

83. Have I plenty of authority for lands for settlement?—Yes, plenty of authority.

84. Why did you make the charge?—I did not make any charge. You asked me a question on a matter of policy, and I say it is a question whether the money should be kept there anticipating investment, or whether you should enter into engagements ahead.

85. Is there not ample power given to you under the Act to reinvest moneys temporarily?—Yes, but you cannot always do it. The Treasury was full of money. We had no means of investing it.

86. Did you borrow all that you could borrow last year?—No, we did not; we borrowed as much as the Post Office could give us. We did not refuse any loans from it.

87. Did you borrow as much as you could borrow the year before?—I could not say.

88. Have you in any one year or portion of a year borrowed the full amount you were authorized to borrow?—I could not say. We got all the money from the Post Office we could. We never refused a loan. We have not borrowed as much as we could do with because we could not get it.

89. Have there been any loans refused since the 30th October for County Councils and Road Boards?—There have been no loans refused for sums under £5,000 where they were for lawful purposes.

90. That is not the question I asked. Have there been any loans refused to County Councils or Road Boards since the 30th October, 1911?—Yes.

91. Why?—Because they were over £5,000.

92. Then we have not been able to supply loans to County Councils of over £5,000 since the 30th October although they were much needed?—No.

93. Did not those smart boroughs you have been talking about get their large loans paid over?—Yes. They are more alert than the other bodies.

94. Did you consider it good policy to go and commit us for two or three years ahead for loans at $3\frac{1}{2}$ per cent.?—I do not know whether it was good or bad policy. We could not keep the money there uninvested. That was when the money was coming in.

95. Just now you said you invested all the Post Office would give you?—Yes. Some wanted it two or three years ahead. We could not hold it for two years.

96. Did you think it a good thing on behalf of the Dominion of New Zealand to go and commit this country to have to find this money so far ahead?—I do not know that we ever considered the question.

97. Did you ever consider the legality of doing it?—Yes.

98. Did you get an opinion?—No.

99. Are you quite sure that it is legal?—I am pretty sure it is legal.

100. You are not quite sure?—I am pretty sure it is legal.

101. Did you ever consider it?—Yes. I would not have done it if I had considered it illegal.

Hon. Mr. Allen: I have at this stage, Mr. Chairman, to put in the opinion of the Solicitor-General. I was face to face with this difficulty, and I took the opinion of the Solicitor-General on the point, which I ask to be read:—

“Office of the Minister of Finance, Wellington, 2nd October, 1912.

“Memorandum for the Hon. the Attorney-General.

“*New Zealand State-guaranteed Advances Act, Advances to Local Authorities.*

“PLEASE advise me whether the Board has power under the Act to commit the country to expenditure beyond the current year in which the loan is being dealt with. The position that has arisen is as follows: The Board has committed the country to loans payable partly in one year, partly in the succeeding years. Loans have been granted at $3\frac{1}{2}$ per cent. interest: to borrow now costs $3\frac{3}{4}$ per cent.; the country must therefore make a loss of $\frac{1}{4}$ per cent. on commitments that still have to be dealt with. Does the Act contemplate this? If the action of the Board is in accordance with the law, what legislation can you suggest to protect the country from the loss?

“J. ALLEN, 2/10/12.

“An early answer will oblige.—J.A.”

“The Solicitor-General.—Will you kindly let me have your opinion?—A.L.H., 2/10/12.”

“Solicitor-General’s Office, Wellington, 5th October, 1912.

“The Hon. the Attorney-General.

“*State Advances to Local Authorities.*

“IN accordance with the existing regulations as to loans to local authorities, the Board is in the habit of entering into contracts with local authorities to grant them loans payable at future dates or by instalments extending over a period of two years, or, in special cases, four years. These contracts fix the rate of interest at which these loans or instalments are to be granted, and it may happen that the rate so fixed is less than the rate at which the money is subsequently raised by the Government to meet these loans. I am of opinion that this practice is illegal and should be discontinued. It is provided by section 70 of the New Zealand State-guaranteed Advances Act, 1909, that the rate of interest charged to a local authority shall be the same as the rate at which the money was raised by the Government. This implies that every loan is made out of money already actually raised, and that the rate of interest must be the same as the rate paid by the Government. The regulations and the practice of the Board should be altered so as to conform to this requirement. Except where the loan is to be granted immediately out of moneys already in the hands of the Board, the rate of interest should not be fixed in the contract made with the local authority. The contract should be so worded that the rate of interest is determined from time to time at the date of the issue of the debentures by the local authority on the receipt of the loan or each successive instalment of it. The only difficulty involved in this would be