

that the restrictions were pretty great on loans to boroughs, but under the new system there were none.

81. Now, under the old system the restrictions in regard to Town Boards, River Boards, Drainage Boards, and County Councils were limited in every instance?—Yes, but particularly in the case of boroughs, as they were anxious to restrict them. For instance, a County Council could get £6,000—that was the limit—but a Town Board was limited to £300.

82. Is it a fact that the State-guaranteed Advances Act for loans to local authorities was introduced owing to the restrictions that the local public bodies experienced in the matter of obtaining loans to meet their responsibilities?—I could not say. I know the restrictions were very great under the old system, and if there is to be a limitation I think it should be relaxed a little. I think they were unduly complicated there.

83. As far as you say you do not know anything about it?—I do not know anything about the policy at all.

84. Do you know of your own knowledge whether the Treasury, prior to the coming into operation of this State-guaranteed Advances Act, advanced practically the whole amount that the law allowed them to advance to the local bodies that applied for them?—I have not looked it up, but I should say, looking at the total sum advanced, that there must have been advances pretty well up to the full amount authorized. No, it could not have been, because it extended over a period of twenty years, and the total amount advanced was about £2,400,000.

85. Well, we are to get a return of that, I understand, and that will make the matter quite clear?—Yes.

86. Can you inform the Committee how the rate of interest to local bodies in this country compares with the rate of interest paid by the local bodies in other parts of the world?—Looking at the loans applied for by the local bodies in different parts of the world, I should say the local bodies here get their loans at a lesser rate of interest than any other country in the world—that is, loans from the Government. Take the Port of London, which may be called a local body and one of the greatest local bodies: it has to pay more for its loans than the local bodies here have to.

87. Do you know what they pay?—I have not worked it out, but it would be about £3 18s. per cent. without any sinking fund; and taking the recent loans in different communities—for instance, in Canada, Winnipeg, and Kau. —I know the rate of interest to local bodies was 4½ per cent. I know of no local bodies anywhere getting money as cheap as in New Zealand. The Moscow Municipality paid 4½ per cent. recently.

88. What was the nature of the minute upon that document that you referred to in your report in connection with the letter that the Mayor of Onehunga wrote to Mr. Fowlds?—The letter was written by Mr. Rowe, Mayor of Onehunga, and says: “*Re Onehunga Drainage Loan.*—I take the liberty of writing to ask if you could ascertain for me whether it would be safe to call for tenders for the Onehunga drainage contracts at the present juncture. The plans and specifications are all ready and waiting. The Council has also agreed to pay the engineer, Mr. H. H. Metcalfe, the sum of £1,000 on the 1st April, 1910, on account of work done by him in preparing the plans. Under the circumstances I am anxious to get the loan or a portion of it as soon as possible, as it would take two months before any tender could be accepted. If we were sure the money would be available at that time we could make an immediate start.” The Minister, Mr. Fowlds, minuted it on to you, and you minuted it on to me for report.

89. The minute from Mr. Fowlds to me as Prime Minister was what?—“Hon. Minister of Finance.—G.F.”

90. And my minute is what?—“The Secretary to the Treasury—for report”; and it is signed for you by your secretary. My report is as follows: “9th April, 1910.—The position is this: (1.) The notice duly gazetted shows that the ratepayers consent to the loan. (2.) On the 18th ultimo the Advances Board provisionally approved the loan for £42,000. (3.) There is no evidence that the required rate has been struck or the other necessary steps taken. (4.) Forms will be supplied in order to ascertain this has been done. (5.) Until the requirements of the loan have been complied with it would be unsafe to let contracts. Something may be discovered that would upset the whole matter and require some or the whole of the proceedings to be taken over again.”

91. In the minute from Mr. Fowlds, who was a Minister of the Crown, to me as Prime Minister, does he suggest that any influence of any kind should be brought to bear in connection with this matter?—No, simply, “The Hon. Minister of Finance.—G.F.”

92. And in the minute by my private secretary referring it to you there is no suggestion of any kind?—It is for report, which I have attached. Then a letter was sent—“Suitable reply.—J.G.W.”

93. And it is signed by my secretary?—Yes. Then I wrote to the Mayor direct as follows: “With reference to your Council’s application for a proposed loan of £42,500 to construct drainage-works, I herewith enclose an application form for the required particulars to be duly inserted, which must be supported by documentary evidence, and all papers forwarded to the Department. Immediately upon their receipt the file of papers will be submitted for legal examination, and if found correct, and after the Minister has finally approved the loan, there appears to be no reason why the money should not then be paid in sums as required by your Council.” That is dated the 9th April, 1910.

94. Then, again, there is another communication on the 24th January from the Clerk to the Birkenhead Borough Council, who wrote to the Hon. Mr. Fowlds?—Yes; that is for the extension of a loan. I might say that is the recommendation, that the term be extended to fifty years as mentioned in the Budget of the Minister of Finance, 1910. The Act was amended so that the local bodies could get loans for fifty years, making the instalments much lighter. This