B Shares—1,375,000 at £1 .. ..	1,375,000
Ordinary Shares—3,750,000 at £1 .. ..	3,750,000
	<hr/>
	£7,031,250

## CAPITAL SUBSCRIBED AND PAID UP

Preference A Shares issued to the New Zealand Government .. .. .	£500,000
C Long-Term Mortgage Shares issued to the New Zealand Government .. .. .	234,375
D Long-Term Mortgage Shares .. .. .	468,750
Preference B Shares issued to the New Zealand Government .. .. .	1,375,000
Ordinary Shares .. .. .	3,750,000
	<hr/>
	£6,328,125
Reserve Fund .. .. .	£3,575,000
Undivided Profits .. .. .	359,722
	<hr/>
	3,934,722
	<hr/>
	£10,262,847

# Bank of New Zealand

HEAD OFFICE, WELLINGTON, NEW ZEALAND.

## DIRECTORS:

A. T. DONNELLY, Esq, C.M.G. (*Chairman*).  
 F. W. DAWSON, Esq. JOHN DOWGRAY, Esq.  
 STRONACH PATERSON, Esq.

## GENERAL MANAGER:

H. R. H. CHALMERS.

LONDON OFFICE: 1 QUEEN VICTORIA STREET, E.C.4.

## LONDON BOARD:

CECIL LUBBOCK, Esq. (*Chairman*). ROBERT MILL, Esq.  
 SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., M.C.

## BANKERS:

BANK OF ENGLAND. MIDLAND BANK LTD.

## LOCAL DIRECTORS IN AUSTRALIA:

*Melbourne*: SIR HAROLD D. LUXTON, K.B.  
*Sydney*: THE HON. SIR HENRY BRADDON, K.B.E.

## Chief Auditor:

D. F. REID (*Appointed by New Zealand Government*)

## London Auditor:

SIR NICHOLAS WATERHOUSE, K.B.E.  
 (*Appointed by New Zealand Government*)

## REPORT OF THE DIRECTORS

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The Directors submit herewith the Balance-sheet and Profit and Loss Statement of the Bank for the year ended 31st March last.

The profits, after providing for expenses of management, and for all bad and doubtful debts, and other contingencies, and after making provision for the annual donation to the Provident Fund, are:—

	£378,886 10 0
To which has to be added:—	
Balance brought forward from last year ..	373,902 4 8
	£752,788 14 8
From which has been paid:—	£ s. d.
Dividend on Preference A Shares .. .. .	43,750 0 0
Interim Dividend on C Long - Term Mortgage Shares .. .. .	6,152 6 10
Interim Dividend on D Long - Term Mortgage Shares .. .. .	15,380 17 2
Interim Dividend on Preference B Shares .. .. .	18,750 0 0
Interim Dividend on Ordinary Shares .. .. .	112,500 0 0
	196,533 4 0
Leaving available for distribution	£556,255 10 8

This the Directors propose should be disposed of as follows:—

Dividend on C Long-Term Mortgage Shares at 6% per annum £7,031 5 0

\*Reduced by 1d.

for every 8d. or part thereof .. 878 18 2

6,152 6 10

Dividend on D Long-Term Mortgage Shares at 7½% per annum £17,578 2 6

\*Reduced by 1d.

for every 8d. or part thereof .. 2,197 5 4

15,380 17 2

Dividend on Preference B Shares (making £43,750 for the year) .. .. .

25,000 0 0

Dividend at rate of 4% on Ordinary Shares (making £262,500 for the year, equal to 7%) .. .. .

150,000 0 0

Leaving Balance to be carried forward .. .. .

359,722 6 8

£556,255 10 8

\*Reduction on account of N.Z. Social Security Charge and National Security Tax in pursuance of Section 9, Finance Act, 1941 (No. 2).

Such dividends to be paid in New Zealand Currency.

A. T. DONNELLY, *Chairman.*

# Bank of New Zealand

BALANCE SHEET AS AT 31st MARCH, 1945.

LIABILITIES.				ASSETS.			
	£	s. d.	£	s. d.		£	s. d.
Capital—					Coin, Reserve Bank Notes, and Deposits with Bankers .. .. .	17,100,465	16 11
Preference A fully paid £1 Shares issued to the New Zealand Government. . . . .	500,000	0 0			Government Notes—Commonwealth, Fijian, and Samoan Administration .. . . .	127,116	0 0
C Long-Term Mortgage fully paid £1 Shares issued to the New Zealand Government .. . . .	234,375	0 0			Balances Due by Other Banks .. . . .	494,851	0 4
D Long-Term Mortgage fully paid £1 Shares .. . . .	468,750	0 0			Money at Call and Short Notice, Government Securities and other Securities in London .. . . .	8,608,941	19 7
Preference B fully paid £1 Shares issued to the New Zealand Government. . . . .	1,375,000	0 0			Bills Receivable in London and in Transit .. . . .	229,911	18 0
Ordinary fully paid £1 Shares .. . . .	3,750,000	0 0	6,328,125	0 0	New Zealand Government Securities (including £500,000 Free of Interest Loan) .. . . .	15,543,680	15 11
Reserve Fund (invested in British Government Securities) .. . . .			3,575,000	0 0	Australian Government Securities .. . . .	1,089,953	8 6
Deposits .. . . .			57,747,070	4 1	Fijian Government Securities .. . . .	50,000	0 0
Balances Due to Other Banks .. . . .			14,935	4 9	Municipal and other Local Bodies' Securities .. . . .	1,532,922	7 10
Bills Payable and other Liabilities (including provision for contingencies) .. . . .			5,294,844	18 3	Remittances in transit between Branches .. . . .	4,644,350	13 3
Provision for Taxes .. . . .			760,000	0 0	Bills Discounted .. . . .		
London Office Acceptances under Credits .. . . .			13,653	8 4	Other Advances and Securities and Debts due to the Bank, after deducting provision for Bad and Doubtful Debts .. . . .		
Transfers from Long-Term Mortgage Department .. . . .			135,692	6 7	Landed Property, Premises, etc. . . . .		
Balance of Profit and Loss .. . . .			556,255	10 8	Liabilities of Customers for Acceptances, per contra .. . . .		
					Long-Term Mortgage Department .. . . .		
			<u>£74,425,576</u>	<u>12 8</u>			
						<u>£74,425,576</u>	<u>12 8</u>

## LONG-TERM MORTGAGE DEPARTMENT.

LONG-TERM MORTGAGE FUND—				LOANS			
	£	s. d.	£	s. d.		£	s. d.
Capital .. . . .	703,125	0 0			Loans .. . . .	567,432	13 5
					Transfers to Bank .. . . .	135,692	6 7
			<u>£703,125</u>	<u>0 0</u>			
						<u>£703,125</u>	<u>0 0</u>

## PROFIT AND LOSS.

PROFIT AND LOSS—				PROFIT AND LOSS—			
	£	s. d.	£	s. d.		£	s. d.
Dividend on C Long-Term Mortgage Shares .. . . .	6,152	6 10			Balance at 31st March, 1944 .. . . .	570,435	8 8
Dividend on D Long-Term Mortgage Shares .. . . .	15,380	17 2					
Dividend on Preference B Shares .. . . .	25,000	0 0			Balance brought down .. . . .	373,902	4 8
Dividend on Ordinary Shares .. . . .	150,000	0 0	196,533	4 0	PROFITS for year ended 31st March, 1945, including recoveries, and after payment of and provision for all interest due and accrued on deposits, provision for bad and doubtful debts, and for the Annual Donation to the Provident Fund are .. . . .	1,976,481	3 10
Balance carried down .. . . .			373,902	4 8			
			<u>£570,435</u>	<u>8 8</u>	Less—		
Dividend paid 1st December, 1944:—					Salaries and Allowances at Head Office and 193 Branches and Agencies .. . . .	574,730	1 6
Dividend on Preference A Shares .. . . .	43,750	0 0			Directors' remuneration, including London Board and Local Directors in Australia .. . . .	7,083	6 8
Interim Dividend on C Long-Term Mortgage Shares .. . . .	6,152	6 10			General expenses, including rent, stationery, telegrams, postages, travelling, repairs to premises, depreciation, etc. .. . . .	169,252	17 9
Interim Dividend on D Long-Term Mortgage Shares .. . . .	15,380	17 2			Audit Expenses Account .. . . .	3,025	0 0
Interim Dividend on Preference B Shares .. . . .	18,750	0 0	196,533	4 0	Rates and Taxes .. . . .	843,503	7 11
Interim Dividend on Ordinary Shares .. . . .	112,500	0 0					
Balance, being Profit for the year .. . . .	378,886	10 0				<u>£378,886</u>	<u>10 0</u>
To which has to be added:—							
Amount brought forward from last year .. . . .	373,902	4 8	556,255	10 8		<u>£752,788</u>	<u>14 8</u>
Less Dividend paid, as above .. . . .	752,788	14 8					
	196,533	4 0					
			<u>£752,788</u>	<u>14 8</u>			

## RESERVE FUND.

	£	s.	d.
Balance .. .. .	3,575,000	0	0
Balance per last Statement .. .. .	3,575,000	0	0

I, David Firth Reid, the Chief Auditor of the Bank of New Zealand, do hereby certify:—

1. That, having carefully examined the foregoing balance-sheet and statements, I am satisfied that they have been correctly compiled from the books and accounts of the Bank.

2. That I am also satisfied that the said balance-sheet is a full and fair balance-sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's affairs at the date thereof.

3. That I have verified so much of the cash, investments, securities and assets of the Bank as at the date of the said balance-sheet were held at the Head Office, in Wellington, and have had access to certified returns of so much thereof as were then held at the various Branches and Agencies of the Bank, or were then in transit.

Dated this 16th day of May, 1945.

D. F. REID, *Chief Auditor.*

NOTE.—London Assets are shown in this balance-sheet in sterling, and no provision has been made for appreciation in their relation to N.Z. currency.

We hereby certify that, having carefully examined the foregoing balance-sheet and statements, we are satisfied that they have been correctly compiled from the books and accounts of the Bank, and that the balance-sheet is a full and fair balance-sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's affairs at the date thereof.

Dated this 15th day of May, 1945.

H. CHALMERS, *General Manager.*

A. W. HALL, *Chief Accountant.*

## BANK OF NEW ZEALAND

## ANNUAL MEETING OF PROPRIETORS

HELD AT

WELLINGTON on 15th JUNE, 1945.

Mr. A. T. DONNELLY, Chairman of Directors, presided, and said:—

“LADIES AND GENTLEMEN,—

I presume, you will, as usual, take the Report and Balance Sheet as read, but I will refer briefly to certain items in the Balance Sheet which call for comment.

DEPOSITS—FIXED AND FREE—amount to £57,747,070 and show an increase of £3,112,726 for the year. Last year the increase in this item was £3,891,592, as against £8,208,619 for the previous year.

For the year ending with March, and for all banking in the Dominion, including the Reserve Bank, the overall increase in customers' deposits and notes held by the public was about £12 millions. For the same year the total advances and securities held by all the banks decreased by about £12 millions. Though apparently contradictory, these results are reconciled by an increase over the year of £23 millions in overseas funds. Such an increase means that the Dominion as a whole received from abroad about £23 millions more than it paid abroad. The excess would be credited to bank customers here, including the Government, and about £12 millions from this and other sources was used to repay advances and redeem securities, while a further £12 millions is held in additional deposits and notes. This excess of receipts and increase in overseas funds cannot be regarded as the result of normal trading, but arises rather from exceptional war-time conditions, which may cover special receipts on the

one side and liabilities not yet met on the other. On the whole it can be said that the Dominion's handling of the difficult problems of war finance has been successful. We have suffered inflation, of course, mistakes have been made, and conditions have been much more favourable to us than to some others. But on the whole, our war finance compares favourably with that of most other countries.

COIN, RESERVE BANK NOTES, AND DEPOSITS WITH BANKERS, £17,100,466. The increase in this item of £1,809,891 is a corollary of the increase in deposits, and calls for no special mention. Throughout the year we have had very large sums lying idle at credit of our account with the Reserve Bank, surplus to our legal holding. While this makes for liquidity, it is indicative of the fact that the supply of money is in excess of current requirements in present circumstances.

MONEY AT CALL AND SHORT NOTICE, GOVERNMENT SECURITIES AND OTHER SECURITIES IN LONDON, £8,608,942. There has been practically no change in this item, which includes British Government Securities in which the Bank's Reserve Fund, £3,575,000, is invested. The Bank has substantial commitments and contingent liabilities against these funds.

NEW ZEALAND GOVERNMENT SECURITIES, £15,543,681, show a reduction of £1,877,013, due to the repayment during the year of New Zealand Government Treasury Bills held by the Bank. As a matter of Government policy the trading banks did not subscribe to the Government Loan floated during the period under review.

AUSTRALIAN GOVERNMENT SECURITIES, £1,089,953. The increase of £248,847 in this item is accounted for by the investment, with the consent of the Commonwealth Bank of Australia and the Reserve Bank of New Zealand, in Commonwealth Government securities of an amount previously on fixed deposit.

FIJI GOVERNMENT SECURITIES, £50,000. No alteration since last year.

MUNICIPAL AND OTHER LOCAL BODIES SECURITIES, £1,532,922. This item shows an increase of £185,984, mainly due to the taking up of a further Local Body Loan with the consent of the New Zealand Government. I may explain that for some time past it has been the policy of the Government to restrict the subscribing by the Banks to fresh Local Body Loans.

OTHER ADVANCES AND SECURITIES AND DEBTS DUE TO THE BANK, AFTER DEDUCTING PROVISION FOR BAD AND DOUBTFUL DEBTS, £23,016,483.

BILLS DISCOUNTED, £478,453.

The combined figures show an increase of £1,495,745 over last year. These items, which are the main source of the Bank's income, have been showing steady reduction since the commencement of the war, and the small upturn now is the result of some increased activity in trade, plus somewhat higher prices, but is also partly accounted for by the fact that the produce season was late this year owing to climatic conditions; also the steady pressure of high war taxation and loans has made inroads into the cash resources of our customers.

#### DIVIDEND.

An interim dividend of 3% on ordinary shares was paid in December last, and it is now proposed to pay a further dividend of 4%, making 7% for the year—the same as last year.

Gross profits for the year amounted to £1,976,481, an increase of £83,151 for the year. Expenses, however, increased by £87,674, thus leaving a net profit of £378,887, or £4,523 less than last year. The main items making up the increase in expenses were Salaries and Allowances up £22,957, and Rates and Taxes up £65,601. It will again be necessary to draw slightly on the "carry forward" to meet the dividend.

#### BOARD OF DIRECTORS.

The Board has done me the honour of re-electing me Chairman for the current year.

Since we last met, Mr. R. W. Gibbs, one of the shareholders' representatives on the Board, has resigned owing to failing health. He joined the service as a junior at Nelson in 1877, and he became Manager at Dunedin in 1913, and retired in 1919. He was then appointed Chief Auditor and held this post until he was elected as a shareholders' representative in 1924. He continued as a shareholders' representative for 21 years until he resigned last April. He thus had an unbroken association with the Bank for over 67 years. This is a great record and Mr. Gibbs rendered the Bank great service.

To replace the late Mr. Mabin, Mr. Stronach Paterson was elected by the shareholders, and he took office last February. Mr. Paterson is very well known to most of you, and his wide business experience and ability well fit him for the position.

Following on Mr. Gibbs' retirement, Mr. Dawson, who temporarily filled the vacancy caused by Mr. Mabin's death, was again appointed to the Board as a temporary Director pending the election of a successor to Mr. Gibbs. I would like to express our thanks to Mr. Dawson for again assisting us.

We wish again to express our appreciation of the services of our London Board and of our Local Directors at Sydney and Melbourne.

#### STAFF.

The Board again desires to place on record its appreciation of the services of the staff in New Zealand, London, Australia, Fiji and Samoa.

In spite of the year being a very difficult one, good service has been given to customers and the public, but the staff position is still so acute that reinstatement of banking services which had to be curtailed cannot yet be undertaken.

The working staff now consists of 946 men and 622 women, and although the proportion of men is now greater than last year, there has really been no easing in our staff position. The numbers are 25 less than pre-war, and difficulty has been experienced in obtaining new staff

owing to the great demands on man-power and woman-power for the services and industry generally. It will therefore be realised that the working staff have carried a heavy burden.

I am sure it will interest you to know that since the outbreak of war a total of 909 members of our male staff have served with the several branches of the Forces, and I regret to say that of these, 49 have made the supreme sacrifice. In addition 44 have been wounded, 5 are still listed as missing, and there have been 21 prisoners of war. With the cessation of hostilities in Europe, most of the prisoners of war have been released and are now safe in England.

Military, Naval and Air Force decorations and awards have been gained by 28 members of the staff.

A number of men have been discharged from the Forces after service overseas as well as in New Zealand, and have come back to duty in the Bank. These men who have spent some years on Active Service, have to make a great physical and mental adjustment when returning to indoor life, and we help them in every way we can. Our experience up to the present, I am glad to say, is that our returning officers have fitted extraordinarily well into civilian life, and they will, I am certain, give as good service to the Bank as they have given to their country. They will also help to ease the strain at those branches which have carried on without so many experienced officers during the war years. As further men come back to us we shall make special efforts to fit them in to the service once again. There are still 545 members of the staff serving with the Forces, and you can readily understand that when these are released, their distribution throughout the service will result in a re-adjustment of staff in most branches.

A bonus of 7½ per cent. on salaries has again been paid to members of the staff, including those serving with the Forces.

The annual revision of salaries has been carried out and increases granted where merited, within the limits



prescribed by the Economic Emergency Stabilisation Regulations.

Our staff belong to the fixed income class, to whose position and difficulties I made reference last year. We have made proposals to the Director of Stabilisation to improve the remuneration of our staff on account of the increased cost of living and to bring their salaries into a fairer relationship with the higher levels now ruling throughout the community. It is hoped that a satisfactory conclusion will be reached on this matter, as without it we cannot expect to maintain the high standard required and desired in the business of the Bank.

Special attention is now being given to the many complex problems facing us in regard to the staff, their training and welfare, and in fact all the conditions of their employment. The general conditions of employment and the special conditions arising out of the return of men from the Services are being continually watched and given the most careful consideration.

#### PREMISES.

There is little to report under this heading: we are maintaining our premises in good repair, as far as it is possible to do so under present conditions of shortage of labour and materials. Essential renovations also are put in hand as these become necessary. Many of our Branch premises are due for re-building, but this work must stand over meantime.

#### THE GOVERNMENT AND THE BANK.

I now come to that part of my address dealing with the proposal by the Government to buy the private shareholders' interest in the Bank.

I wish to make one preliminary observation.

In the past it has always been the custom for the Chairman's address to be approved by the whole Board and thus to express the views of the Board as well as the Chairman.

It has also been the custom to submit it to the General Manager for his criticism and suggestions.

In view of the special circumstances existing to-day, it has been decided that I should take the responsibility for this part of the address, and I do so accordingly. It has, however, been submitted to my colleagues and to the General Manager, and I am grateful for the help they have given me. I will ask Mr. Paterson, one of your representatives, to second the Motion, and he, like me, takes the responsibility for what he will say in support of the Motion, but he has been good enough to show me what he intends to say.

#### HISTORY OF THE BANK.

I now turn to some general observations about the history of the Bank, and the place it holds in our society to-day.

The Bank was founded in 1861 and is 84 years old. According to its Prospectus, it was established because it was thought to be in the interests of the colonists that there should be a New Zealand Bank so that colonists should get what advantages there were from the use of their own capital in a banking business. The Bank, therefore, is neither a parvenu nor an immigrant. It is a veteran survivor from the days of the pioneers, and its roots are deep down in our history and tradition. It is as native as the kiwi or the fern, and it has always been worked and managed by New Zealanders. Its executive heads are not recruited from any moneyed aristocracy or any privileged class. They all began as boys 30 or 40 years ago at the bottom of the ladder, and by merit have come up the hard democratic way to the top. We have with us to-day our present General Manager, Mr. Chalmers, his predecessor, Mr. Dawson, who is a member of the Board, and Mr. Porter, who will be the next General Manager. Mr. Chalmers joined the Bank in 1899 at Te Awamutu, Mr. Dawson in 1892 at Oamaru, and Mr. Porter in 1904 at Queenstown. All three started as juniors in small Branches, went on through secondary city and overseas Branches to the Head Office Executive.

It is impossible to say at any point of time from a

number of senior officers who will be the executives of the Bank in 10 or even 5 years' time.

The Board of the Bank consists normally of six, two elected by the shareholders, and four nominated by the Government. Our present Board consists of four members only. The vacancies caused by the retirement of two Government nominees, Mr. D. O. Williams and Mr. H. J. Kelliher in 1942, have never been filled. There is Mr. Paterson, who has wide business experience and interests, Mr. Dowgray, who is a coal-miner and has been a member of the Labour Party during the whole of his long and honourable career, and Mr. Dawson, who is a former General Manager. I am the fourth, and I have been a member of the Board for ten years and have been appointed by two Governments. During my time, I have had as colleagues a number of men including the late Mr. William Watson, a man of high character, principle and ability, who in one capacity or another was with the Bank for nearly fifty years.

Mr. R. W. Gibbs, who has just retired, was with the Bank as an officer and Director for not far short of seventy years. Then we have had Sir Harold Beauchamp, Sir George Elliot, Mr. Oliver Nicholson, and Mr. A. E. Mabin, all well known in trade or business throughout the Dominion. We have also had Mr. D. O. Williams, a Liberal, or perhaps, Radical Economist, and Mr. H. J. Kelliher, another well-known business man and a prominent, persistent, and eloquent advocate of monetary reform. I mention these facts to remind you that the Bank has been staffed and controlled by men fairly representative of the Dominion. The Directors have not come from one class or one party, and they have not had by any means the same economic or political philosophies or beliefs.

I mention these facts also to emphasise the point that the Bank is a New Zealand institution, manned by New Zealanders, directed by New Zealanders, and it has grown in strength and influence with the country, its population, and its trade. It has helped to create, build, maintain, and improve the complicated mechanism of modern life and

business. On the whole, it has served the country and its citizens well, and by doing so, it has served the shareholders well. It has made profits for shareholders, and there is no shame nor disgrace in that, because no reformer nor anyone else, has ever run a successful business at a loss.

The Bank has not been perfect, nor has it been infallible. Just like the rest of us, the Bank has done in its time and in my time, things which it should have done better or perhaps not done at all. When the Bank is taken over by the State, we must remember that the State is not a foolproof, automatic, impersonal machine. The Bank must still be run by human beings as at present, who may not have the skill or independence of those in charge to-day. During its 84 years, it has been manned and run by men who have made the mistakes of their time and environment, who may have gone astray now and then because of current social, political, and economic theories and beliefs.

We should never forget that no generation, not even our own, that no party or class of any generation, not even our own party or class, has a monopoly of wisdom and freedom from fault. On the balance, it can fairly be said for the Bank in its 84th year, that it has had its ups and downs, its good times and bad times, its blunders and its successes, but there has been more to be thankful for than to criticise.

The Government at present holds one-third of the share capital and has two-thirds of the seats on the Board. Suggestions have been made to former Governments that the Bank should be turned into a State Bank. Governments for fifty years past, including nine years of the term of the present Government, have considered that the best interests of the people were served by the practical combination of State and private enterprise in the shareholding and the directorate of the Bank of New Zealand. It has now been decided that there should be a change. The Bank is to be rooted up and replanted alongside other State institutions. We have yet to see how it will stand or even survive the move. The bitter winds of class prejudice and political debate will not send it off to a good start.

The reasons and explanations given by those who passed the resolution at the Conference of the Labour Party do not seem to those outside the Conference as coherent, persuasive, or indeed understandable as to justify the change. This may partly be accounted for by the fact that, according to one authority, "The discussion reminded him of a revivalist meeting." Such an atmosphere of tension and exaltation, while appropriate for fervent political exercises, was perhaps too thick or too woolly for a clear exposition of the reasons for a decision of such importance, a decision which will affect every citizen for good or ill and will touch every corner of our national life. The conversion of the Bank to a State Bank is a major operation on the body politic. One discouraging circumstance in the post-operative prospect is that, according to another authority at the Labour Conference, (one of its leading economic surgeons, as it were), the conversion of the Bank of New Zealand into a State Bank was necessary to close up or cut out a "'festering sore' inside the Labour movement." A dangerous and tricky abdominal operation to cure some ailment in another part of the body would be bad medicine and may well be bad economics.

I now refer to the system or method whereby the business of the Bank is carried on by the Board and the Executive. I do this for two reasons—firstly, because there is a common belief that there is some deep mystery about the banking business, that it is a unit of an international secret society; and secondly, because charges of fraud and dishonesty are often made against banks, their directors and executives. These charges are standard practice and equipment of some apostles of monetary reform when they are in full cry, and their own brand of the gospel really takes a hold of them.

Since the beginning of time there have been disputes about money, its functions and uses. In the pressure and bustle of modern life, we sometimes forget that we and our affairs are, after all, only a parenthesis in the great book of history, and current theories, believed to be as new as wireless or the aeroplane, were old in the days of the Greeks and Romans. Passages could be cited from the

classics on this very issue of the purchase of the Bank which might have been taken from the "Standard" account of the Labour Conference, or from a report of a protest meeting called by the Chamber of Commerce, or held by the shareholders of the Bank. These historical considerations raise the probability that no one party, class, or monetary creed has the whole undiluted truth on the subject.

One middle opinion, to which many broadly subscribe, is that while it is the fashion to find fault with the present financial system, on the whole it has served us well. As I said last year, the banking system, like a good motor-car, has been worked and driven at all paces, under all conditions, over all kinds of social roads, and it has generally stood up to its work and only now and then broken down, never beyond repair. Like any other human institution, it will require changes, amendments, and drafts of new ideas, but it has not been proved that the basic principles require violent change. It is flexible enough to adjust itself to whatever may be the trouble of the post-war years.

People in all occupations and all classes are surrounded by conditions which hamper and limit their development. On political and social questions there are many schools of thought. At one extreme, there are the strong Conservatives who grow red in the face at any threat of change, who think that banking or any other business in which they have an interest or a share has been vaccinated against error, is incapable of improvement, and is something finished a long time ago by wise men for their use and profit. I have heard the phrase, "It is not sound banking," as though the statement was final, like leading the ace of trumps.

At the other extreme are the reformers, and it does not follow that the reformers are always right. It has perhaps been a good thing for the world that reformers have not always had their way. It is sometimes said in praise of that class of reformers known as cranks, that cranks make the machine go; but it should be remembered that a crank may make the machine go backwards, or cause it to seize and stop altogether. Few subjects lend

themselves more pliantly to easy generalisation than monetary reform, and the professors of the science have no united front.

Monetary reformers, like horses, run in all shapes and come from all classes. Their only common denominator is a personal certainty that each is right. There are probably more than fifty-seven varieties of monetary reform. There are the good, earnest citizens who say and honestly believe that book entries or the printing press can somehow pay the dizzy cost of this terrible war. They overrate the efficacy of measures of pure finance. No reformer nor anyone else can spend the same pound twice.

The opposite numbers of the stiff Conservatives are the bigots and zealots of monetary reform. These people take it for granted or feel an undoubted certainty, not only that they are the owners of the whole truth on any topic of money and finance—for this is a matter of opinion, and they are entitled to their own—but think and say that those who differ from them are liars, hypocrites, rogues, and cowards. If such reformers are ever in control, and they are as profuse in performance as they are in language and promise, then indeed bank-notes will fall like snowflakes from the heavens, and rivers of credit of some kind will flow up and down the land, and they will be able to say, in the words of one of their English predecessors centuries ago:—

“I am brave and vow reformation. There shall be in England seven halfpenny loaves for a penny; the three hoop'd pot shall have seven hoops. . . . All the realm shall be in common. . . . There shall be no money; all shall eat and drink on my score; and I will apparel them all in one livery that they may agree like brothers and worship me their Lord.”

These people also say over and over again that some undefined, invisible outside overseas power, vaguely called the “Money Power,” tells all banks and this Bank what to do, and how and when to do it. They would almost have you believe that sitting in at our Board meetings there is always some sooty evil messenger from the Bank of England and its Governor croaking out orders to us all,

orders we must obey and do obey from inherent vice and malice aforethought to the loss and hurt of the Dominion and every citizen in it.

I shall now tell you how the business of the Bank has been done by the Board and Executive in my time. Broadly speaking, it is conducted just as the business of any other organisation, from a football club upwards, where men band together for a common purpose.

Everything is discussed around this table. All matters for decision come before us on a file such as I now hold in my hand. The file has on it the signature or initials of every officer who has handled it from the Branch where it began. If it is a policy Head Office matter, it bears the signature or initials of every officer who has seen it or built it up. There generally are on it the recommendations of officers, including Head Office Executives, which recommendations are not always the same. The file is fully discussed by the Board and, if we are agreed, we all initial the file, so that the responsibility of each Director is there for all time. A Director can and sometimes does put a memorandum of his own views on the file. Each file is seen and initialled by the Chief Auditor as well. The decision of the Board is then made, and that decision is put in the Minutes which are in this book and are confirmed at every meeting. There is the resolution of the Board and the signature of all directors for everything done by the Board. Nothing is hidden, left out, or suppressed. We are subject to no outside influence or control, political, foreign, or financial. At no time in my time has the Bank had instructions, or even advice, from the Bank of England or any Overseas Bank. At no time in my time has the bank received any communications about policy from anyone anywhere. There is strong competition between this Bank and the other trading banks, although there are joint arrangements on matters of general interest.

In practice in my time, all decisions of the Board, except one or two, have been unanimous. Opposing views are resolved and reconciled, or there is a compromise.

The accounts are prepared at intervals and then examined and approved by the whole Board. Our business is under a continuous audit by the Chief Auditor and his staff. The Chief Auditor is appointed by the Government. He has wide and exceptional powers; he is beyond the control of the Board; he is responsible only to the Minister of Finance. The Chief Auditors I have known are the late Mr. A. L. Hempton, and Mr. D. F. Reid. I should here like to say that Mr. Hempton had as high and as keen a sense of honour and duty as any man I have ever known. His advice and experience were always available to us all, and I pay this tribute to his memory in grateful appreciation of what he did for the country, the Bank, the Board, and for me during the years he was here.

The present Chief Auditor is Mr. D. F. Reid. He is a man of international reputation, best known in London where during his term as London Manager he was a great ambassador of this country. He has continued in the same way as the late Mr. Hempton. Recently the Board resolved that, to avoid a levy on shareholders, the Bank should pay the cost of "Bank Notes," the paper prepared by the Shareholders' Committee. Mr. Reid vetoed the resolution unless the approval of the Minister of Finance was obtained. The Minister refused his approval, and the payment was stopped, although I still think it might well have been made. I wish to say plainly that both the Chief Auditor and the Minister of Finance acted within their rights and powers and in accordance with past practice in the Bank. I should also say that it is a matter of regret that a circular sent out to shareholders by my colleague, Mr. Paterson, was so framed as to be unfair to the Minister of Finance, because the language used implied that the Minister had intervened of his own motion; whereas he merely gave a ruling on a matter reported to him by the Chief Auditor.

You will see, therefore, how untrue is the statement often made, that the accounts of the Bank are false and wrong, or that there is chicanery, legerdemain, concealment, fraud and dishonesty in the way the Bank conducts

its business and puts out its reports, balance-sheets and accounts.

Mr. Kelliher is a strong monetary reformer and has always been a hard critic of the Banks. He was a member of the Board for over five years, from August, 1936, to March, 1942, and was a pleasant and capable colleague, with great business knowledge and ability. It is fair to say that Mr. Kelliher's opinions are the same now as when he was with us and before he joined us. In Mr. Kelliher's time all decisions of the Board were unanimous. He never dissented, as far as I remember. All our accounts were approved by him and the whole Board. While Mr. Kelliher's views were consistently the same all the time and were not shared by the rest of us, he made no practical suggestions for any changes in our policy or administration during the five years he was a member of the Board.

I conclude this part of my address with the moderate assertion that the Directors of the Bank at all times, and the Executive of the Bank at all times, are men well known in the Dominion, and they have as good a sense of private honour and public duty as other decent ordinary people.

I shall now tell you what has happened between the General Manager, myself, and the Government since the resolution of the Labour Conference was published urging the Government to consider the promotion of a State trading Bank by the immediate acquisition of the shares in the Bank of New Zealand at present held by private persons. This resolution was passed on the 8th November, 1944.

I should say, first of all, that the relationship between the Bank, the Government, and the Minister of Finance since 1936 has been close, pleasant, and in the general interest of the country, the Government, and the Bank. There has been a reciprocal co-operation and a recognition and understanding of difficulties, opinions, and points of view of everyone. On the one side the Bank and the trading banks as a unit have done all that could be done, particularly since the war, to maintain the public, private,

and war finances of the Dominion. On the other side, the Government, the Cabinet, and the Minister of Finance have been fair and reasonable, have never interfered in any improper way or in any way at all in the business of the Bank, and have admitted that the Bank, its Executive and the Board have always been on call, and have always been ready and willing to help, and have helped, the Government and the country at all times and in all ways.

It is fair to say, therefore, that the proposal to buy the private shares in the Bank has not come about because of any delinquency on the part of the Bank, or by its failure to do its national or community duty, or by any selfish, stubborn opposition to the peace or wartime policy of the Government.

Returning to the recommendation of the Labour Conference, we first knew of it when we read it in the newspapers. I at once took the matter up with the Minister of Finance, and the General Manager and I had several interviews with the Minister, some separately, and one or two together. I also had an interview alone with the Prime Minister and the Minister of Finance.

On the 21st November, 1944, I wrote the following letter to the Minister of Finance, which set out the position as I saw it then and see it now:—

“Dear Mr. Nash,

Since the talk Mr. Chalmers and I had with you on Monday, I have considered further the matters we discussed.

I should like first of all to refer to the past relationship between the Bank and the Government since the present Government came into office. It has been the duty of the Government to manage the affairs of the country according to its policy. It has been the duty of the Bank—which it has fully performed—to help the Government wherever it could and as much as it could. It has been admitted by the Government, by individual Ministers and yourself, that the Bank and all the trading banks as a unit, particularly since the war began, have done all that could be done to maintain the public, private, and war finances of the Dominion.

The Government is a shareholder in the Bank and has by law the right to appoint the majority of the

Directors on the Board. Since 1936 there have been discussions from time to time between the executive officers of the Bank, the Directors, yourself, and the Prime Minister. Such discussions have taken place in discharge of the duty which lies on the Bank to help the Government in the administration of that part of the financial system of the country which is covered by the business of the Bank. Any discussions have always been in general terms, and there has not been, nor could there ever be, any discussion or disclosure of the business of any customer of the Bank unless express prior authority had been given to the Bank by the customer. The secrecy and sacredness of the relation between banker and customer are protected by the tradition of centuries and the law of the land.

I can say that in all respects the present Government, and you as Minister of Finance, have kept the high standard of propriety and honour which has always marked the relationship between the Bank and the Government of the day since 1894, and the business of the Bank is now conducted as it always has been in the past.

I told you that I am disturbed at the present stage of the proposal that the Government should buy the privately-owned shares in the Bank. I point out to you again, as I did at our meeting, that it is a matter of regret that there were no preliminary discussions with the executive officers of the Bank, the Board of the Bank, or your nominees on the Board, before the recommendation of the Labour Conference was published in the newspapers. My association with the Government and with yourself, entitled me—I submit for your consideration—to expect that in the public interest the Government would have given me its confidence, wholly or in part, before such a recommendation was published.

As I see the present position, the Government must go on with the purchase of the shares. At the present moment no preparation or plan of any kind whatever for so important and delicate a transaction is ready or has been considered. All that exists is the naked recommendation of the Labour Conference and the suggestion you made to Mr. Chalmers and myself that a clause would be included in the Finance Bill giving the Reserve Bank power to buy shares in the Bank.

I have thought over your explanation of this new clause and your reasons for proposing to submit it to

Parliament, and I am sorry to say that I am still unable to understand the explanation or the reasons you gave me. I feel sure that the result must be to destroy the structure and stability of the Bank and the confidence of the customers and the general public in its administration and control.

There are other important matters which have apparently not been considered at all:—

- (1) Shareholders must be paid out in one of three ways:—
  - (i) By cash from revenue;
  - (ii) By a loan raised for the purpose;
  - (iii) By drawing on the Government's account at the Reserve Bank, thus increasing its overdraft with an inflationary result to the damage of the stabilisation scheme.
- (2) It has not been decided whether the Bank is to be controlled by a Board of Directors as at present, or whether it is to become a State Department under the present executive officers.

There is a risk that the personnel of a new Board of Directors might consist of persons of the same way of thinking as the majority at the Labour Conference which forced through the resolution.

I again remind you that the future of the Bank as a State Bank depends upon public confidence in its policy and administration. Reports from our Managers show that, despite the great goodwill which the Bank has built up during the last 80 years, many of its good customers are contemplating transferring their business elsewhere when the Bank passes under complete Government control. Some customers are leaving their accounts with us at present but have already opened accounts with other banks. This surge of discontent among the Bank's customers is disheartening to its officers and is a threat to the usefulness of the Bank as a State Bank when the shares are taken over. It is of front-rank importance, therefore, I urge upon you and Cabinet, that the Government should at once take steps to reduce the present and future damage to an important Dominion asset.

I am convinced that a full statement should be made by Cabinet stating what the Government intends to do,

and what the future policy and administration of the Bank will be. Such a statement is essential to reassure the staff, the depositors, and borrowing customers, particularly in regard to the maintenance of past traditions of secrecy and confidence. Without such a statement, the inevitable discussion in Parliament during the current Session may easily result in the loss of a substantial part of the business of the Bank.

During the war I personally have co-operated with the Government at all times and in every way. You will recognise that I am at present carrying on as a Director of the Bank under humiliating and difficult conditions. These conditions have been brought about, as I told you at our interview, without any consultation either with the executive officers of the Bank, or with Mr. Dowgray and myself who are the Government's nominees on the Board. I repeat, we should have been consulted before a public statement such as the Conference recommendation was made, and if we had been consulted, the executive officers and the Board would have helped the Government to bring about the transfer with as little friction, disturbance, loss of public confidence, and political acrimony as possible.

I regret to say that if the proposed clause is inserted in the Finance Bill and brought before Parliament during the current Session, I shall feel inclined to tender my resignation and make a public statement about the matter. I hope and feel sure that you will inform me when a decision has been reached by the Cabinet, one way or the other, in regard to this clause. In any event, I will be prepared to stay for a sufficient period of time to enable the Government to make other arrangements, and whether I am on the Board or off it, I will help the Government and the Bank in any way I can.

I am troubled by the fact that any statement I may make will probably be used for political purposes by the opponents of the Government, but I cannot see how that can be helped. I will state the position as I see it fairly—as I think I have always done—and I will submit the statement to you and the Prime Minister before its publication. If I had received the same consideration from the Government in this respect, the present unhappy position would not have arisen.

I have not set out in this letter all the matters we discussed at our interview, or possibly all the matters

which would have to be mentioned in a public statement, but I thought I should let you know how I feel about the situation at present.

I have sent a copy of this letter to the Prime Minister.

Yours faithfully,

(Sgd.) A. T. DONNELLY."

On the 25th November I received the following letter from the Minister of Finance:—

"Dear Mr. Donnelly,

This letter is sent to acknowledge the one which you wrote to me under date of 21st instant, the main points of which were discussed in the interview between the Prime Minister, yourself and myself earlier in the present week.

The subject is under continuous examination and after discussion with the Prime Minister I will get into touch with you again.

With kind regards,

I am,

Yours sincerely,

W. NASH."

During the short session of Parliament at the end of the year no legislation was brought down, and no important reference was made to the recommendation of the Labour Conference.

On the 29th November a special meeting of shareholders was called and a Committee was set up to look after the interests of shareholders.

About the middle of December I was told that the Minister of Finance had informed Mr. Dawson, the then Chairman of the Shareholders' Committee, that the Government intended to go on with the purchase of the shares and that Mr. Dawson could tell the Committee of the Government's decision.

I had further correspondence with the Minister to which it is not necessary to refer here.

I re-stated and affirmed the views I had set out in my letter of 21st November, 1944.

In a letter to me of December 23rd, 1944, the Minister said:—

"I hope you will agree that whilst availing myself of your advice and assistance which is always so readily given, I must myself ultimately decide which course to follow."

You will see that the Minister, while acknowledging the help he had always had from the Bank and from me, fairly and properly reminded me that it was his responsibility to decide what should or must be done. The General Manager and I therefore thought that we had pressed our views upon the Minister as far as we could, and there was nothing more to be done by us.

Towards the end of March, Mr. Nash told me that Cabinet had now decided to go on with the purchase, and that the Bill would come before the next Session of Parliament. He also said he would make a public statement, and agreed to my request that the General Manager and I should discuss the proposed statement with him. We had several interviews with the Minister, and his statement was published on the 31st March.

The statement by the Minister was as follows:—

"The Government gives an unqualified assurance that all rights and immunities now enjoyed by customers in the Bank of New Zealand will remain exactly as at present. This means, needless to say, that clients' accounts and records in the bank's books will remain inviolable and secret. Deposits in the Bank of New Zealand will thus continue to be governed by the same terms as govern the deposits in the other trading banks.

In all administrative matters the bank will remain under its present management and day-to-day conduct of its business will, as hitherto, be governed by the principles of sound banking practice. While the general policy of the bank will be determined by the Minister of Finance on behalf of the Government in accord with like powers provided in the Reserve Bank of New Zealand and State Advances Corporation Acts, the existing



directors will remain in office in accord with the Bank of New Zealand Act and will be responsible for the general administration of the bank."

Recently I have seen the Minister on more than one occasion, and I have asked him whether he could let me know the details of the legislation, in particular the price of the shares, or the method or principle whereby the price would be fixed. Up to the present, the Minister has not been able to add to his statement of 31st March, 1945, nor has he given me any information about the legislation, and there is therefore nothing more which I can pass on to you to-day. He said plainly and definitely, however, that legislation will be submitted to Parliament and that it will go through. As the Government has a majority in Parliament, it is certain that the legislation in whatever form it is settled by Cabinet, must finally become the law of the land, subject to any modification made during its passage through Parliament. We must assume, therefore, that this will be the last Annual Meeting of the private shareholders in the Bank and that by next year the Bank will have become the property of the State.

I now refer to the subject of most importance to shareholders, which is, of course, the price which will be paid for the shares, and I am sorry, as I have already said, that I cannot tell you what the intentions of the Government are on this point. You may rely upon it that the Board as a whole, and your representatives upon the Board, will, when the time comes, do all that can be done in your interests to see that the price is a fair and proper price and that all relevant facts and arguments are submitted for the consideration of the Government.

You and the staff will wish to know what the future position of the staff will be. As you know, there is a staff pension fund which is more generous in its scope and amount than most provident schemes. I discussed the staff position with both the Prime Minister and the Minister of Finance, and I have their assurance that the staff will be fully protected and that the position will be the same under State ownership as at present.

To enable pensions under the scale which has been in force for some years to be continued, the Board has undertaken to make a special annual payment to the Bank of New Zealand Officers' Guarantee and Provident Association to bring the Association's earnings on investments up to 5 per cent. per annum. Last year this payment amounted to £24,212. This extra subsidy was necessary on account of the reduction in interest rates, which in its turn brought about a reduction in the earnings of the Fund. This shows plainly one result of the low interest rates now prevailing. We know that the return from estates administered by the Public Trustee has been recently reduced. Everyone knows that the bonuses on Life Insurance Policies are much lower than they were. Low interest rates are therefore not a national miracle costing nobody anything. When the State is the largest and almost only borrower as at present, low interest rates are a heavy additional hidden tax on the thrifty and take away a part of the value of, and return from, savings of all kinds and in all forms. The lower the interest rate, the less inducement there is for everyone to save rather than spend. In a period like the present, of great war-time expansion of money and credit, those in authority should give consideration to the consequences of lowering still further the inducement to save.

There is one other matter I should mention about the staff. We still have 545 officers—about a third of the staff—in the Forces. Many of these men are well embarked upon their life careers. The Government, I feel sure, will see that these men are protected, not only in their present posts, but their future prospects.

I now refer to the statement of the 31st March, 1945, by the Minister of Finance, which is a declaration of what the policy of the Government will be when the Bank is taken over. Broadly speaking, the Minister has said that the Bank will be carried on just as at present, subject to a determination of its general policy by the Minister on behalf of the Government. The future of the Bank as a State Bank depends upon public confidence in its policy

and administration. It therefore depends on the acceptance or rejection of the Minister's statement, by the community in general and the leaders of trade and business throughout the Dominion. There is this to be said in favour of the statement by the Minister, that during the past nine years there has been no pressure on the Bank or any interference with it. It is fair to say, therefore, that the statement should be accepted by everyone at its full face value in the meanwhile or until there is a departure by the Minister or the Government from the assurances in the statement express or implied. We are living in a critical time in our national life and we shall need every advantage and the help of everyone if we are to pull through the post-war years.

I know, and have said earlier, that this purchase has come about by political rather than national necessity. Just now there are some things higher and better than party or politics. Many men, not only of our country, have died in the last five years to save our society in something like its present form. One view worth consideration is that we should all try to reduce or avoid the certain damage to the country and the Bank from the political controversy which has been begun by the Government and will last until the legislation goes through, and afterwards. No one would refuse to damp down or put out a fire because he did not start it. Some distortion of our national life and economy must result when the Bank becomes a State Bank. The less distortion there is, the better it will be for all of us.

That is all that I have to say about the present situation of the Bank. Although I have my own political opinions like everyone else, I have tried under the present extraordinarily difficult conditions to speak to you in as fair and as detached a fashion as I can. If I have failed in what I have set out to do, I can only say I am sorry and I did my best.

I now wish to make a statement about the personal position of some of us — first of all, as to Mr. Chalmers. Some time ago Mr. Chalmers told the Board that he wished

to retire as he was feeling the heavy strain resulting from the work of the war years. At the unanimous request of the Board he agreed to stay on in the meanwhile and will continue until the proposed legislation comes into effect. Mr. Chalmers has been in charge of the Bank during the most difficult time in its history in the last 50 years. It is not easy for me to say what I think of Mr. Chalmers. I have come to know him very well. We have been in close association during the last ten years. He is a man of quick, sound judgment, of great banking knowledge and experience, and I can tell you without reservation, he has served you and the country well. We were fortunate in having him with us during the recent hard and sinewy times. Above all, Mr. Chalmers is a human man, and as the staff and customers know full well, his ideas, ideals, instincts, and standards have always been high, fair, and generous. On your behalf, and on behalf of us all, we wish him well in his retirement.

I now wish to make a reference to Mr. Dowgray, who has been a Director for 8 years. He has been a member of the Labour Party all his life, and his views in many respects are not our views. He has been a fair and loyal colleague, and you yourselves know the man he is from the statements he has made at past annual meetings. On no occasion has Mr. Dowgray taken a narrow class stand, but has carried out his duties in the best traditions of the Bank. He has been a great help in many ways, and he has the respect and affection of all of us. It was a matter of regret that the Shareholders' Committee, in quoting a past statement of Mr. Dowgray's, did so in circumstances which caused Mr. Dowgray to complain justly of unfairness and discourtesy. Mr. Paterson, as I knew he would, made a fair apology to Mr. Dowgray, which was accepted in the spirit in which it was made, and that was the end of the matter.

I apologise for intruding a statement of my own position and intention. While I hesitate to suggest my own view of this controversial matter of the purchase of the shares in the Bank, I think you should know what it

is. From my own knowledge and experience, from the relationship between the Bank and the Government during the last nine years, and from the best consideration I can give to the opposing discussions, there is no national need, necessity, or benefit, so far as I can see, for the proposed change, especially when considered in the light of the statement of the Minister of Finance of the 31st March, 1945.

I have been a Director for ten years, and Chairman for eight years, and I have had a long term of office. It has been a time of anxiety and responsibility. The work of the Bank and national work which came to me because of my position on the Bank which I felt I ought to do, have during the years of the war, taken up a substantial part of my time. I think I now should be able to go back to my own business. Moreover, it is better that those in charge of the Bank when it is taken over by the State should be convinced of the need for the change and should be confident of its success. I have therefore informed the Government that I should like to be relieved of my appointment when the Bank is taken over. In any event, my term expires on 31st March, 1946.

I have nearly finished, and I just want to say this in conclusion. The war in Europe has been won, not by us but for us in New Zealand, although here at home we have done what we could where we could. The war with Japan has yet to be won, but will be won. We stand at the gate to the world after the war, and what that world will be, turns on what we do and how we do it. There is the rehabilitation of those who have come back and have yet to come back. Under the ugly surface of this clumsy word "rehabilitation," are two ideas—first, to heal the man in mind and body of the hurt and wounds of war; then to put him back where he was or where he can do his best for the country and himself.

We have gone through the war and come out of it a free people. Sometimes we should think to ourselves just what is meant by that. Our idea of liberty, what we will do with it, what we will do for it, will make our world

after the war. Sometimes, like the prophets of old, we should leave the dust and toil of our daily lives and go back for a while to the heights where we can see more and see further, where we can see ourselves and see others more clearly and more fairly.

I leave you with a quotation from a speech made last year by a great American Judge, which puts one ideal of liberty in the world after the war.

"What do we mean when we say that first of all we seek liberty? I often wonder whether we do not rest our hopes too much on constitutions, upon laws and upon courts. These are false hopes; believe me, these are false hopes. Liberty lies in the hearts of men and women. When it dies there, no constitution, no law, no court, can save it. No constitution, no law, no court can even do much to help it. While it lives there, it needs no constitution, no law, no court to save it."

I now beg to move the adoption of the Report and Balance-sheet, and will call upon Mr. Paterson to second the Motion." (Applause.)

MR. STRONACH PATERSON said:—

"Ladies and Gentlemen,—First of all, I take this opportunity of thanking the proprietors of the Bank for electing me to the important office of Shareholders' Director. I am deeply sensible of the great honour and the equally great responsibility so conferred on me.

You will note that I address my thanks to the "proprietors" of the Bank. You, the ordinary shareholders of the Bank, are still in fact and in law, the sole proprietors of the Bank, in spite of frequent and loose statements that the Government "owns" a third of the Bank. The Government holds a third interest in the Bank by way of preference share holding without voting rights, and is meantime forbidden by law from holding proprietary shares. This substantial interest in the Bank was acquired by past Governments without the consent of the proprietors, but not without the consent and approval of the Board of Directors of the Bank, two-thirds of whom were Government nominees.

When I nominated for election, I had no knowledge, and you had no knowledge, that the present Government would contemplate further encroachment on the rights of the proprietors, but before the closing of the election ballot, a conference of the Labour Party carried and made public a resolution calling on the Government to forcibly acquire the rights of proprietors, and shortly after I had taken office as a Director, the Minister of Finance announced the Government's intention to submit to the direction of the Conference and to expropriate, on some terms not yet announced, the property of shareholders. On this occasion the Government apparently proposes to proceed without even the consent of the Board of Directors.

May I here pay my tribute to my colleagues on the Board, especially to the Chairman, and also to the General Manager and his predecessor for their successful protection to date of shareholders' interests which have been under constant threat from the Government for some years. I am satisfied that so long as the Board is constituted as at present, it will continue to fight for the rights of shareholders and, in the event of failure on the main issue, the Board will strive to the utmost to ensure that the terms and conditions of expropriation provide the fullest possible compensation to shareholders.

The Government's announced decision in this matter placed the Board of the Bank in a very difficult position, and involved unexpected responsibility and grave embarrassment for your newly-elected Shareholders' Director. My first duty as I see it, is to oppose to the last ditch the expropriation by the Government of the shareholders who appointed me to the Board. The Government's announced decision has already damaged the Bank itself—your property—and the more the injustice, the folly, and the inevitable ultimate result of the Government's policy is demonstrated and exposed, the greater is the likelihood of further damage to your property by the disturbance of confidence of shareholders and customers of the Bank. This is my grave embarrassment. I explained it fully to the Hon Mr. Nash, but made

clear to him that in spite of this embarrassment, my duty was clearly to oppose the Government's policy by every possible means.

If, in spite of our utmost efforts, the Government implements its announced policy and forcibly takes over the property of shareholders in the Bank, my second duty—a duty shared by my colleagues on the Board of the Bank (whether elected by shareholders or appointed by the Government)—is to strive for the utmost measure of equity for shareholders in the enforcement by the Government of a fundamentally unjust and unwarranted transaction.

In November last, at a specially convened meeting of shareholders, you appointed a Committee of Shareholders and briefed that Committee in clear terms. On my election as your Director, I took over from Mr. Dawson the chairmanship of that Committee, and I propose now to give you an account of that Committee's activities.

Your Committee has taken the best legal advice as to the rights of shareholders, and this advice will be acted on as and when the time is opportune.

Your Committee has also had under constant study and review the question of the value of your property and of equitable compensation for its forcible expropriation. The valuation of shareholders' interests is a matter of great complexity, both in fact and in law, and after full consideration, your Committee came to the conclusion that, if in due course a valuation of shareholders' interests becomes necessary, such valuation could be better determined by a judicial and impartial tribunal, than by any manner of public bargaining and controversy. Consequently in my first interview with the Hon. the Minister of Finance, after I became a Director of the Bank and Chairman of your Committee, I told Mr. Nash that while I and the Committee must take all steps in our power (including the fullest publicity) to oppose the Government's taking over of the Bank, we did not wish to engage in public controversy about share valuation, and I submitted to him a proposal for the judicial determination of share values. At Mr. Nash's request, I put my

proposal to him in writing, and with the full authority and approval of the Shareholders' Committee, I wrote him on March 9, as follows:—

“Following on the writer's conversation with you in your office yesterday evening, I now submit in writing my Committee's suggestion for the fixing of the value to be paid to the shareholders in the event of Cabinet deciding that the shares are to be acquired by the Government and passing legislation to implement that decision. My Committee's suggestion is that legislation should provide for the setting up of a special tribunal to fix the value of the shares: such tribunal to take evidence from interested parties and to give an impartial and just decision—the tribunal to consist of a Judge of the Supreme Court assisted by a financial authority of high standing such, for instance, as the Secretary of the Treasury, and a Public Accountant of Dominion-wide standing who is not a shareholder of the Bank of New Zealand, and who has been nominated by my Committee subject to the Government's approval. My Committee suggests that such a tribunal would be qualified to give a decision that could not but be approved by the Government, by the shareholders, and by public opinion, and that the decision of the matter by such a tribunal would remove the issue from anything in the nature of public bargaining and quarrelling. My Committee sincerely hopes that you will give this suggestion your very favourable consideration and shall be glad to know in due course whether the Government will accept this suggestion.”

To this letter Mr. Nash replied on March 12th, as follows:—

“This note is sent to acknowledge the one that you wrote to me under date of the 9th instant in which you convey the suggestion of your Committee for the fixing of the value to be paid to the shareholders by a Tribunal consisting of a Judge of the

Supreme Court assisted by a financial authority associated with the Government and a public accountant of Dominion-wide standing who has been nominated by your Committee subject to Government approval.

“I will be glad to bring the suggestion you have made before the Government for its consideration.”

I have twice since asked Mr. Nash if he could give me the Government's official reply to your Committee's suggestion. The last occasion was on June 1st when I advised Mr. Nash that I would be reporting to you to-day on the Committee's activities and would very much like to be able to report the Government's acceptance of the Committee's proposal. Mr. Nash then advised me that the Government had reached no decision in the matter and indicated that it was unlikely to announce any policy on the question of share valuation until the Bill implementing the Government's announced intention of taking over the Bank was presented to Parliament.

I still hope that, in the event of the Government forcibly acquiring the privately-held shares in the Bank, the Government will adopt the Committee's suggestion, but pending the Government's decision on the matter, your Committee continues to prepare to fight any unjust or inequitable valuation which the Government may seek to impose. Because your Committee has made this essentially fair and reasonable offer to the Government, there has hitherto, in your Committee's publicity campaign to which I shall shortly refer, been no bickering or controversy about the value of the proprietors' shares. I still hope that public controversy on this particular issue may be avoided.

You have probably noted, without, I hope, undue and premature jubilation, that Mr. Langstone—the man who apparently decides the financial policy of the Labour Party, of the Labour Caucus, and of the Government—has fixed the value of your proprietary interest in the Bank at 25 to 30 millions.

At the first meeting of your Committee it decided to

progressively develop a programme of public propaganda in opposition to the Government's policy. In this campaign it has had the generous assistance of many organisations which realise that the taking over of the Bank of New Zealand by the Government is a vital step in the policy of State Socialisation of the machinery of production, distribution, and exchange. It is not only the Bank of New Zealand and its proprietors who are threatened—the whole banking system and, indeed, the whole fabric of private business enterprise is at stake. I am sure you will endorse my expression of your grateful thanks to these organisations for their help.

Your Committee, with the continued assistance of various national bodies, proceeded from the development of a modest press publicity campaign, to the issue of a brochure entitled "Bank Notes." This publication was originally planned to educate the public, and also, if possible, the Government, on the soundness and strength of our existing banking institutions and the great part they have played in the development of industry, both primary and secondary, and of the trade, commerce, and professions of the Dominion. The keynote of the publication as originally planned was to convince the public and the Government that Mr. Nash's past tributes to the efficiency and value of our private banking institutions were deserved—and to persuade Mr. Nash to say "No" to the Labour Conference and the money-tinkerers. The brochure on these lines was ready for publication and almost in the hands of the printers when Mr. Nash, doubtless at the dictation of Caucus which was then in session, said "Yes," and announced the Government's intention to introduce legislation in the next session of Parliament to implement the directions of the Labour Party Conference.

In view of this development, "Bank Notes" had to be re-written and re-edited as a direct attack on the Government's announced policy, and published at very short notice. If you have any criticism to offer on this publication, please remember the difficult conditions under which, and the short notice at which, it had to be produced.

I have only one apology to make in regard to the publication of "Bank Notes," and that is to my colleague, Mr. Dowgray. In the hurried reconstruction and publication of "Bank Notes," we reproduced earlier eulogistic statements by Mr. Dowgray about the Bank, without advising Mr. Dowgray that we were so doing. I have already apologised personally to Mr. Dowgray for this discourtesy, and I now tender to him the apology of your Committee. Our apology is not for publishing Mr. Dowgray's statements in "Bank Notes"—which publication we had every right to make—but our apology is for so publishing without prior advice to Mr. Dowgray of our intention.

With the assistance of our many friends, some 250,000 copies of "Bank Notes" have been distributed. This distribution has undoubtedly stimulated public interest and public discussion, the convening of protest meetings, and Press publicity. All the Press publicity promoted and instigated by your Committee has hitherto been published by the Press as news without charge for space. I am sure you will join your Committee in expressing our grateful thanks to the Press. Time is short to develop an effective publicity campaign before Parliament meets, and some of our friends are speeding up the campaign with a programme of Press advertising. Your Committee feels that it will probably have to support and greatly extend this advertising campaign.

This brings me to the question of funds. When you set up your Committee, you were not asked to provide it with funds for its work, and did not provide such funds. The Committee's opinion and my personal opinion was that the Bank as an institution was gravely imperilled by the threat of Government expropriation, and that it was therefore not only the right but the duty of the Board of the Bank to provide from the Bank's resources the funds required by your Committee to protect the rights of the proprietors and to protect the Bank itself from serious damage.

The Chairman has told you of what transpired.

In a circular to shareholders of the 26th April, I explained the Committee's lack of funds and appealed for a minimum subscription of 1d. per share to finance the Committee's work. In that circular I wrote:—

“The Committee expected that the Bank would meet the expenses as it did in the case of a similar committee some years ago—but the Minister of Finance intervened and vetoed this.”

The Chairman, who is much more skilled than I am in legally accurate expression, has criticised my use of the word “intervened,” and accuses me of being unfair to the Minister. The Chairman has not convinced me that the use of the word “intervened” was either inaccurate or unfair. The intervention was in the first place the act of the Auditor appointed by the Government and responsible to the Minister of Finance, and his intervention was sustained and enforced by the Minister himself. I do not complain of the Auditor's action, but I regard the Minister's refusal to approve the decision of the Board as a direct political interference in the conduct of the Bank's business, and I feel sure that you agree with me. I need hardly say that the difference of opinion on this matter between myself and the Chairman has in no way disturbed the long personal friendship and mutual respect which has marked and still marks my relations with both the Chairman and the Auditor, or that I had no intention and have no intention, of being other than strictly fair to Mr. Nash.

Your response to my appeal for funds has been very good and subscriptions are still coming in. To those who have not yet responded I repeat my appeal. It is difficult for your Committee to accurately estimate its expenditure in a campaign that must continue and accelerate right up to the introduction (and, let us hope, final rejection) of the bill in Parliament, but present indications are that your Committee can make good use of all the funds you are willing to provide. Subject to your approval, your Committee will not allow its work to be cramped by lack of funds and will not hesitate to make a further appeal to you if still further funds are required.

Your Committee has had numerous suggestions from shareholders and customers of the bank as to the best means of fighting the Government's declared policy of expropriation. All these suggestions have been carefully considered. Some of them have been very helpful and practicable, others have been found to be impracticable. Your Committee is limited in its campaign by four factors—time—shortage of paper, of printing and distributing facilities—shortage of advertising space in the Press—and availability of funds. The fight must be short and sharp, or it may be over and lost before we are even fully deployed. The problem is to make the utmost use of available publicity channels, to get the fullest support possible from our many friends, and to make the best use of available funds. I trust you have confidence in your Committee to do its best under the circumstances.

So much for the activities of your Committee. What about the intentions of the Government?

In announcing the Government's intention, Mr. Nash gave the Government's unqualified assurance that there will be no change in the administration, management, and directorate of the Bank. The Chairman advises acceptance of this assurance at its full face value, and I do not question his advice, except to ask, what is “its full face value”? I do not question the personal sincerity of Mr. Nash, but I do question Mr. Nash's power to pledge even the present Government, let alone future Governments, of Labour, or any other political colour.

I quote the following extracts of a previous Government's assurance given by that Government's Prime Minister (the late Sir Joseph Ward) in the House of Representatives on August 21st, 1907. The full statement from which I quote extracts is in Hansard, Volume 140, pages 360 and 361:—

“The Government had only a comparatively small interest in the Bank. The shareholders controlled the whole of the deposits; they also controlled the whole of the Bills under discount, and owned by far the greater proportion of the goodwill of the Bank's business. The shareholders, though rescued by the

Colony coming in, had still rights that even the almighty power of Parliament could not ignore. They were bound as a matter of fairness and justice to see that the shareholders' rights were protected. Should the State take over the Bank of New Zealand, the shareholders would still have a right to keep their own business, to keep their own deposits, to preserve their own goodwill, and no Act of Parliament could take away these rights, from them any more than by Act of Parliament you could shift New Zealand to some other part of the world."

Have the shareholders of the Bank and the New Zealand public any good reason for placing any more reliance on the assurance of the present Government than history has proved they could place on the assurance of Sir Joseph Ward's Government?

In support of my assessment of the "full face value" of the "Government's unqualified assurance," I refer you again to the supreme financial authority of the Labour Party. Whatever the Government's intentions, Mr. Langstone made it clear in his address in Christchurch some two weeks ago exactly how the Labour Party proposes to administer the Bank after its Government, on its instructions, has taken over the Bank.

From experience of State ownership and control of other businesses acquired by the State—I instance transport business, coalmining, and the business of the Internal Marketing Department—the customers of the Bank have no reason to expect that they will get anything like the same service from the Bank under Government ownership as they are to-day getting from the Bank under your proprietorship.

I have told you how I view my own particular duty and responsibility in the difficult and embarrassing position in which I now find myself. The Chairman has told you of the intentions of himself and the General Manager in the still more difficult and embarrassing position that will arise if and when the Government succeeds in implementing its announced intention, and I feel that you are entitled to know my intentions also.

Subject to the over-riding power of the Government to remove me from office by legislation, I shall continue as a Director of the Bank for the period for which you have appointed me, subject to my being free and able to continue to serve the interests, immediate or future, of the shareholders who appointed me. If and when the Bank is completely and irrevocably Government owned, and the present proprietors cease to exist and have no present or future interests that I feel I can serve and protect, I shall resign from the Board.

Your Bank is to-day, in spite of many vicissitudes, a great and strong institution. I again appeal to you and to the customers of the Bank, to stand by this great institution and join in protecting it from damage. If and when the Government's announced foolish, unjust, and destructive intentions are fully and irrevocably implemented—that will be the time for me, for you, and for the customers of the Bank, to consider our own and the country's best interests, and if necessary, abandon our allegiance to an institution that has so long and so faithfully served us and our country.

The Chairman referred briefly to the pending election of a Shareholders' Director in succession to Mr. Gibbs. In the matter of this election, the Board has no option but to proceed with an election as required by law. It seems to me that the considerable cost to the Bank in time, effort, and money, involved in the election under present circumstances is inadvisable, and that any Director so elected will, in the event of the Government terminating the existence of the electors before the election can become effective, find himself in a totally impossible and utterly undignified position.

I would suggest, therefore, that you request your Board to approach the Government to provide for a postponement of the election until after the proposed legislation in connection with the Bank is passed by Parliament. Failing the Government's acceding to such a request, I would suggest that shareholders refrain from nominating for the Board, and leave the position to be



met by the Board under its present powers. Meantime shareholders can be assured that their interests are as safe as they can possibly be in the hands of the temporary Director appointed by the board—Mr. Dawson—who has continuously been a member of your Shareholders' Committee since its inception.

If the Government permits the Board to postpone the election, Mr. Dawson will continue to act as Shareholders' Director until such postponed election takes place. If the Government refrains from empowering the Board to postpone the election, and if shareholders refrain from nominating for the election, the Board will doubtless appoint (as it has power to do) Mr. Dawson, or some other person, for the full term for which the election is called; but if meantime, the Government's proposal to take over the Bank is abandoned, Mr. Dawson (or any other appointee of the Board) would, I am sure, promptly resign and forthwith restore to shareholders their right of electing their own representative on the Board.

Later in this meeting, a resolution on these lines will be submitted for your consideration.

The Chairman has reviewed the Balance-sheet and the result of the year's operations. I have nothing to add to his comments except that you will note that again the Bank's profits are insufficient to provide in full the very modest dividend to be paid to shareholders. I trust that the Chairman has convinced you that this is not the fault of either the Board or the Management.

In conclusion, I would like to say that I am not convinced yet that the Government will succeed in taking over the Bank, and I hope that you shareholders will join me in this expectation and will stand behind your Committee which is going to fight for the rights of shareholders." (Applause.)

"I now second the Motion for the adoption of the Report and Balance-sheet."

THE CHAIRMAN then declared the Motion to be open for discussion.

MR. T. N. GIBBS (Christchurch), in addressing the meeting, said that he considered the Chairman in his speech had most capably assessed for what it was worth the Government's proposals with regard to the Bank, and therefore he would not dwell on that matter.

He expressed appreciation on behalf of shareholders of the part the Chairman had played and the course he had followed during his term of office. The whole country, as well as the shareholders, were under a great debt to him. He voiced the opinion that as a result of what the Chairman had said in his address, all would more fully recognise the great service he had rendered.

The meeting supported with applause Mr. Gibbs' expression of thanks to the Chairman for this service, and endorsed his expression of regret at the prospect of Mr. Donnelly's retirement.

THE CHAIRMAN thanked Mr. Gibbs for his complimentary remarks. There was no further discussion, and the motion for the adoption of the Report and Balance-sheet was put to the meeting and carried unanimously.

THE CHAIRMAN:—"A notice of intention to move a resolution regarding the vacant seat on the Board has been received from Messrs. M. O. Barnett, Samuel Blackley, and A. D. Park, members of the Shareholders' Committee, and I will now ask Mr. Park to address the meeting."

MR. A. D. PARK said:—

"Mr. Chairman, Ladies and Gentlemen,—The resolution which I propose to move reads as follows:—

'This statutory meeting of the Proprietors of the Bank of New Zealand requests the Board of Directors of the Bank to seek from the Government legal right to postpone the election of a shareholders' Director to fill the present vacant seat on the Board until such time as the Government's proposed legislation in connection with the Bank is either withdrawn or has been considered and disposed of by Parliament.

Failing the Government giving to the Board such legal right of postponement prior to the closing date at present fixed for nominations, June 25th, this meeting requests all shareholders to refrain from nominating, leaving the Board to fill the vacancy in accordance with its statutory powers.'

The vacancy on the Board which concerns the shareholders is that arising from the resignation of Mr. R. W. Gibbs which took effect, I believe, some time in April.

Under Section 26 of the Bank of New Zealand Act, 1926, is set out the formal procedure to be followed by the Board in filling the vacancy. This procedure involves in time no less than 200 days, or from six to seven months, taken up firstly by sixty days after notice of the vacancy, for receiving candidates' nominations; secondly, by 120 days for the election poll (with the possibility of an extension), and thirdly, by up to 20 days for counting and checking votes. Thus you will see that the present vacancy cannot be filled in the normal way before November or December at the earliest, with the possibility facing us that by that time the shareholders' interests in the Bank may have disappeared.

Under these circumstances, I feel that this is not the time for wasting effort in the exigencies of a shareholders' election, but rather that all possible energy should be devoted to the immediate and major problem of protecting the shareholders' interests in the Bank.

Other expedients are available to the Board to enable them to fill the vacancy on the Directorate in the meantime, so that the shareholders can feel their interests on the Board itself will be fully represented.

Now as to the proposed resolution itself, the first section needs no amplification. It merely proposes that the Board obtain constitutional authority from the Government to postpone the election.

The second section visualises the possibility of the Board not obtaining the necessary authority for such postponement prior to the closing date for nominations, viz., 25th instant, and proposes that this meeting by

resolution requests all shareholders to refrain from nominating, in which case the Board is empowered under Section 26 of the Bank of New Zealand Act 1926 to appoint some qualified person to fill the vacancy, and such an appointment would have the same effect in all respects as an election by proprietors.

In the event of this latter situation arising, I visualise that, if normal circumstances again prevail, the Board will carefully safeguard the principle of the shareholders themselves electing their own representative to a vacancy, but this position can be clarified only after the Government has finally promulgated and determined its proposals.

If, however, this meeting adopts the proposed resolution—and the unfortunate circumstances arise that the Board is not empowered to postpone the election, and a shareholder nominates for the vacancy prior to the closing date and is not willing to withdraw his nomination—then I feel that all shareholders who support this resolution should be freed from any obligation to withhold their nominations. This would place all shareholders on an equal footing.

With these observations, Mr. Chairman, I formally move the resolution."

MR. PATERSON:—

"I had intended to mention in that part of my address which dealt with this matter, that both the Board of the Bank and the Shareholders' Committee unanimously support the Resolution which Mr. Park has moved—and also to tell you that there are at present no nominations in the hands of the Board for the vacant office of Shareholders' Director."

The motion was seconded by Mr. M. O. Barnett, who emphasized that in supporting the resolution neither he nor the Shareholders' Committee in any way accepted as inevitable the success of the Government in its efforts to displace the private shareholders, who, said Mr. Barnett, would never capitulate, but would continue to oppose to the utmost the expropriation of their property and rights. (Applause.)

THE CHAIRMAN endorsed Mr. Paterson's statement that the Resolution had the unanimous support of the Board of Directors, and as there was no further discussion, the motion was put to the meeting and carried without dissent.

MR. D. A. EWEN:—

“Mr. Chairman, Ladies and Gentlemen,—I feel it a very great honour to-day to be called upon to propose a vote of thanks to the Directors, Management and Staff of the Bank.

As our Chairman has said—though we hope not—this may be the last occasion on which the shareholders have an opportunity of voicing their thanks and appreciation to those responsible for the conduct of the business of the Bank.

Perhaps, Sir, I might be forgiven if for a moment I run over very briefly some of the history of this Bank.

Founded, as our Chairman has said, in 1861, 84 years ago, it has played a great part in the development of this country and is woven inextricably into the commercial and financial fabric of New Zealand.

The Bank is a historical institution, and throughout the early years it was a helper and a friend to the pioneer, without whom New Zealand would never have become what she is. To many the Bank was a judicious adviser, a ready and practical friend and helper. These functions, performed over a long period of years by individuals who comprised the directorate and staff, founded a tradition which has been carried on during the Bank's history. Largely owing to this, the Bank of New Zealand obtained a fine standing and a reputation for financial stability in the mercantile centres of the civilised world. Its affairs were and are conducted on sound lines. Its credits command confidence and respect in all countries.

During its history, the Bank has weathered many storms, and throughout the difficult years, through two world wars, and periods of depression from 1921 onwards to 1938, the Bank by careful administration and the exercise of a wise discretion, was one of the principal

factors which effected successfully a return to stable conditions, and enabled many of its commercial and pastoral customers to reinstate their financial positions on a firm and sound basis.

Its activities have been manifold, owing largely to the diversified needs of a young country, comprising both primary and secondary industries, so that in the development of both these industries, it has been prominent and has enabled, and kept pace with, a rapid expansion on sound lines. The Bank Manager has acted as guide, counsellor and friend to the farmer, manufacturer and distributor; his knowledge and experience have always been freely at the disposal of his customers.

It is interesting to note that up to 1894 the shareholders of this Bank sacrificed a sum of some £2,627,000 in helping to build up development enterprises. This money was not lost to the country, but it was the price paid by the proprietors of the Bank of New Zealand in an endeavour—which on the whole was successful—to assist new enterprises and expand existing ones. The Co-operative Dairy Movement, also the Co-operative Freezing Industry, could never have been successfully built up but for the fact that they were financed by the Banking System of this country, a system of which this Bank of ours is a leading component.

Mr. Chairman, I should like to compliment you upon your very able address this morning and to express appreciation of what you have said and of what Mr. Paterson has said. As shareholders, we feel our interests are in good hands, and we can assure you that you have the whole of our confidence.

We are indebted to our Board of Directors for their careful and efficient attention to the business of the Bank, to the Executives for their loyal and successful conduct of its affairs throughout a difficult year of great strain, beset with staff problems which must have taxed their ingenuity to the utmost, and indebted also to the staff for their unvarying courtesy during a time when they have been shorthanded and, no doubt, often hard-pressed.

The strain upon the General Manager in particular, has been very great indeed: to him I would tender special appreciation.

It has been stated in authoritative quarters that changes in the constitution of this Bank are contemplated. To interfere with the fabric of so sound and so smoothly functioning a part of our commercial structure is a very serious matter indeed and one which might very easily be followed by repercussions which even now it is impossible to foresee and which could affect the economy of this country most profoundly and adversely.

Is it too much to hope that even at this late hour wiser counsels may prevail, and so disturbing a change in the financial workings of the country, be avoided?

Mr. Chairman, I have great pleasure in moving a sincere vote of thanks to the Directors, Management, and Staff of the Bank of New Zealand." (Applause.)

MR. W. H. PRICE:—

"I would like to second the motion so suitably expressed by Mr. Ewen.

We are indeed fortunate in having such an experienced and competent Directorate, as it is the Directors who lay down the policy of the Bank and are responsible for its success, which success has been, and is, a benefit to the community at large.

Mr. Stronach Paterson is the latest addition to the Board, and his lifetime business experience will be of great value. I am pleased to see that our former General Manager, Mr. Dawson, is still at the Board table; his intimate knowledge of the affairs and conduct of the Bank's business must necessarily be of immense value in the deliberations of the Board.

Our General Manager, Mr. Chalmers, has carried, and is still carrying, a heavy load. His ability, integrity, and banking knowledge are so well known in both banking and commercial circles, that any remarks from me might sound superfluous. The news of Mr. Chalmers' pending retirement comes as a great shock. Although we fully realise

that he has well earned the right to retire, it will mean a distinct loss to the banking community.

Mr. Chalmers very wisely has been, and is, building up a capable and efficient executive and staff. This fact is evident from the very promising type of man coming on. I have considerable dealings with the staff, and to me they appear to be happy and contented. I should like to refer especially to the splendid work performed by the female members of the staff, particularly during the war years. They have proved efficient, industrious, and obliging, and we are indebted to them for helping when their help was most needed.

In all sincerity I pay this tribute to the Directors, Management, and Staff for their untiring devotion to the interests of the Bank."

The motion was carried with applause.

THE CHAIRMAN, speaking on behalf of the Board, said that he appreciated very much the kindly references made by Mr. Ewen and Mr. Price to the manner in which the Board had carried out its duties, and he thanked the Meeting for having passed the resolution.

Before resuming his seat, the Chairman remarked that the slight differences of opinion on questions of general policy which had arisen between him and Mr. Paterson, have made no difference to the very friendly relations which have existed between them over a long period of years.

MR. H. R. H. CHALMERS, General Manager, in replying on behalf of the staff to the vote of thanks, said:—

"On behalf of the whole staff I desire to thank the proposer and seconder of the motion for their remarks, and also to thank the meeting for the manner in which the motion has been received. We all appreciate it very much.

The staff have had a very trying year: the strain has told severely on some of those older officers who have stayed on to help us during the war years, and it has been found necessary to allow a number of them to retire. The strain

has been felt at all Branches, but more particularly at the City and Suburban Offices and the secondary Branches, where the volume of work has increased considerably but where there has been no corresponding increase in the numbers on the staff. I would again stress that it is to the Branch staff mainly that the credit for the Bank's success is due. We at Head Office can lay down the policy and control the investments, but it is the Branch Managers and executive officers who get the business. The main thing that we have to sell is service, and it is the efficient, cheerful, and courteous service given at Branches which maintains our business and brings new business.

I would like to express my thanks to the Chairman and other speakers for their complimentary—and I am afraid, somewhat too flattering—references to myself. I have only done my duty to the Bank and its proprietors, and any success that I have achieved has been very largely due to the help given to me by a loyal and efficient staff, and to the confidence reposed in me by the Board.” (Applause.)

This concluded the business of the Meeting.



