

of the Consolidated Fund on the new terms of thirty-two and forty-one years was to be 1 per cent. for the thirty-two-years loans and 10s. per cent. for the forty-one-years loans. By the amending Act of 1900 the rate of interest on the old twenty-six-years loans then in existence was reduced to  $4\frac{1}{2}$  per cent.

By the Local Bodies' Loans Act, 1901, section 96, the contributions to the sinking fund to be paid to the Public Trustee out of the Consolidated Fund were to be on twenty-six-years loans  $\frac{1}{2}$  per cent., on thirty-two-years loans  $\frac{1}{2}$  10s., and on forty-one-years loans  $\frac{1}{2}$  1s. This Act repealed the provision of the [1892 Act appropriating 10s. per cent. per annum from the Land Transfer Assurance Fund; the whole of the sinking fund was to be thereafter found by the Consolidated Fund.

By the amending Act of 1903 rates of interest on loans were raised to 5 per cent. for twenty-six-years loans,  $4\frac{1}{2}$  per cent. for thirty-two-years loans, and 4 per cent. for forty-one-years loans. By the 1907 amending Act the rates were again reduced to  $4\frac{1}{2}$ , 4, and  $3\frac{1}{2}$  per cent. respectively.

#### THE PRESENT SYSTEM.

This was inaugurated by the New Zealand State-guaranteed Advances Act, 1909. The Superintendent was authorized to raise up to £1,000,000 a year for loans to local bodies. There was no restriction on the amount that could be borrowed by any local authority. The money was to be lent at the same rate as that at which it was borrowed, a charge of 10s. per cent. commission only being made. The loans were to be repaid by instalments, including principal and interest.

Under the present system local bodies for the most part obtain loans having a term of  $36\frac{1}{2}$  years. If money is borrowed at  $3\frac{1}{2}$  per cent., the annual instalments payable by the local bodies for each £100 amount to £4 17s. 6d., and if at  $3\frac{3}{4}$  per cent. to £5 1s. The payments provide for interest and sinking fund, so that the whole loan is by these instalments extinguished at the end of the term.

The procedure for raising loans has been greatly simplified. So numerous have applications been that the Board has had to reduce the maximum loan to £5,000 for each body, and to give preference to smaller local bodies. The total amount provisionally approved or finally granted has been in two years £2,491,417—in 1910–11, £1,448,934; and in 1911–12, £1,042,483. As some of the loans are to be obtained by instalments extending over two or three years (interest being paid only on moneys received), it has been the practice to enter into engagements in anticipation, before moneys are raised. Provisional approval of an application does not bind the Advances Board to lend, and if everything is not in order, or if the Board has not the money in hand, or if it has to raise it at a higher rate than that at which it has been provisionally approved, the Board can in the end decline the loan or charge a higher rate. Until November last money was obtainable at  $3\frac{1}{2}$  per cent. for lending to local bodies, but since then the Board has had to pay  $3\frac{3}{4}$  per cent. As many local bodies had applied for loans to be paid over by instalments during the next two or three years at the lower rate, and have made all arrangements accordingly, including the taking of polls authorizing the raising of the moneys at that rate, it is considered a hardship for them to go through the process a second time in order to obtain authority to pay the higher rate, and a Bill will be introduced to make the original proceedings operative.

The enormous demand for moneys by local authorities, as shown by the numerous applications to the Advances Office, makes it impossible that the State can find all that is required. It is considered that the amount that can be raised by the Government should be reserved for the smaller and more impecunious local authorities which have no experience in raising loans.

Accordingly the Government has under consideration a modified system of loans to local bodies, somewhat resembling the old system under which the smaller and weaker local bodies would for urgent work connected with roads and bridges receive loans at a comparatively low rate, the State bearing a portion of the burden of providing for the interest and sinking fund; such a policy would, it is evident, relieve the roads and bridges votes on the public-works estimates.