

61. The security in every instance is there for the loans, and there has been no loss made in connection with the security?—No.

62. Is it or is it not a fact that from the start, or after the first meeting or two, the members of the State-guaranteed Advances Board knew that upon the moneys obtained from the Post Office there would be a loss of interest by the Board made in the interests of the local public body?—It was recognized from the start that there would be a loss.

63. On the uninvested money?—Yes, and also 10s. per cent. allowed by the Act: that is, a loss of £5 on a £1,000 loan would occur from the insufficiency of remuneration, principally due to the loss of interest. The Board knew that they could not raise the money in the exact sums as they wanted it. The Board would put it out pending the local bodies paying the same rate of interest.

64. Am I right in saying it paid the country to follow that course?—That, of course, was assisting the local bodies. That seemed to be the desire of Parliament generally.

65. Now, I want to ask you if the Board considered the amount of money available and the amount of money required for all purposes?—Yes. We considered in discussing the thing that the amount we could get from the Post Office would meet the requirements by the local authorities for all new works. For instance, for trams, Palmerston wanted £70,000, Hutt £8,000, and Invercargill ———. Cutting out all those luxuries, we thought there would be sufficient to carry out all new and necessary works.

66. And it is a fact that in addition to what is termed luxuries the Board decided to make no such advances and refused a number of instances?—Yes, moneys to pay off overdrafts.

67. The amount originally set aside in the State-guaranteed Advances Act for providing loans was at the rate of £1,000,000 a year?—The first amount was £500,000 on the 31st March, but between the 31st March, 1910, and March, 1911, there was authority to raise £1,000,000, and between 1911 and 1912 another £1,000,000. £1,000,000 a year except for the first year.

68. The first year was not a full year?—No.

69. The first amount was only for a portion of the year?—Yes.

70. But after the commencement of the Act, which was for a portion of the year, the authority under the Act was to provide £1,000,000 a year if required?—Yes.

71. Now, were the applications received by the Board larger than were contemplated in the aggregate after the beginning of the first full year?—Yes, much larger; and the Board was in hopes that they would go down, but they kept on going up till November last. Then we began to get concerned about the number coming in, and we discussed the position. The Post Office intimated that we were taking too much money at 3½ per cent., and it was decided in November to give preference to those under £5,000 and under, and to raise the rate of interest on loans to 3¾ per cent., because we had arranged to pay the Post Office that.

72. You had arranged to pay the Post Office 3¾ per cent. interest?—Yes, for new loans. The Post Office told us they could not allow us to go on borrowing at 3½ per cent., and that we ought to pay more, and it was considered that 3¾ per cent. was not unfair. There is the table set out on page 3 of the regulations. There was no peremptory demand. The Post Office intimated that they could not allow us to have so much at 3½ per cent., and it was arranged that any future loans for local bodies should be at the rate of 3¾ per cent., and since the 14th November all acceptances were at 3¾ per cent.

73. Now, did the Board anticipate that the applications for the amounts they represented for the first year would continue during the second year?—Oh, no. It was not contemplated that, looking at the total loans to local bodies in New Zealand, the £14,000,000, seeing they had been spread over so many years—I think twenty years—and that their new works must necessarily fall off, it was not expected that they would want more than £1,000,000 a year. For new and necessary works it was not considered that they would take up more than we could get from the Post Office.

74. As a matter of fact, the applications came in in greater numbers, and in the aggregate were for larger amounts?—Much larger than we expected.

75. After the Board was in operation for a time it was found that the million that the Act provided for in a full year was insufficient to meet the applications coming in?—Yes, at the rate they were coming in.

76. Now, in the early history of the Board, the portion of the first year, 1910, and during the full second year, 1911, was there any preference given to boroughs as against counties in regard to applications for loans?—No, first come first served.

77. And they were dealt with in the order in which they were received by the Department?—Yes, no preference was given to any one, and none was refused.

78. Were any County Councils or any Road Boards in any portion of the country refused their applications for loans provided the security was all right and the provisions of the Act had been complied with?—None.

79. Can you inform the Committee what was the total amount of money for the twenty-five years that the boroughs received under the old Loans to Local Bodies Act by way of loans up to the date of the commencement of the State-guaranteed Advances Act?—I could get it for the Committee. I would point out that under the Loans to Local Bodies Act loans to boroughs were restricted considerably. There were certain loans that the Minister could grant to boroughs with a population of 2,000 and under, but he could not grant those loans to boroughs having a larger population. Then, again, there were other loans which he could grant to a borough with a population of under 4,000, so that the restrictions were pretty great. There were no restrictions under the new system.

80. There were restrictions under the old system to County Councils?—Yes, but in comparing the loans to boroughs under the old system with the new system, it must be remembered