

that the local authority would not know accurately and definitely the precise rate of interest which it would be called upon to pay. The risk of an increase in the rate would lie upon the local authority instead of, as now, upon the Government. This, however, is not an alteration to which the local authorities could take any reasonable objection. It may be advisable, however, to make some legislative provision by which the amount of a special rate made by a local authority to meet the charges of a loan may be increased from time to time without the necessity of further reference to the ratepayers. This, I think, is the only legislative alteration that would be needed to introduce this change of practice. The regulations, however, will require redrafting to some extent.

"Although, as I have indicated, the practice of the Board in this respect has been illegal, I am of opinion that contracts already made by the Board are valid and enforceable by the local authorities. These authorities are not bound to inquire into the state of the Board's accounts, and are not responsible in law for the act of the Board in agreeing to lend money which has not yet been raised, or at a rate less than that at which it was raised. These are matters within the knowledge of the Board alone, and no disregard by the Board of the provisions of the Act would deprive a local authority of the right to enforce one of these contracts. I may add that it might facilitate the operations of the Board in this respect if provision was made in the Act that in case the full amount authorized to be raised in any one year was not so raised, the residue might be raised in the succeeding year in addition to the full amount authorized for that year. This would render it unnecessary for the Board to raise moneys until they were actually wanted."

"JOHN W. SALMOND, Solicitor-General."

Witness: It is rather late for the Crown Law Officers to raise that question, seeing they have issued the regulations under the Act which allows the commitments to go on for four years.

102. *Hon. Mr. Allen.*] Supposing we cannot get the money at $3\frac{1}{2}$ per cent. from the Post Office, what are we to do?—We will have to raise it elsewhere.

103. And if we cannot raise it elsewhere at $3\frac{1}{2}$ per cent., what happens then?—We will have to pay more.

104. We would have to lose more?—Yes, we would lose more. If you raised it at $3\frac{3}{4}$ per cent. the State would lose £2,500 a year on a full million.

105. When you entered into these arrangements, had you any definite arrangement with the Post Office?—No; we understood we would get all we required up to October.

106. *Mr. Pearce.*] One return you put in shows the amount advanced under the Loans to Local Bodies Act and the amount advanced under the State-guaranteed Advances Act, and the figures show that when the Loans to Local Bodies Act was in force the principal amount of the loans was advanced to County Councils and Road Boards, but directly you got the State-guaranteed Advances Act the principal amount of the loans were advanced to boroughs. What was the reason for that alteration—the difference is enormous?—The reasons were, first, that there were no restrictions under the State-guaranteed Advances Act. Boroughs had an equal right to obtain moneys with counties and Road Boards or any other body. Under the old Act there were a number of restrictions. For example, certain loans could be granted to boroughs only if they had a population under 2,000; certain other loans could not be granted if the population were over 4,000; and there were quite a number of restrictions against lending to boroughs under the old system which do not exist under the State-guaranteed Advances Act.

107. Then the change under the State-guaranteed Advances Act took away all the restrictions in regard to advances to boroughs, and evidently left the counties in somewhat the same position, because their amount did not increase?—The only restriction on a body borrowing from the Advances Office was, had it power to strike a rate to secure the loan. No matter what the body was it had an equal right with the others. The Board had no power to discriminate as between the local authorities.

108. I presume the figures shown in the returns are correct. Under the State-guaranteed Advances Act, for the short time it was in force, the amount advanced to local bodies was £2,194,845, of which amount the boroughs got £1,026,740, and during the whole time under the Loans to Local Bodies Act the boroughs only got £732,021, and the County Councils and Road Boards got over £2,000,000. Those figures are correct?—Yes, if they are signed by the clerk they are correct.

109. The result was that the positions were reversed so far as the loans to County Councils and Road Boards were concerned as compared with boroughs?—Yes, there were no restrictions whatever.

110. The only reason was that the restrictions were taken away?—Yes. The Minister was bound down by restrictions under the old system, and those restrictions were entirely removed.

111. I understand there was evidence to the effect that you could pass regulations. For instance, you passed a regulation which I do not think is mentioned in the Act, as regards advances for lighting purposes: It was what you thought advisable?—No; we thought it was advisable to limit it as far as possible to roads and necessary works.

112. Well, if that was so, why not limit the amount advanced to boroughs as against counties?—Because we had no power to do so. We would be accused of doing all sorts of things.

113. But you interfered in this other way?—Yes; we have authority to consider under the Act whether it is for a lawful and necessary purpose.

114. I understand you did not think it necessary to restrict boroughs except as regards lighting?—We did not have power to do it. We had no power to distinguish between local authorities. We had power to distinguish between what was for a lawful and necessary purpose, but not as between local authorities. It would have been a very improper thing for the Board to do.

115. Then the principal advantage of this New Zealand State-guaranteed Advances Act was that it took off the restrictions from the boroughs?—It is a matter of policy. I would not trespass on that. I should say from the whole trend of the Act it was thought there would be sufficient money to go round to all the bodies.