

*Hon. Mr. Allen:* All I wish to say in regard to what Sir Joseph Ward has said is that I do not know that those things are in the order of reference, but any statement that is made, whether made in the House—and I do not know whether those are the only things—we can deal with, but I want the statements proved first of all. I do not want a hunting expedition into generalities, but let us have the statement inquired into in accordance with the order of reference.

*Right Hon. Sir J. G. Ward:* I am prepared to take the report published in the Government paper, the *Dominion*, concerning the proceedings taken in the House when I was not present.

*Hon. Mr. Allen:* Then we understand where we are. We are to take that as the basis of the inquiry.

*The Chairman:* It is my duty to hold you down to the order of reference, and that is including the letter from the Superintendent of the Advances Branch, and I think that covers everything, Sir Joseph.

*Hon. Mr. Allen:* I am quite satisfied to take either the report of the *Dominion*, *Times*, or *Post* of the debate which took place on Friday night when Sir Joseph was not present.

*Mr. Hanan:* When the questions are put, Mr. Chairman, I take it you can decide whether those questions are relevant to the matter involved in this order of reference. I intend to deal with it from various points of view. All the aspects I intend to question are raised and involved in this order of reference, and those points you will consider when all questions are asked, I take it.

*The Chairman:* Yes. I do not want the Committee to run away with the idea that I am going to allow any discussion in connection with anything stated in any newspaper report if it is not covered by that order of reference.

*Hon. Mr. Allen:* I suggest that we take the account which Sir Joseph Ward suggested appeared in the newspaper, and the letter of the Superintendent.

*Right Hon. Sir J. G. Ward:* Yes. I do not want to do anything, but I want to get the facts.

JOSEPH WILLIAM POYNTON sworn and examined. (No. 1.)

1. *The Chairman.*] You are Superintendent of the New Zealand State-guaranteed Advances Board?—Yes.

2. *Mr. Allen.*] Were you the first officer to deal with the operations under the Act?—I have had to do with the local authorities. The Act came into force on the 2nd February, 1910, and I was appointed on 1st February, 1910.

3. As a matter of fact applications were dealt with before you came into office under this Act?—The Act had not come into force. It had been passed, and some applications had been made, but they could not be dealt with until the Act came into force. There was no loan granted before the Act came into force. With a view of shortening the proceedings, Mr. Chairman, I have drawn up a statement covering the order of reference, which is as follows:—

THE BOARD.—The Board of the office constituted by section 12 of the Advances Act has the following members: (1) The Minister of Finance; (2) the Superintendent; (3) two members of the Civil Service and two non-members. The members of the present Board, apart from the Minister of Finance and the Superintendent (or the Deputy Superintendent in his absence), are J. K. Warburton, formerly Controller and Auditor-General; Henry Kember, of Wellington, accountant; Dr. Fitchett, Public Trustee (or the Deputy Public Trustee when he cannot attend); Mr. F. W. Flanagan, Valuer-General. The Board meets weekly on Monday afternoons. Formerly the Solicitor-General was one of the two official members of the Board, but not being able to attend regularly he resigned, and the Valuer-General was appointed in his place. The attendances since the Board was constituted have been—Mr. J. K. Warburton, 94; Mr. Kember, 85; the Superintendent, 81; the Public Trustee, 62; the Valuer-General, 34; the Minister, 14; the Deputy Superintendent, 13; the Deputy Public Trustee, 9; the Solicitor-General, 2. Sir Joseph Ward was present and presided at every meeting held up to and inclusive of that of the 15th February, 1911, when he ceased to attend altogether. The Hon. Mr. Millar, representing the Minister of Finance, presided at the meeting of the 13th March, 1911, and Sir James Carroll at that of the 8th January, 1912. When the Minister was absent Mr. Warburton presided on every occasion. He has attended every meeting of the Board since its establishment.

POLICY AGREED UPON AT THE START.—At an informal meeting of the Board before commencing actual business the position of local authorities and their requirements were discussed. As the limitations existing under the old system as to amounts to be lent, the kind of work to be undertaken, and the class of local body to be assisted, were entirely removed, it was thought that it would be necessary to lay down some rules. It was agreed (1) that as the indebtedness of local bodies in the Dominion, apart from that for loans obtained from the Government, amounted to about £15,000,000, and the rates of interest paid by the local bodies on their loans were much higher than  $3\frac{1}{2}$  per cent., the rate at which they were in future to get money from the Board, it was imperative that applications for moneys to pay off old loans be refused; (2) that loans be granted for useful and necessary works only; (3) that applications for what might be considered luxuries, such as electric and other trams, town halls, municipal theatres, recreation-grounds, &c., be refused; (4) that the procedure for obtaining loans which was troublesome and expensive be simplified. It was believed that by confining the grants to new and necessary works and refusing to pay the debts incurred for old ones there would be enough money to meet all requirements. No power was given in the Act to discriminate amongst the different classes of local authorities. Had there been sufficient moneys obtainable to supply all applications there would not have been any demand for such preference of counties to boroughs. It is only since last November, when the applications were so much in excess of what was expected and the limit of £5,000 was imposed, that the strong demand for discrimination has arisen. From the com-