

nection with other things, and at the second meeting we asked you if you would be prepared to put a sum on the estimates to recoup the losses.

46. And my answer was?—That you were quite prepared to do so, and you thought there would be no objection, as the object was to help the local bodies, but that it would be better to wait two years to see what the losses were.

47. Was any announcement made by me to Parliament in the Budget upon the question of losses and the necessity for putting the Board in a position of being recouped either as to the cost of raising loans or upon the amount of losses upon uninvested moneys held by the Board?—There was a paragraph in the 1910 Budget stating that after a short experience you had found that the remuneration was not sufficient.

48. Is this the paragraph, that appears in the Budget of 1910, page 15, that you refer to: "The term for repayment of loans by local authorities might reasonably be extended to fifty years. It would make the instalments lighter. For each £100 the instalment of principal and interest at  $3\frac{1}{2}$  per cent., with a term of repayment of  $36\frac{1}{2}$  years, is £4 17s. 6d. per annum. For fifty years it would be £4 5s. only. Even at 4 per cent. interest the annual instalments would be only £4 13s. 1 $\frac{1}{4}$ d. per £100. Money may not always be obtainable at present rates. After a short experience of the working of the system I am satisfied that the charge made by the Department—namely, a commission one-half of 1 per cent.—is too low. On a loan of £1,000 a fee of £5 is paid, and everything in connection with the loan has to be carried on for  $36\frac{1}{2}$  years on this fee. In addition, the costs of raising the loan must be paid. A difference of one-tenth of 1 per cent. would be a very slight change, but it would probably pay the cost of raising the loan and the interest lost while funds were waiting investment"?—That is the paragraph. The Act came into operation on the 2nd February, but it was not actually in operation until March. That statement would be in July.

49. It was delivered in Committee of Supply on the 13th July, 1910?—Yes, that was afterwards.

50. That was four or five months after the Department was in operation?—Yes.

51. Well, upon this matter, Mr. Poynton, has there been any deviation in the administration of the Board in the declarations made by me publicly to Parliament that advances would not be made upon what is referred to by some people as luxuries?—No.

52. For instance, on recreation-grounds, electric light, libraries, municipal theatres: have any advances been made by the Board to any local bodies for any of those requirements?—No.

53. And the announcement made by me to the House has been honestly carried out?—Yes, that was agreed upon by us, that it would have to be for useful purposes and that luxuries would be omitted.

54. And if a statement has been made publicly that an advance was made by the State-guaranteed Advances Board to the Taihape Municipality to provide for electric lighting, that would be contrary to fact?—It certainly would. There is a list of the loans before the Committee. There is a loan for Taihape, but I am certain it is not for electric lighting. The whole of the loans are set out in a list that was printed and, I think, laid on the table of the House. They applied for a loan to erect a town hall and municipal chambers, but the purpose for which the loan was asked was not approved. They got a loan of £4,000 to build waterworks in the Taihape Special-rating District. That was granted and paid over, but no loans were granted for electric light.

55. The question of losses upon the money not invested, as to what the amount was likely to be, would depend, would it not, to a considerable extent, first, on the source from which the money was to come, and the date on which you obtained that money from that source and had advanced to that local authority?—The source would not matter, because we are supposed to lend at the same rate at which we borrow, but the whole loss would arise from having moneys uninvested. We could not say to the Post Office, "Yes, you have £100,000 for investment—we will take £1,000 of that now and £2,000 next December." As we were getting it at a reasonable rate from the Post Office, the proper thing was to take it when they are ready. The applications did not come along sufficiently rapidly, and the losses arose through the moneys lying uninvested.

56. Supposing the State-guaranteed Advances Department had borrowed in one sum £1,000,000 sterling to have it available for the purpose of loans authorized extending over three or four years, assuming you were advancing it to the local authority at  $3\frac{1}{2}$  per cent., would not the loss of interest upon that million be the exact amount that we would pay for the portion of the loan held uninvested waiting for the loans to local bodies being issued by the Board?—Yes, we would have to pay interest on that money at  $3\frac{1}{2}$  per cent. and have it uninvested.

57. What I want to ask you is this: if a loan for a large sum was obtained from beyond New Zealand in anticipation of providing for loans to be paid over extending over a period of one, two, or three years, as the case may be, the loss of interest in that respect would be very much greater than if you obtained the loan locally from the Post Office?—Yes, it would be more. You would have to go to the Post Office.

58. Can you inform the Committee how much of the total amount of the money advanced by the State-guaranteed, Local Authorities Branch, came from the Post Office?—All.

59. So that the loss of interest which has been referred to in the House as losses is the amount that the State-guaranteed Advances Board has to pay to the Post Office during the time that the State-guaranteed Advances Board was holding the balance of those loans for the local authorities?—Yes.

60. Has there been any loss upon any loan from any cause, default, or delay in payment of interest by any local body throughout this country which has obtained a loan?—No. The losses have been entirely due to the uninvestment of the funds.