

SESSION II.  
1912.  
NEW ZEALAND.

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PUBLIC ACCOUNTS COMMITTEE:  
LOANS TO LOCAL BODIES BY STATE-GUARANTEED  
ADVANCES DEPARTMENT

(REPORT ON), TOGETHER WITH MINUTES OF PROCEEDINGS, MINUTES OF  
EVIDENCE, AND APPENDIX.

(MR. HINE, CHAIRMAN.)

*Reports brought up on 21st October, 22nd October, and 6th November, 1912.*

ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

TUESDAY, THE 6TH DAY OF AUGUST, 1912.

*Ordered*, "That a Committee be appointed, to consist of ten members, to examine into and report upon such questions relating to the Public Accounts as it may think desirable, or that may be referred to it by the House or the Government, and also into all matters relating to the finances of the Dominion which the Government may refer to it; to have power to call for persons and papers; three to be a quorum: the Committee to consist of Mr. Craigie, Mr. Hanan, Mr. Hine, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward, and the mover."—(Hon. Mr. ALLEN.)

TUESDAY, THE 2ND DAY OF OCTOBER, 1912.

*Ordered*, "That the Public Accounts Committee be directed to inquire fully into all loans paid or applied for or provisionally or finally approved for local authorities under the New Zealand State-guaranteed Advances Act since its inception. The Committee to report on the losses made, if any, since the Act came into operation, the commitments, and the available means and unexhausted loan authorities as at the 31st March, 1912, and the 16th September, 1912. The Committee to be open to the Press. Also that the letter of the Superintendent of the New Zealand State-guaranteed Advances Department of the 30th September, 1912, to the Minister of Finance be referred to the said Committee. The Committee to report within ten days."—(Hon. Mr. MASSEY.)

TUESDAY, THE 15TH DAY OF OCTOBER, 1912.

*Ordered*, "That ten days' extension of time be granted the Public Accounts Committee within which to bring up its report on paper in connection with New Zealand State-guaranteed advances to local bodies."—(Mr. HINE.)

WEDNESDAY, THE 30TH DAY OF OCTOBER, 1912.

*Ordered*, "That an extension of time for ten days be granted to the Public Accounts Committee within which to bring up their report on State-guaranteed advances."—(Mr. HINE.)

## REPORTS.

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I HAVE been directed to report that at a meeting of the Public Accounts Committee the Right Hon. Sir Joseph Ward, on being asked by the Chairman to answer a question, used the words "that it was a downright piece of impertinence." On being asked to withdraw the words Sir Joseph Ward refused to do so, and the words were ordered to be taken down, and to be reported to the House.

21st October, 1912.

J. B. HINE, Chairman.

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I have been directed to report that the Public Accounts Committee has reconsidered the report presented on the 21st instant referred back to it, and has directed me to further report that the Right Hon. Sir J. G. Ward again refused to withdraw the words "that it was a downright piece of impertinence."

22nd October, 1912.

J. B. HINE, Chairman.

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The Public Accounts Committee, which was directed to inquire fully into all loans paid, or applied for, or provisionally or finally approved for, local authorities under the New Zealand State-guaranteed Advances Act since its inception, and to report on the losses made (if any) since the Act came into operation, the commitments, and the available means and unexhausted loan authorities as at the 31st March, 1912, and the 16th September, 1912, also to report on the letter of the Superintendent of the New Zealand State-guaranteed Advances Department of the 30th September, 1912, to the Minister of Finance, has the honour to report as follows:—

(1.) The loss sustained by the Local Authorities Branch of the New Zealand State-guaranteed Advances Department since its inception up to the 31st August, 1912, was between £22,000 and £23,000, and was incurred owing—

- (a.) To the Board's difficulty in finding immediate investments for the funds at credit of the Loans to Local Authorities Account; and
- (b.) To the remission of 10s. per cent. allowed to the Department being insufficient to cover expenses and loss of interest whilst the moneys remained uninvested.

(2.) The commitments on the 31st March, 1912, were £820,320; and the commitments on the 16th September, 1912, were £651,310.

(3.) The available means and unexhausted loan authorities at 31st March, 1912, were as follows:—

Credits in Bank, &c.	Unexhausted Loan Authorities.
£163,643.	£778,000.

(4.) The available means and unexhausted loan authorities at the 16th September, 1912, were as follows:—

Credits at Bank, &c.	Debits.	Debits exceeding Credits.	Unexhausted Loan Authorities.
£27,550.	£30,000.	£2,450.	£825,000.

### FINDING.

In regard to the Superintendent's letter, written on behalf of the Advances Board, alleging that statements were made in the House of Representatives on the 28th September, 1912, to the effect that loans had been granted by the Board to local authorities under political influence, and with a view to influencing the general election of last December: No evidence was submitted substantiating the Superintendent's written statement, and the Committee consider that the members of the Board were ill-advised in accepting headlines in the Press reports as sufficient grounds for writing to the Minister in Charge of the Advances Department in the terms used in the letter.

### RECOMMENDATION.

The evidence has led the Committee to the conclusion that insufficient control was exercised in administering the loans to local authorities, especially in committing the Department to advances three years ahead, an action which the Committee is advised was contrary to law. Your Committee therefore strongly recommends a change in the *personnel* of the Advances Board.

6th November, 1912,

J. B. HINE, Chairman.

## MINUTES OF PROCEEDINGS.

WEDNESDAY, THE 9TH DAY OF OCTOBER, 1912.

Present: Mr. Hine (Chairman), Hon. J. Allen, Mr. Craigie, Mr. Hanan, Dr. Newman, Right Hon. Sir J. G. Ward.

The minutes of previous meeting were read and confirmed.

Order of reference was read by the Chairman as follows: Parliamentary Paper 293B: Applications by Local Authorities under the State-guaranteed Act. Directing inquiry to be made by the Committee into the issue of all loans applied for, or provisionally or finally approved, under the State-guaranteed Advances Act since its inception, &c. The inquiry to be open to the Press.

### *Loans to Local Authorities Inquiry.*

The Committee proceeded with the inquiry into the various matters associated with the applications for, or provisional or final granting of, loans to local authorities as by order of reference directed.

Representatives of the public Press were admitted, and they took notes of the proceedings.

Mr. J. W. Poynton, Secretary to the Treasury and Superintendent of the State-guaranteed Advances Board, attended, and, having been sworn, read papers and was examined by Right Hon. Sir J. G. Ward, the evidence being taken down in shorthand by a reporter.

And the examination by Sir J. G. Ward being concluded, the Committee agreed to adjourn and meet again on the following day, and adjourned accordingly.

THURSDAY, THE 10TH DAY OF OCTOBER, 1912.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

The minutes of previous meeting were read and confirmed.

### *Loans to Local Authorities Inquiry.*

Representatives of the Press were admitted and took notes of the proceedings.

The Committee proceeded with the taking of evidence in the inquiry.

Mr. J. W. Poynton, Secretary of the Treasury and Superintendent of the State-guaranteed Advances to Local Authorities Department, attended, and was further examined by the Right Hon. Sir J. G. Ward; and the Right Hon. Sir J. G. Ward having concluded his examination, the witness was examined by the Hon. J. Allen, the evidence being taken down in shorthand by a reporter.

On the motion of the Right Hon. Sir J. G. Ward, resolved, That a return be furnished to the Committee showing the average of the amounts lent by the Government to local authorities during the last five years.

On the motion of the Hon. J. Allen, resolved, That a return be furnished to this Committee showing the terms of loans finally approved at  $3\frac{1}{2}$  and  $3\frac{3}{4}$  per cent.

On the motion of the Hon. J. Allen, resolved, That the files of the Post Office Department in connection with transactions in reference to the lending of funds to the State-guaranteed Advances Board be supplied to this Committee.

The Committee having resolved to meet again for the further prosecution of the inquiry on Tuesday, the 15th October, agreed to adjourn to that date, and adjourned accordingly.

TUESDAY, THE 15TH DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read and confirmed.

### *Loans to Local Authorities Inquiry.*

Mr. J. W. Poynton, Superintendent of the State-guaranteed Advances Department, attended, and was further examined by the Hon. Mr. Allen, Mr. Pearce, Mr. Craigie, and Mr. Lee. Put in Exhibits marked "D," "E," "F," "G," and "H."

Resolved, on the motion of Hon. Mr. Allen, That Mr. Poynton supply a return of provisionally approved loans not finally granted at  $3\frac{1}{2}$  per cent.

The Hon. Mr. Allen put in an opinion of the Solicitor-General.

Resolved, on the motion of the Right Hon. Sir J. G. Ward, That a return be obtained giving the dates and amounts of any loans granted outside the Treasury or Government Departments in connection with the whole of the investments of the Post Office up to 1911, in accordance with the return laid on the table of the House.

Resolved, on the motion of the Hon. Mr. Allen, That a return be obtained giving the total amount of loans provisionally approved on the date of the Hon. Mr. Allen's coming into office, and what has become of them—*i.e.*, lapsed, approved, or granted.

Resolved, on the motion of the Right Hon. Sir J. G. Ward, That the evidence taken at this inquiry be printed.

Strangers and the clerk withdrew, and the Committee deliberated.

On resuming the clerk was instructed to summon as witnesses—Hon. Sir J. G. Findlay; the Chairman, Spreydon Road Board, Christchurch; Mr. A. Scholes, Chairman, Waitomo County Council, Te Kuiti; Mr. C. A. Cawkwell, Clerk, Waitemata County Council, Auckland; H. Munro Wilson, 4 and 5 Palmerston Buildings, Auckland; Mr. Wilkins, Foreman, Reservoir Works, Remuera; and Mr. Wilson, Clerk, Road Board, Vincent Road, Remuera.

Resolved to meet to-morrow at 10.30 a.m.

The Committee then adjourned.

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WEDNESDAY, THE 16TH DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Right Hon. Sir J. G. Ward.

The minutes of the previous meeting were read and confirmed.

*Loans to Local Authorities Inquiry.*

Mr. J. W. Poynton, Superintendent of the State-guaranteed Advances Department, attended, and was further examined by members of the Committee. Mr. Poynton put in a return showing the total amount of loans which have been provisionally approved but have not been finally granted. (Exhibit J.)

The Hon. Sir J. G. Findlay, K.C.M.G., attended, and, being sworn, was examined by members of the Committee.

Mr. Poynton, recalled, gave further evidence, and was questioned by members of the Committee.

Resolved, on the motion of Dr. Newman, That a return be prepared showing loans granted and paid over during each month for the years 1910–11.

The Committee then adjourned until 10.30 a.m. on Thursday, the 17th instant.

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THURSDAY, THE 17TH DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Right Hon. Sir J. G. Ward.

The minutes of the previous meeting were read and confirmed.

*Loans to Local Authorities Inquiry.*

The Chairman laid on the table a return showing Post Office Savings-bank funds vested in security outside of Treasury or Government Departments. (Exhibit K.)

Mr. Poynton handed in a return showing loans which were provisionally approved up to the 10th July, and which approvals are now in force, with the position of each application. (Exhibit L.)

Mr. Poynton gave further evidence, and was examined by members of the Committee.

Mr. Poynton handed in a return showing position of loans raised under the Act of 1909, from the 1st November to the 15th December, 1910. (Exhibit M.)

Mr. Poynton was granted leave to withdraw Exhibit L for correction.

Resolved, on the motion of Mr. Hanan, That a return be laid before the Committee showing the total amount of loans granted to boroughs for waterworks, sanitation, and drainage.

Mr. Henry Kember, member of the State-guaranteed Advances Board, attended, and, being sworn, gave evidence, and was questioned by members of the Committee.

William Robert Gabagan, Mayor of Spreydon, Christchurch, attended, and, being sworn, gave evidence, and was questioned by members of the Committee.

And the hour of 1 of the clock having arrived, the Committee adjourned until 4 p.m.

And the hour of 4 of the clock having arrived, the Committee resumed.

Mr. J. K. Warburton, member of the State-guaranteed Advances Board, attended, and, being sworn, gave evidence, and was examined by members of the Committee.

Mr. J. W. Flanagan, Valuer-General and member of the State-guaranteed Advances Board, attended, and, being sworn, gave evidence, and was examined by members of the Committee.

The Committee adjourned at 5.45 p.m. until 10.30 a.m. on Friday, the 18th instant.

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FRIDAY, THE 18TH DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read and confirmed.



*Loans to Local Authorities Inquiry.*

Arnold Wilkins, foreman inspector, Remuera Road Board, attended, was sworn, and examined by members of the Committee.

Hugh Munro Wilson, civil engineer, Auckland, and engineer to the Remuera Road Board, attended, was sworn, and examined by members of the Committee.

Charles Sommers Wilson, Clerk of Remuera Road Board, attended, was sworn, and examined by members of the Committee.

Alexander Scholes, Chairman, Waitomo County Council, attended, was sworn, and examined by members of the Committee.

The Right Hon. Sir Joseph George Ward, member of Parliament, Wellington, was sworn, and made a statement.

Mr. Lee raised a point of order that the witness was going beyond the order of reference.

The Chairman ruled that the witness must confine himself to the order of reference—*i.e.*, the operation of the New Zealand State-guaranteed Advances Act since its inception—and to the letter of the Superintendent.

The Right Hon. Sir J. G. Ward proceeded with his statement, and on conclusion was examined by members of the Committee.

The Committee adjourned at 1 p.m. until 5.30 p.m.

The Committee resumed at 5.30 p.m.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Right Hon. Sir J. G. Ward.

The Right Hon. Sir J. G. Ward was further examined by members of the Committee.

During examination by the Hon. Mr. Allen, and on being asked by the Chairman "to answer a question or refuse to answer," the witness used the words "That it was a downright piece of impertinence."

Moved by the Hon. Mr. Allen, That the words "That it was a downright piece of impertinence" be taken down.

The Chairman asked the witness to withdraw the words.

The witness refused to withdraw the words.

The motion that the words be taken down, on being put, was resolved in the affirmative, and the words were taken down.

Resolved, on the motion of the Hon. Mr. Allen, That the resolution be reported to the House.

The Right Hon. Sir J. G. Ward thereupon left the room.

The Committee adjourned until Tuesday, the 22nd instant.

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TUESDAY, THE 22ND DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Lee, Mr. Myers, Dr. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read.

The Right Hon. Sir J. G. Ward raised the question of the correctness of the minutes.

The Right Hon. Sir J. G. Ward moved, That the words used by the Chairman should be recorded in the minutes.

The Chairman ruled the motion out of order.

The Right Hon. Sir J. G. Ward wished his objection recorded.

Moved by Mr. Pearce, That the minutes be amended by inserting the words "or refuse to answer."

The Right Hon. Sir J. G. Ward protested that the minutes were inaccurate.

On the Chairman putting the question it was resolved in the affirmative.

On the Chairman putting the question, "That the minutes as amended be confirmed" it was resolved in the affirmative, the Right Hon. Sir J. G. Ward dissenting.

The Chairman read an apology for absence received from Mr. E. Newman.

On the motion of the Chairman, resolved, That leave be granted to Mr. Newman.

The Chairman read the order of reference referring the report presented to the House on the 21st instant back to the Committee.

The Chairman asked the Right Hon. Sir J. G. Ward to withdraw the words, as they had been ruled by Mr. Speaker as unparliamentary.

The Right Hon. Sir J. G. Ward refused to withdraw the words, and stated he could only consider the withdrawal of them provided the Chairman withdrew his remarks to him.

The report was then brought up for discussion.

On the motion of the Hon. Mr. Allen, resolved, That the Committee adjourn for half an hour.

The Committee adjourned until 11.30 a.m.

The Committee resumed at 11.30 a.m.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

The consideration of the report was further discussed.

The Hon. Mr. Allen asked the Right Hon. Sir J. G. Ward to withdraw the words.

The Right Hon. Sir J. G. Ward refused.

Moved by Hon. Mr. Allen, That the Chairman report to the House that the Right Hon. Sir J. G. Ward again refused to withdraw the words complained of in the report as presented to the House on the 21st instant.

On the question being put, it was resolved in the affirmative.

Moved by Mr. Hanan, That a full statement of the evidence bearing on the incident be furnished to the House attached to the report.

The Chairman ruled that the evidence cannot be attached to the report.

The Committee then adjourned until 10.30 a.m. to-morrow.

WEDNESDAY, THE 23RD DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

The minutes of the previous meeting were read and confirmed.

*Loans to Local Authorities Inquiry.*

A letter was received from Mr. Flanagan, member of the State-guaranteed Advances Board, and ordered to be attached to his evidence.

The following gentlemen attended the meeting, and, being sworn, gave evidence, and were questioned by members of the Committee: Charles Augustus Cawkwell, Chairman, Waitemata County Council; James Samuel Dickson, member of the House of Representatives for Parnell.

Resolved, on the motion of Mr. Lee, That a return be obtained showing—(1) Rate of interest that the Remuera Road Board was paying for overdraft and amount of overdraft on the 2nd November, 1911; (2) amount Remuera Road Board saved by raising £10,000 advance; (3) amount of loss to the Board by reason of having more moneys in hand than that required for current expenditure; (4) amount in hand at this date; (5) current works in hand for which the money is held.

Resolved, on the motion of the Right Hon. Sir J. G. Ward, That a return be obtained showing what amount of interest would have been paid by the State-guaranteed Advances Board upon amount of loan that had been advanced to the Remuera Road Board.

Resolved, on the motion of the Right Hon. Sir J. G. Ward, That the Remuera Road Board be asked to state the bank balance upon General and Ordinary Account for each day from the 1st November, and the liabilities of the Road Board.

Resolved, on the motion of the Right Hon. Sir J. G. Ward, That the Hon. the Minister of Marine be requested to attend and give evidence.

The Committee then adjourned until 10.30 a.m. on Thursday, the 24th instant.

THURSDAY, THE 24TH DAY OF OCTOBER, 1912.

The Committee met at 10.30 a.m., pursuant to notice.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read and confirmed.

*Loans to Local Authorities Inquiry.*

The Right Hon. Sir J. G. Ward asked leave to put in a letter from the Birkenhead Borough Council.

Objection being raised, the Chairman ruled that the letter could not be put in.

The Right Hon. Sir J. G. Ward gave further evidence.

Francis Marion Bates Fisher, Minister of the Crown, Wellington, was sworn, and examined by members of the Committee. Put in exhibit marked "N."

The Right Hon. Sir J. G. Ward asked that the *Dominion* newspaper of the 28th September be referred to the witness.

The Chairman ruled that newspaper reports could not be referred to.

The Hon. Sir J. G. Findlay, K.C., was recalled, and examined by members of the Committee.

J. W. Poynton, Superintendent of the State-guaranteed Advances Department, was recalled, and examined by members of the Committee.

The Right Hon. Sir J. G. Ward asked that Colonel R. J. Collins, Auditor and Controller-General, be called.

The Hon. Mr. Allen asked leave to put in a letter from Mr. Wright, ex M.P. for Wellington South.

Objection being raised, the Chairman ruled that the letter could not be put in.

Resolved, That the Chairman do ask leave from the House to sit at 4 p.m.

The Committee then adjourned.

The Committee resumed at 4 p.m.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Lee, Mr. Myers, Dr. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Robert Joseph Collins, Auditor and Controller-General, attended, was sworn, and examined by members of the Committee.

This concluded the evidence.

The Press and strangers withdrew, and the Committee deliberated.

Resolved, That the Chairman submit a draft report for consideration of the Committee.

The Committee then adjourned.

MONDAY, THE 4TH DAY OF NOVEMBER, 1912.

The Committee met at 8 p.m., by leave of the House.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Myers, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read and confirmed.

*Loans to Local Authorities Inquiry.*

The Chairman read a letter received from Mr. C. Monro Wilson.

Resolved, That the letter be attached to Mr. Wilson's evidence.

The Chairman read a letter from Mr. C. A. Cawkwell, covering an affidavit *re* the Remuera Borough finances.

Resolved, That the letter and affidavit be attached to Mr. Cawkwell's evidence.

The Chairman read the following draft report, prepared by him:—

“The Public Accounts Committee, which was directed to inquire fully into all loans paid, or applied for, or provisionally or finally approved for, local authorities under the New Zealand State-guaranteed Advances Act since its inception, and to report on the losses made (if any) since the Act came into operation, the commitments, and the available means and unexhausted loan authorities as at the 31st March, 1912, and the 16th September, 1912, also to report on the letter of the Superintendent of the New Zealand State-guaranteed Advances Department of the 30th September, 1912, to the Minister of Finance, has the honour to report as follows:—

“(1.) The loss sustained by the Local Authorities Branch of the New Zealand State-guaranteed Advances Department since its inception up to the 31st August, 1912, was £23,000.

“(2.) The commitments on the 31st March, 1912, were £820,320; and the commitments on the 16th September, 1912, were £651,310.

“(3.) The available means and unexhausted loan authorities at 31st March, 1912, were as follows:—

Credits in Bank, &c.  
£163,643.

Unexhausted Loan Authorities.  
£778,000.

“(4.) The available means and unexhausted loan authorities at the 16th September, 1912, were as follows:—

Credits at Banks, &c.  
£27,555.

Debits.  
£30,000.

Debits exceeding credits.  
£2,450.

Unexhausted Loan Authorities.  
£825,000.

“FINDINGS.

“(1.) In regard to the Superintendent's letter, written on behalf of the Advances Board, alleging that statements were made in the House of Representatives on the 28th September, 1912, to the effect that loans had been granted by the Board to local authorities under political influence, and with a view to influencing the general election of last December: No evidence was submitted substantiating the Superintendent's written statement, and the Committee consider that the members of the Board were ill advised in accepting headlines in the Press reports as sufficient grounds for writing to the Minister in Charge of the Advances Department in the terms used in the letter.

“(2.) The Committee is of opinion that the telegram sent by the Hon. Sir John Findlay five weeks before the day of the general election, and the actions of the Chairman of the Remuera Road Board (Mr. Cawkwell) between the first and second ballots, can only be interpreted as a direct effort to secure political support for the candidature of Sir John Findlay.

“RECOMMENDATION.

“The evidence has led the Committee to the conclusion that insufficient control was exercised in administering the loans to local authorities, especially in committing the Department to advances three years ahead, an action which the Committee is advised was contrary to law. Your Committee therefore strongly recommends a change in the *personnel* of the Advances Board.”

Resolved, That consideration of the report be deferred until to-morrow, and that the Chairman do ask leave of the House to sit at 12 noon.

The Committee then adjourned.

TUESDAY, THE 5TH DAY OF NOVEMBER, 1912.

The Committee met at 12 noon by leave of the House.

Present: Mr. Hine (Chairman), Hon. Mr. Allen, Mr. Craigie, Mr. Hanan, Mr. Lee, Mr. Myers, Dr. Newman, Mr. E. Newman, Mr. Pearce, Right Hon. Sir J. G. Ward.

Minutes of previous meeting read and confirmed.

*Loans to Local Authorities Inquiry.*

The Chairman read a letter from the Superintendent of the State-guaranteed Advances Board covering a return asked for by the Right Hon. Sir J. G. Ward.

Resolved, That the letter be printed in the appendix.

The Chairman's draft report was then considered.

Resolved, on the motion of Dr. Newman, to adjourn until 3 p.m.

The Committee then adjourned.

The Committee resumed at 3 p.m.

All members present.

Resolved to take the draft report clause by clause.

Clause 1. Mr. Hanan moved an amendment.

The Chairman ruled that the amendment proposed must apply to the whole report and not to clause 1.

Resolved, on the motion of the Chairman, to insert, after the word "was," the words "between £22,000 and."

Moved by the Hon. Mr. Allen to add the following words to the clause: "and was incurred owing (a) to the Board's difficulty in finding immediate investments for the funds at credit of the Loans to Local Authorities Account; and (b) to the remission of 10s. per cent. allowed to the Department being insufficient to cover expenses and loss of interest whilst the moneys remained uninvested."

The question being put, it was resolved in the affirmative, the Right Hon. Sir J. G. Ward and Mr. Hanan dissenting.

Clause as amended agreed to.

Clause 2. Moved by the Chairman, That the clause be agreed to.

The question being put, it was resolved in the affirmative, the Right Hon. Sir J. G. Ward and Mr. Hanan dissenting.

Clause agreed to.

Clause 3. Moved by the Chairman, That the clause be agreed to.

The question being put, it was resolved in the affirmative, the Right Hon. Sir J. G. Ward and Mr. Hanan dissenting.

Clause 4. Moved by the Chairman to omit the figures "£27,555," and to insert the figures "£27,550" in lieu thereof.

The question being put, it was resolved in the affirmative.

Moved by the Chairman, That the clause be agreed to as amended.

The question being put, it was resolved in the affirmative, the Right Hon. Sir J. G. Ward dissenting.

Clause as amended agreed to.

Resolved, on the motion of Dr. Newman, to adjourn until 8 p.m.

The Committee resumed at 8 p.m.

All members present.

Findings: Moved by Mr. Hanan, That the findings and recommendation in the draft report be deleted, and that the following be adopted in lieu thereof:—

#### " FINDINGS.

" 1. That the statements in the Board's resolutions that no political or other influence was at any time used to influence the Board in granting or refusing a loan are true.

" 2. That the members of the Board as a body of honourable men, holding positions of great responsibility and trust, were justified in asking for an inquiry into such grave reflections on their probity and administration which were involved in the statements, made in the House and in the public Press of the Dominion, that money was lent for the purpose of influencing the general election of 1911. The inquiry has completely exonerated the Board from having been subject to or moved by political influence in the discharge of its duties.

" 3. That no discrimination on political grounds has been made in the granting or refusing of a loan to a local body in any electoral district.

4. That no losses have been sustained through want of security under the State-guaranteed Advances Act. Losses amounting to £23,000 were incurred due—

" (a.) To the Board's difficulty in finding immediate investments for the funds at credit of the Loans to Local Authorities Account; and

" (b.) To the remission of 10s. per cent. allowed to the Department being insufficient to cover expenses and loss of interest whilst the moneys remained uninvested. This fact was pointed out by Sir Joseph Ward in his Financial Statement of 1910, page 667, *Hansard*, Volume 149.

5. The losses referred to in clause 4 are a mere trifle compared to those made under the old loans-to-local-bodies system, abolished 1910, under which the State made losses of capital to over £2,300,000.

" 6. That the commitments made for payments of instalments extending over a period of years were in accordance with the regulations issued by the Crown Law Officer under the provisions of the Act. The Crown Law Officer having now advised that such grants were illegal, the Act should be altered to permit of these instalments advances being made as in the past, inasmuch as it is a great convenience to local bodies to obtain advances by instalments instead of in one sum, as in many cases the works must be spread over a long period, and the instalment system enables a coherent, instead of a spasmodic, system of public works being planned and carried into effect.

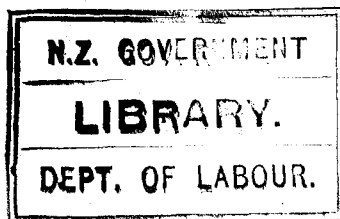
" 7. That the Post Office promised in June last to lend to the Government £1,500,000. Had it fulfilled that promise there would have been more than sufficient to meet all engagements.

" 8. The Committee have found that the only transaction that might be construed into an attempt to exercise political influence was that in which a telegram was sent by Sir John Findlay at the request of a deputation inquiring as to the delay in the granting of a loan, and asking for an advance of £10,000. This, however, on examination of the evidence and records does not bear out that construction, because—

" (a.) The loan of the Remuera Road Board was provisionally approved by the Board early in May, 1911. Sir John Findlay was then out of New Zealand.

" (b.) The telegram was not communicated to the Board.

" (c.) It was the result of a complaint made by a deputation to him alleging delay in paying over money which the local body believed was due to it.



“(d.) The delay was due to the local body’s own fault, and the conditions to be complied with were pointed out in the telegram in reply, and the £10,000 asked for was declined.

In this connection it should be stated that no money was paid over for six weeks after the telegram was sent, the first instalment being paid two days after the second ballot.

“ RECOMMENDATIONS.

“ 1. Now that moneys may not be obtainable from the Post Office, which was the usual and only source of supply, the Act should be altered to make the interest payable by local bodies the same as that at which it is raised when the moneys are payable to the local bodies, plus a reasonable amount for costs of administration.

“ 2. As the amount authorized each year, £1,000,000, is now found not to be sufficient to satisfy all applications, preference should be given to local bodies whose financial position and difficulty of carrying on their works entitle them to preferential treatment. As this would place an invidious duty on the Board the Act should be amended in the direction of classifying local authorities accordingly.”

The motion being put, the Committee divided, and the names were taken down as follow :—

Ayes, 4 : Mr. Craigie, Mr. Hanan, Mr. Myers, Right Hon. Sir J. G. Ward.

Noes, 6 : Hon. Mr. Allen, Mr. Hine, Mr. Lee, Dr. Newman, Mr. E. Newman, Mr. Pearce.

So it passed in the negative.

Clause 1. Moved by the Chairman, That the clause be agreed to.

The question being put, the Committee divided, and the names were taken down as follow :—

Ayes, 6 : Hon. Mr. Allen, Mr. Hine, Mr. Lee, Dr. Newman, Mr. E. Newman, Mr. Pearce.

Noes, 4 : Mr. Craigie, Mr. Hanan, Mr. Myers, Right Hon. Sir J. G. Ward.

So it was resolved in the affirmative.

Clause agreed to.

Clause 2. Moved by Mr. Lee to omit the clause.

The question being put, it was resolved in the affirmative.

Clause omitted.

Recommendation : Moved by the Chairman, That the recommendation be agreed to.

The question being put, the Committee divided, and the names were taken down as follow :—

Ayes, 6 : Hon. Mr. Allen, Mr. Hine, Mr. Lee, Dr. Newman, Mr. E. Newman, Mr. Pearce.

Noes, 4 : Mr. Craigie, Mr. Hanan, Mr. Myers, Right Hon. Sir J. G. Ward.

So it was resolved in the affirmative.

Recommendation agreed to.

Mr. Hanan moved to put in a minority report.

The Chairman ruled that a minority report could not be put in.

Resolved, That the Chairman report to the House to-morrow.

Resolved, That the minutes of proceedings and evidence be printed.

The Committee then adjourned.

THURSDAY, THE 7TH DAY OF NOVEMBER, 1912.

The Committee met at 2.15 p.m., pursuant to notice.

Present : Mr. Hine (Chairman), Hon. Mr. Allen, Dr. Newman.

Minutes of previous meeting read and confirmed.

Resolved, on the motion of Dr. Newman, and seconded by the Hon. Mr. Allen, That a vote of appreciation be accorded the clerks, Messrs. Collings and G. F. Bothamley, for their services.

Resolved, That the Chairman be empowered to sign these minutes.

The Committee then adjourned.

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## MINUTES OF EVIDENCE.

WEDNESDAY, 9TH OCTOBER, 1912.

*Hon. Mr. Allen:* I desire to say, Mr. Chairman, that I will give Sir Joseph Ward a free hand to summon what witnesses he likes, but I want to get the business done as soon as possible. I want to call as witnesses Mr. Poynton and the Chairman of the Board, Mr. Warburton.

*Right Hon. Sir J. G. Ward:* I am obliged to Mr. Allen for his expressed intention of giving a free hand in connection with this important matter. I want to have four or five aspects of the matter investigated, and I do not wish to take up any extra time about it that can possibly be avoided. I want the important question first, as to whether political influence was exercised in connection with the advances made inquired into, and I want the whole of the members of the Board summoned and to be put upon their oath. I am in the position of not having approached any of the members of the Board or any one else in connection with the matter, but I want to ascertain for my own information whether anything has ever been done either by myself or any other Minister which could be regarded as in any way exercising influence in connection with the advancing of loans by this important lending institution. I do not know where the suggestion emanated from, but, whoever it was, I want to have an opportunity of his being put upon oath and being examined. I want an investigation into the suggestion that there has been money squandered; I want an investigation into the suggestion that there has been waste; into the question of the source of moneys that have been borrowed by the State-guaranteed Advances Board for the Local Authorities Branch; and I want the amounts and dates of loans borrowed, particulars of commitments for each year from the starting of the Board, particulars of the total loans borrowed, and I want particulars of the amount of authorizations in existence at the moment to provide for any commitments the Board may have in hand. I am mentioning these in order to obtain some of the returns.

*Hon. Mr. Allen:* I will now put in the letter from the Department to me as Minister of Finance which I read in the House, as follows:—

“New Zealand State-guaranteed Advances Office,

“Advances to Settlers Branch,

“Wellington, 30th September, 1912.

“Memorandum for the Hon. the Minister of Finance, Wellington.

“At to-day's meeting of the New Zealand State-guaranteed Advances Office Board the following resolution was passed: ‘This Board regrets the statements made in the House of Representatives on last Saturday morning to the effect that loans have been granted by it to local authorities under political influence, and with a view to influencing the general election of last December (1911).’

“No loan has been granted by this Board to any local authority under any pressure whatever. The only considerations influencing the Board in granting loans were—(1.) Was the money required for necessary works (irrespective of the class of local body applying for the loan)? (2.) Was the security sufficient? (3.) Were funds available?

“This Board asks that a copy of this resolution be sent by the Superintendent to the Hon. the Minister in charge of the Department.

“The Board further respectfully asks that (1) a copy of the above resolution be handed by the Minister to the Press; (2) a tribunal be set up as soon as possible to investigate the charges of political influence made against the Board.

“In forwarding the above I would point out that the objection to the Board lending to boroughs has no weight, for these reasons: (a.) There was no power given to the Board to discriminate amongst different classes of local authorities. (b.) Had the Board done so and accumulated funds while certain classes of bodies entitled to them were refused loans, it would have been properly condemned for (i) favouritism, (ii) losing money through having funds uninvested while local authorities were refused loans, and (iii) breaking the law by assuming powers it did not possess.

“No proper application by any local body was refused so long as funds were available.

“J. W. POYNTON, Superintendent.”

*Right Hon. Sir J. G. Ward:* I have purposely refrained from speaking to Sir John Findlay, but I may want, if it is necessary, to call him and the then Chairman of the Remuera Road Board; and I want, if it is necessary, to call the Mayor of Hastings and the Mayor of Timaru, and the representative of any district in the country from any side in politics concerning which a loan has been advanced to any public body in the district. In short, I want, in the general interests of the country, to clear up the suggestion which has been put all over the country, and in which it is deliberately suggested in the present Government Press that I have been personally responsible for using a great State lending Department for political purposes. And if necessary I want to give evidence on oath myself before the business is over, because at the inception of it I wish to personally give every one of those statements which have been made regarding it a categorical contradiction, and to state that so far as I know there is not a shadow of foundation for the aspersions that have been cast upon me, and unfairly so.

*Hon. Mr. Allen:* All I wish to say in regard to what Sir Joseph Ward has said is that I do not know that those things are in the order of reference, but any statement that is made, whether made in the House—and I do not know whether those are the only things—we can deal with, but I want the statements proved first of all. I do not want a hunting expedition into generalities, but let us have the statement inquired into in accordance with the order of reference.

*Right Hon. Sir J. G. Ward:* I am prepared to take the report published in the Government paper, the *Dominion*, concerning the proceedings taken in the House when I was not present.

*Hon. Mr. Allen:* Then we understand where we are. We are to take that as the basis of the inquiry.

*The Chairman:* It is my duty to hold you down to the order of reference, and that is including the letter from the Superintendent of the Advances Branch, and I think that covers everything, Sir Joseph.

*Hon. Mr. Allen:* I am quite satisfied to take either the report of the *Dominion*, *Times*, or *Post* of the debate which took place on Friday night when Sir Joseph was not present.

*Mr. Hanan:* When the questions are put, Mr. Chairman, I take it you can decide whether those questions are relevant to the matter involved in this order of reference. I intend to deal with it from various points of view. All the aspects I intend to question are raised and involved in this order of reference, and those points you will consider when all questions are asked, I take it.

*The Chairman:* Yes. I do not want the Committee to run away with the idea that I am going to allow any discussion in connection with anything stated in any newspaper report if it is not covered by that order of reference.

*Hon. Mr. Allen:* I suggest that we take the account which Sir Joseph Ward suggested appeared in the newspaper, and the letter of the Superintendent.

*Right Hon. Sir J. G. Ward:* Yes. I do not want to do anything, but I want to get the facts.

JOSEPH WILLIAM POYNTON sworn and examined. (No. 1.)

1. *The Chairman.*] You are Superintendent of the New Zealand State-guaranteed Advances Board?—Yes.

2. *Mr. Allen.*] Were you the first officer to deal with the operations under the Act?—I have had to do with the local authorities. The Act came into force on the 2nd February, 1910, and I was appointed on 1st February, 1910.

3. As a matter of fact applications were dealt with before you came into office under this Act?—The Act had not come into force. It had been passed, and some applications had been made, but they could not be dealt with until the Act came into force. There was no loan granted before the Act came into force. With a view of shortening the proceedings, Mr. Chairman, I have drawn up a statement covering the order of reference, which is as follows:—

THE BOARD.—The Board of the office constituted by section 12 of the Advances Act has the following members: (1) The Minister of Finance; (2) the Superintendent; (3) two members of the Civil Service and two non-members. The members of the present Board, apart from the Minister of Finance and the Superintendent (or the Deputy Superintendent in his absence), are J. K. Warburton, formerly Controller and Auditor-General; Henry Kember, of Wellington, accountant; Dr. Fitchett, Public Trustee (or the Deputy Public Trustee when he cannot attend); Mr. F. W. Flanagan, Valuer-General. The Board meets weekly on Monday afternoons. Formerly the Solicitor-General was one of the two official members of the Board, but not being able to attend regularly he resigned, and the Valuer-General was appointed in his place. The attendances since the Board was constituted have been—Mr. J. K. Warburton, 94; Mr. Kember, 85; the Superintendent, 81; the Public Trustee, 62; the Valuer-General, 34; the Minister, 14; the Deputy Superintendent, 13; the Deputy Public Trustee, 9; the Solicitor-General, 2. Sir Joseph Ward was present and presided at every meeting held up to and inclusive of that of the 15th February, 1911, when he ceased to attend altogether. The Hon. Mr. Millar, representing the Minister of Finance, presided at the meeting of the 13th March, 1911, and Sir James Carroll at that of the 8th January, 1912. When the Minister was absent Mr. Warburton presided on every occasion. He has attended every meeting of the Board since its establishment.

POLICY AGREED UPON AT THE START.—At an informal meeting of the Board before commencing actual business the position of local authorities and their requirements were discussed. As the limitations existing under the old system as to amounts to be lent, the kind of work to be undertaken, and the class of local body to be assisted, were entirely removed, it was thought that it would be necessary to lay down some rules. It was agreed (1) that as the indebtedness of local bodies in the Dominion, apart from that for loans obtained from the Government, amounted to about £15,000,000, and the rates of interest paid by the local bodies on their loans were much higher than  $3\frac{1}{2}$  per cent., the rate at which they were in future to get money from the Board, it was imperative that applications for moneys to pay off old loans be refused; (2) that loans be granted for useful and necessary works only; (3) that applications for what might be considered luxuries, such as electric and other trams, town halls, municipal theatres, recreation-grounds, &c., be refused; (4) that the procedure for obtaining loans which was troublesome and expensive be simplified. It was believed that by confining the grants to new and necessary works and refusing to pay the debts incurred for old ones there would be enough money to meet all requirements. No power was given in the Act to discriminate amongst the different classes of local authorities. Had there been sufficient moneys obtainable to supply all applications there would not have been any demand for such preference of counties to boroughs. It is only since last November, when the applications were so much in excess of what was expected and the limit of £5,000 was imposed, that the strong demand for discrimination has arisen. From the com-



mencement it was known that a loss would be made on the working. The Minister was asked by the Board at one of its first meetings if he would place a sum on the estimates to recoup the Department for losses. He said there would be no objection, as every member of the House desired to help local bodies, but it would be better to wait a couple of years to see what the losses actually would be.

**PROCEDURE.**—Three members form a quorum. The Board considers all applications after they are put in order by the Department's officials. If the loan appears to be for a necessary purpose and the security sufficient, the Board provisionally approves it—that is, agrees to proceed with it if everything is put in order, the security is good, and there are funds obtainable to meet it. Unfortunately, nearly all local bodies consider the provisional approval a final agreement to grant the loan. It is extremely difficult to make the officials and members of local bodies understand that the provisional approval is tentative only. Some of them at once launch out into letting contracts as soon as they are informed that the application is provisionally approved. One of these bodies applied for a loan of £9,000 for waterworks. It was provisionally approved. Straightway, without making any inquiries, it entered into a contract to pay £5,000 for the supply of water-pipes. The proceedings taken for the loan were found to be invalid. In the voting-paper the amount of rates to be struck for the loan was not given. The Board for this and other reasons subsequently declined the application altogether, and the body is now without money and in a serious difficulty over the £5,000 order for pipes, which the suppliers refuse to cancel. In another case an application was refused at once on the preliminary consideration. It was to get money to build a hall in commemoration of something. Notwithstanding the direct refusal, the erection of the hall was proceeded with, and on completion a somewhat peremptory request for the amount of the loan was sent to the office. Thinking the loan must have been got from one of the other Government lending Departments, the demand was sent to them. It turned out that after the refusal of the Board to entertain the application, some one on behalf of the body had seen a Minister, and acting on some imaginary assurance that the loan would be granted, and without any communication whatever with the Department, the body had actually gone on with and completed the erection of the hall. If after the provisional entertaining the ratepayers approve the loan, and all proper steps have been taken to make it valid, and the rate is sufficient, the application is submitted a second time to the Board. It then recommends the Minister to finally approve the loan. On his approval being given the loan is granted. The money is then paid over as the body requires it. In order to prevent too many payments out in small sums all part of the same loan the maximum number of instalments is five, but the Board may allow the loan to be divided into a greater number than five (see Regulation 14). Under the procedure introduced by the Department the steps required to be taken by a local authority to obtain a loan have been greatly simplified. Forms and a pamphlet containing full instructions how to proceed are supplied to applicants, and the cost is reduced to a minimum, and unnecessary delays avoided.

**ABSENCE OF POLITICAL INFLUENCE.**—No Minister or member of Parliament has personally or by agent at any time, either by persuasion or suggestion, or by any communication, written or verbal, approached me with the intention of influencing me to grant or refuse any application for a loan. The cases in which Ministers or members appeared at all in connection with loan matters have been remarkably few, considering the vital interest in these loans of the local bodies, who, of course, look to the member for the district to help them in these transactions. The following in order of date are the only cases in which a member or Minister has been introduced:—

1. Mr. Greenslade, M.P., on the 14th February, 1910, wired me asking about the Frankton Town Board's application for £3,000—when the money would be available. This was only twelve days after the Act came into force. He was informed that the Board's preparations were not completed, that forms would be sent, and it would be a considerable time before the loan would be paid over.
2. Mr. Lawry, M.P., sent a wire on the 14th March, 1910, about an application for £8,500 by the Remuera Road Board. It was making inquiry about the position.
3. On the 8th April, 1910, the Mayor of Onehunga wrote the Hon. Mr. Fowlds about letting contracts in anticipation of a loan being granted. The letter was referred by him to the Prime Minister and minuted by his private secretary to me. My report gave the position.
4. On the 24th February, 1911, the Clerk of the Birkenhead Borough Council wrote the Hon. Mr. Fowlds asking for an extension of the term of a loan already granted from 36½ years to 50 years. The request was refused by the Board.
5. On the 2nd November a deputation from the Remuera Road Board and some labourers waited on Sir John Findlay and complained that the Government—that is, the Department—was holding money to which the Council was entitled, thus throwing men out of work. He wired the Prime Minister, who minuted the telegram to me. A reply was sent by the Prime Minister explaining that the proceeding was not complete, and no money could be paid over pending completion.
6. Telegram from the Hon. Mr. Myers (29th May, 1912) stating the Mayor of Hastings wished to know if 10 per cent. more than amount of loan already received could be got to enable complete works. This was refused.
7. Wire from Clerk, Remuera Road Board, to Mr. Dickson, M.P., asking him if he could arrange for two further draws of £4,000 each: date, 10th July, 1912.
8. Letter from Hon. Mr. Allen to Superintendent, of 10th September, 1912, asking if an application from the Clutha County Council could be favourably considered.
9. Wire to Mr. Dickson, M.P., from Clerk, Remuera Road Board, complaining that Superintendent could not allow withdrawal of £3,000 of the fifth instalment of a loan, leaving the balance to be drawn later (date, 5th October, 1912).

The files containing these various documents are produced. None of them can possibly be considered as an attempt to influence the Department in the granting of a loan.

As it is very desirable to remove the impression which undoubtedly exists that loans by the Department have been granted for political purposes, and with a view to influencing the last general election, I would respectfully ask that all the members of the Board be called by the Committee and examined on this point. To prove that no political considerations on the coming election weighed with the Board, it may be pointed out that the rate of interest on loans was raised to  $3\frac{3}{4}$  per cent. and the limit to £5,000 fixed on the 13th November—three weeks before the election.

**MINISTERIAL CONTROL.**—As long as plenty of funds were available and all applications for necessary works could be granted, there was no necessity for any personal intervention by the Minister in charge of the Office. No one had any grievance. Now, however, when it is found that there is not sufficient to go around there will be trouble, and discrimination must be made, and the Minister, who will be blamed for everything, should take over the administration of this branch of the Office as far as possible. There is a great difference between this and the other branches of the Office. It is not right that a Minister should interfere in the granting of loans to workers or settlers. These are individual and private affairs. But in loans to local bodies different considerations arise. Local bodies are States within States. Their proceedings are public. They look to the Government of the day to help them financially either by loans or subsidies. The Minister travels around the country; the Board does not. He knows the requirements of the different bodies. He meets deputations, officials of local bodies, and members of Parliament, and discusses these subjects in all their aspects. The Board is hardly necessary except to see that papers are in order and the security sufficient. He has to raise money to satisfy demands, and knows better than any one else how much he can spare for this purpose. There will be some objection to this on the ground that favouritism and political influence will be exercised. No matter what system of granting loans is in force this objection will be urged by many. From 1887 to 1910 the Minister alone granted the Government loans to local authorities without any Board intervening. Loans amounting to over £2,000,000 were thus distributed amongst various local bodies. The best proof that political influence or favouritism was absent, or nearly so, is that so many are in favour of a return to the old system, and no accusation of undue preference in granting loans has been made against former Ministers. The resumption of control by the Minister will not require an amendment of the Act. An alteration in procedure will be sufficient.

**AMENDMENTS NECESSARY.**—Experience in the working of the Act shows that further important amendments are urgently needed. These are:—

(a.) Extra remuneration should be given to the Office for carrying out the work. Losses in future will not be anything like what they have been during the first two years. The losses were entirely due to having funds uninvested. The moneys could not be got out fast enough, and so interest paid to the Post Office on uninvested moneys was dead loss to the Local Authorities Branch of the Advances Office. A difference of, say, one-eighth of 1 per cent. between the rate paid on the moneys after allowing for costs of raising the loan and that received from the local body would nearly pay the cost of administration. When the Act was passed it was, of course, assumed that all moneys required would be obtained at par, and free of commissions and other charges, from the Post Office. As money may have to be borrowed elsewhere to help local bodies, fees, commissions, and discounts should be provided for.

(b.) When a loan has been provisionally or even finally granted, and the money cannot be obtained at the expected rate, provision should be made for binding the body to pay the increased rate. At present, in order not to disappoint the local body which has proceeded on the assumption that its loan will be granted at a certain rate of interest, moneys have either to be kept in hand uninvested and losses thereby incurred or engagements entered into for some time ahead, and when money has to be raised to meet these engagements it may not all be obtainable at the agreed-upon rate. If £1,000,000 is promised at  $3\frac{3}{4}$  per cent., the present rate, and all of it has to be raised at 4 per cent., this will mean a loss of £2,500 annually. Of course, if the million were borrowed and kept on hand to meet the instalments of loans already granted or applications to come in in future, the loss would be greater through loss of interest. It is a choice of evils at present. The amendment would be most beneficial. Local bodies cannot complain if they get the money at the same rate (or with the addition of one-eighth of 1 per cent. here suggested) at which the State obtains it, when they are ready to receive it.

(c.) Discrimination should be allowed amongst local authorities when there is not enough money to satisfy all requirements. Even amongst local authorities of the same kind there should be power to discriminate. There is no resemblance between, say, a county in Canterbury with its roads made by the Provincial Government, perfect roads everywhere, metal within a few inches of the surface, no hills, no bush, dry climate, and few or no bridges, and nominal rates, and a similar body in the North Island with no metal whatever, wet clay soil, bush to clear, hills to cut down, few settlers, heavy rates, and numerous bridges to construct. Classification would be better done by regulation than by statute. Power should be given to issue such regulations.

(d.) Special provision should be made to meet the necessities of the poorer and more remote country bodies. This is a matter of policy, and I therefore do not care to proffer suggestions.

(e.) A limit as to the amount to be lent to any one body should be fixed by statute. The limitations under the old system were unduly complicated, but a reasonable restriction is necessary, otherwise every large loan will be viewed with suspicion and be the subject of criticism.

(f.) If the full amount authorized to be borrowed by the Minister is not raised during one financial year, the difference between the amount raised and that authorized should be allowed to be raised during the next year. This is permitted in the borrowing of money for settlers, workers, and land for settlements.

I attach hereto—(1) List of loans provisionally approved, those finally approved, and amounts paid over from 1st November, 1911, to 15th December, 1911; (2) credits and debits of loans to local authorities' accounts on 31st March, 1912; (3) similar statement with fuller particulars on 16th September, 1912; (4) forms and regulations and pamphlet of instructions; (5) dates and amounts of future payments as far as can be ascertained.

9th October, 1912.

J. W. POYNTON, Superintendent.

I also desire to put in some returns prepared in connection with the transactions of the Department. [Returns put in—Exhibit A.]

4. *Right Hon. Sir J. G. Ward.*] Mr. Poynton, you are Superintendent of the State-guaranteed Advances Board of both the Local Authorities Branch and the Advances to Settlers and Workers Branch?—Yes.

5. Have you been Superintendent of the Board from the date of the operation of the State-guaranteed Advances Act, 1909?—Yes.

6. During your administration has any Minister of the Crown at any time urged you to make a loan to any local public body in this country?—No.

7. If a Minister of the Crown had urged you to do so, in your position as head of such a State Department, would you or would you not have felt it your duty to put on record in writing your opinion in regard to any such action?—Certainly, I would. I would have called his attention by memo. to the danger of such a course, and warned him of the consequences.

8. Has any political influence been attempted to be exercised as far as your duties as head of the State-guaranteed Advances Board to local authorities are concerned by any member of Parliament?—No. Members of Parliament have often come to see me in regard to a loan. For instance, Mr. Craigie came to see me. I think he was Mayor at the time, and he came in several times to know how a particular loan was getting on. He had had telegrams asking when the loan would be put through, and was there anything to be done. Sometimes members come in twice a day to see me. They never come to influence me, but simply to make inquiries. It is quite a common thing for members to do so. They are always being pressed by people in the district to see about these matters, and a member of Parliament is a sort of general agent for local authorities; but there has never been any attempt to influence me. I can say most emphatically that no Minister or member of Parliament has ever attempted to influence me in the course of my duties.

9. If a Minister or member of Parliament had attempted to exercise political influence, would it have had any effect?—No, it would have had the opposite effect. I would have taken more care in dealing with that particular loan than in an ordinary case.

10. What was the procedure of the Board in the matter of granting loans where the loans were settled by a majority vote?—We have never had any such cases of opposition. If the Board were not unanimous we would not have gone on with the loan. If any member had said "I object to that" we would not have gone on with it. Every loan has been granted unanimously.

11. The procedure of the Board was that if there was one dissentient the loan was not proceeded with?—Yes. Sometimes we discussed a loan and sometimes we would decline it, and afterwards perhaps a letter would come to the Board and we would discuss it again, and probably alter our minds after having further evidence.

12. I understand, then, that all loans granted by the State Authorities Branch were upon the unanimous decision of the Board?—Yes. If there had been any opposition I should have recorded it in the minute-book.

13. There is no record of opposition to the authorization of a loan in any of the proceedings recorded in the minute-book connected with any meetings of the State-guaranteed Advances Department?—No—that is, not at any meeting I have been at. The Deputy Superintendent was at thirteen meetings, and he would have told me if anything of that sort had occurred.

14. Has any loan been advanced to any local authority in New Zealand without proper security?—No. The Act requires that in addition to the security there shall be a special rate. We look to the special rate as the security, and if there is any revenue-producing security we are supposed to take security over that. We have only done that in one or two cases. I have done it in regard to Queenstown. I drafted the mortgage for the Queenstown Gasworks. It was the first we had, and the solicitors have followed that since.

15. Then, there has been proper security?—Yes, a special rate has been given in every case. The Act requires that in addition to the special rate sufficient to pay instalments there shall be a 10-per-cent. margin.

16. Has there at any time been anything in the nature of squandering by the Board in making loans to local bodies throughout New Zealand?—No, squandering never entered into our ideas. It was simply to see that the loan was secured and to be for a necessary purpose. Those are the only things, and whether we could get the money.

17. Has there been anything in the shape of waste in connection with the administration of the Board, or connected with any advances to any local authority throughout New Zealand?—Not in connection with the Board; but so far as the local authority is concerned, that is a matter for the Audit Department to see that they do not waste the money, and that the money is not diverted; but so far as the Board is concerned, the money has been properly dealt with.

18. There has been nothing in the shape of waste in connection with the State-guaranteed Advances Board?—No; it has been very economical. I do not suppose any other Board has lent so much money with so little expense.

19. Could you give to the Committee before the proceedings are finished what the cost of administration of the State-guaranteed Advances Board to Local Authorities Branch is?—Yes; that is shown in the balance-sheets for the different years.

20. Could you give it now?—Yes. In the first year there was very little, because it was only in force from the 2nd February until the yearly balance on the 31st March. That is not two months. The total shown was £636 3s. 3d., which was a nominal amount. We had, of course, to get printing done. In 1910—it is shown on page 9 of the balance-sheet—the management-expenses account was £1,205 4s. 4d.; 1911–12, £3,193 2s. for the year ending 31st March, 1912; certificate fees, £71 18s. 6d.; postages and telegrams, £149 8s.; printing and stationery, £100; and salaries, £371. The salaries are allocated. Taking into consideration the large sums of money dealt with, of course the actual administration-expenses are very small. The loss, of course, occurs with the loss of interest.

21. Do you know what the percentage of expenses is in connection with the actual administration?—No, I do not, but I will get it.

22. Now, there is a statement in the Press regarding a discussion in the House, as follows: “Mr. Allen: The Borough of Onehunga, £49,950; the Borough of Newmarket, £35,935. Mr. Hine: Where’s that? Mr. Allen: I don’t know. Ask Sir John Findlay.” Now, I want to ask you to inform the Committee whether Sir John Findlay made any application for a loan to be granted to any public body in the district of Parnell or wherever he was standing for?—The only thing I have found is a telegram from Sir John Findlay about the Remuera loan. He sent a telegram to you on the 2nd November, 1911, and that was sent on to me by you. This is his telegram to you: “A deputation interviewed me this morning in connection with the application of the Remuera Road Board for a loan totalling £84,000. I understand that the Department has raised some objection with regard to the security, which I think has been answered by the Remuera Board. If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand and that immediately contemplated. The position is aggravated by the fact that the men engaged in the work have recently been on strike, and the strike having now been settled, they desire to return to work. The Board meets them by explaining that they have not the means to carry on because the Government will not advance the money to enable them to pay for the work and other outgoings. I hope you will be able to have at least £10,000 advanced to relieve the tension of the present position. The deputation consisted of the strike leaders and the members of the Remuera Road Board. Kindly let me have a reply as early as you can, which I may use.—J. G. FINDLAY.” That was minuted on to me for remarks, and I said, “Reply for signature attached.” The reply went back as follows: “As special rate struck for water-supply loan is only sufficient security for £42,000, instead of £44,000 applied for on present valuation, this amount will be available for expenditure after being finally approved on Monday next. Debentures will be posted on Monday. Plan of district required, in case of drainage loan of £40,000, not yet forwarded by Road Board. Was wired for yesterday. Cannot advance £10,000, but as debentures for amount of loan authorized will be forwarded on Monday, that should be quite satisfactory.” There were two loans for Remuera, one of £40,000 and another of £44,000. They had been approved provisionally, and the question was about the payment-over of the money. Sir John Findlay mentioned £84,000, but there were really two loans. In one case they had not sent the plan down, and the other was completed except that the debentures were wrongly filled up in regard to the amount. The procedure is that when everything is in order those debentures, which are printed by the Office, are sent to the local body. When they are filled up in accordance with the regulations they are sent back, then the money is forwarded, so that if the fault was not the fault of the Office, as Sir John Findlay assumed on the representations by the deputation, it was the fault of the Road Board, because they had not completed the debentures or had filled them up wrongly. The amount of rates was not sufficient to give the loan. The fault was not the fault of the Office, but the fault of the local body through not having their papers in order. I might say that the day previous to that I had a telegram from the Clerk to the Remuera Road Board in the same strain, complaining about the men out of work. They must have gone to Sir John Findlay and complained about our not giving them the full amount. The telegram to me was as follows: “Since last valuation buildings to value of £80,000 have been erected in Remuera district, and will be assessed long before interest is payable on loans. Our public works are hung up and 120 men out of employment pending receipt of money. If loan cannot be made in entirety, please make all possible advances. Wish, however, point out advances are for a period of years.—CHAS. S. WILSON, Clerk, Remuera Road Board.” That was on the 1st November. They must have waited on Sir John Findlay and urged him to hasten the payment of the money, and he wired you and you sent the wire on to me.

23. I sent it on to you with what comment?—Only for report; and I sent it back, “Reply for signature attached.”

24. What was the date of the application to the State-guaranteed Advances Board that these communications are referring to?—Both applications were in May. I have only given in the returns to the Committee the full particulars of all loans provisionally approved, finally granted, and amounts paid over between the 1st November and 15th December—during what you may call the election months. I may point out that owing to delays this actual amount was not paid over till after the election. It was not paid over till the 16th December.

25. Was that after the second ballot?—Yes, the second ballot was on the 14th December.

26. The first and second ballots were over before that payment was made?—Yes, it was not paid till the 16th December.

27. And the application for these loans, I understand you to say, were made in May?—On the 22nd May, 1911.

28. That is nearly seven months from the time of the application before the payment was made?—It is not all paid yet: there is about £15,000 to £20,000 yet unpaid.

29. That is portion of the loan that was applied for?—Yes, but none of it was paid over till after the election.

30. That suggestion in the communication you have just read from Sir John Findlay to myself, which was minuted on by me to you for report, to advance £10,000, was refused?—It was not refused, but the debentures were not in order. We could not do it, but we did it as soon as we could.

31. They did not get that £10,000 on account?—On the 16th December they got it.

32. But they could not get it at that date because the procedure was not complete?—The debentures were not in order.

33. So that the £10,000 that the deputation asked Sir John Findlay to have advanced to them was not done upon his application at that time at all?—No. Unfortunately, the matter was overlooked at the following meeting on the Monday when the matter was to be completed. The clerk did not bring it before the Advances Board. He came to me afterwards and apologized, and I said, "Those people want their money and you had better write out an urgent memo. for me to sign to the other members of the Board." That is what we do sometimes. This is the memo. which was written: "At yesterday's meeting of the Board the attached file was inadvertently omitted to be included with five other files for the Board's recommendation to the Minister to finally approve, and as the money is urgently needed, or a portion of it, will you be kind enough to each express your approval of this file being submitted for the purpose mentioned, so that when the debentures are received the desired payment of £10,000 can be made without any delay. I personally agree to this being done, which can be confirmed at the next meeting." We did it as soon as possible when everything was in order. The debentures came down, but they were not in order till the 16th December.

34. Mr. Poynton, at this stage would you kindly inform the Committee what the procedure is in regard to the debentures, because it may not be understood. I understand that the debentures that the local public body has to sign are forwarded to them to fill up, for signatures and for attesting by seal, and then they are to be returned to the State-guaranteed Advances Board?—Yes, when they are examined and found to be in order, then the money is remitted.

35. It is not a Government debenture?—No, it is the debenture by the local body. You will find it set out in the regulations. It has to be executed and sealed. When the debentures are received back from the local body then the money is forwarded, or as much of it as they care to take.

36. So that what the Remuera Road Board was asking in that communication from the Clerk to you as Superintendent of the Board, and the deputation that waited on Sir John Findlay, who in turn wired to me, was that £10,000 should be advanced to them before the issue of the debentures?—Yes, they did not understand it. They wanted the £10,000 sent at once, but we could not do that until the debentures were in proper order.

37. That amount was refused?—It was not refused, but they did not get it at the time, partly through the clerk not bringing the file up, and afterwards because they had not the debentures back in time. It took from the 7th November to the 16th December to complete the debentures and get them back here so that we could pay the money over.

38. The Audit Department requires a full explanation of the public work for which the money is advanced by the Advances Department?—Yes. If a local body borrowed money in order to complete drainage-works or street-works they could not divert the money to building a town hall. The Audit Department would not pass it if the ratepayers sanctioned the loan for a special purpose.

39. And they could not use it for the construction of an electric-lighting plant if the loan was granted for waterworks or street purposes?—No. We have no control over it. They can do what they like with it so far as we are concerned, but the Audit Department sees that they spend it as authorized.

40. In regard to the application for loans for the Remuera Road Board made in May, what was the date of their provisional approval?—The 22nd May. On the 4th March, 1911, the sum of £60,000 was applied for. It was received on the 8th March. We declined some portion of the loan. There was an application in February, which was received on the 13th February, 1910. A telegram was received from the Clerk as follows: "Is a printed form necessary for an application for loan under State Advances Act. If so, kindly post me one, and oblige."

41. That was the first application?—Yes, it was an application for £8,500. That was the first small loan that was applied for in February, 1910. The application was lodged in March. The larger loans were applied for on the 4th March, 1911, and finally approved of on the 22nd May.

42. That, I understand, was not the £8,500?—No, that was the small loan applied for in February, 1910. The other two large loans were applied for on the 4th March, 1911.

43. And do I understand that the large loans were those of which no portion was paid till the 16th December?—Yes. One of them was not in order at all. In connection with the £40,000 loan, they did not send the plan of the district down, so that we could not deal with it at the date of Sir John Findlay's telegram; but the other loan of £44,000, of which the total could not be granted, we could have dealt with that if the debentures had come down, but they did not.

44. You have already made is perfectly clear generally, but I want to have is specifically answered in connection with the particular loans of the Remuera Road Board. Was there at any time prior to the application for the £8,500 loan, or the applications for the two larger sums, any political representation made to you by any Ministers of the Crown to expedite or authorize the granting of these loans for the Remuera Road Board?—No.

45. Now, at an early meeting of the Board, Mr. Poynton, the question of losses from the non-investment of the funds held by the Board for local bodies came up for general discussion?—Yes, at the two meetings. One was an informal meeting in Awarua House when you were laid up, and the other was in the Cabinet-room. At the first meeting we discussed the matter in con-

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 3½ per cent., with a term of repayment of 36½ 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. 1½d. 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 36½ 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 3½ 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 3½ 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.

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



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



request was that a loan previously granted for 36½ years should be extended. A letter came from Mr. White to Mr. Fowlds as follows: "I have the honour, by direction of the Council, to enclose a copy of a letter sent to the Board urging the granting of the proposed loan of £25,000 to this borough on the 50 years' basis instead of the 36½. The Council would point out the utmost importance of a water-supply for the borough and the necessity of making the burden as light as possible on the ratepayers. Improvements were made to the approach to the borough, which added considerably to the rates to be borne by the ratepayers, and it will require very careful adjusting to provide a water-supply and yet have the rates which will not impede the progress of the borough. Under the fifty-year basis the Council hope to carry the proposal, and if you could approve of the loan on this basis your action would be greatly appreciated. A similar letter to this has been sent to Sir Joseph Ward. I have the honour to be, sir, your obedient servant, A. L. WHITE, Town Clerk." Your secretary then minutes that on to me, and then I wrote a letter for the Hon. Mr. Fowlds to sign.

95. *Hon. Mr. Allen.*] Who are the signatures signed by?—The private secretary initials them. He does not want to bother the Minister with them, as he knows they have to come to me. On the 31st January, 1911, Mr. Fowlds wrote, "In reply to your letter of the 24th instant asking that the term of payment of the loan of £25,000 be 50 instead of 36½ years, I have sent your letter on to the Right Hon. the Minister of Finance, who is Minister in charge of the State-guaranteed Advances Office. The question of extending the term will be considered at the next meeting of the Board."

96. *Right Hon. Sir J. G. Ward.*] What was the final result of the consideration?—It was refused. It was submitted to the Board on the 15th February, 1911, and it was decided to decline to extend the term of the loan.

97. So that in any of the communications from the Birkenhead Borough Council or in the minutes from myself or Mr. Fowlds there is no suggestion that any influence should be used to give effect to the application?—No.

• 98. While upon this matter, on the first page of the statement you read this morning there is a list of the attendances of members at the Board meetings, as follows: Mr. Warburton, 94; Mr. Kember, 83; Superintendent, 81; Public Trustee, 62; Valuer-General, 34; and the Minister, 14?—Yes. Twelve of the fourteen attendances were yours, one Mr. Carroll's, and one Mr. Millar's.

99. Would you be good enough to inform the Committee of my last attendance?—The 15th February, 1911, was your last attendance. I might say, Mr. Chairman and gentlemen, that Sir Joseph Ward was anxious to know whether the scheme worked smoothly, and we had special meetings. We had to suit his convenience, and we had meetings sometimes in the Cabinet room, and, I think, once at his private residence. He was particularly anxious to see the thing working smoothly, and once it began to work smoothly and we had weekly meetings he did not attend again.

100. Do you know what the procedure was that I adopted in the matter of giving out information concerning the details of any business done by the Advances to Settlers Board?—We always regard our business as confidential and we do not expose it. Sometimes the total amounts of advances were given to the Press, but no particulars further than that. The Press used to worry you at the time. They used to come to you and ask for information; you used to send them on to us, and we used to send the total amounts up to you and you used to give the particulars to the Press.

101. Now I come to another matter: there is a return here of credits and debits, Loans to Local Authorities Account, 16th September, 1912, in which is set out—"Bank balance, £7,000; estimated receipts to 31st March next, which can be used as capital after payment of interest and sinking fund, nil; amount temporarily invested in accordance with section 27, New Zealand State-guaranteed Advances Act, 1909, £20,000; amount temporarily transferred to other branches in accordance with section 35, New Zealand State-guaranteed Advances Act, 1909, £550; commitments, £651,310; debits, amount temporarily transferred from other branches in accordance with section 35, New Zealand State-guaranteed Advances Act, 1909, £30,000; unexhausted loan authorities to 31st March, 1913, £825,000; estimated receipts for year ending 31st March, 1913, repayment of principal and interest, £73,000; estimated expenditure for year ending 31st March, 1913, interest on loans and sinking fund, £78,000." It is a fact that you hold at present, or did on the 16th September, £825,000 of unexhausted loan authorities, is it not?—Yes.

102. And that the total commitments that would be extending over more than a year, as against the authorities that are available, of £825,000, are £651,310—that is so, is it not?—Yes.

103. Now, will you take the amount of commitments from the amount of available authorities and inform me if the balance of unexhausted authorities over and above the total amount of commitments is £173,690?—Yes.

104. After providing for all commitments?—Yes.

105. Then there are £173,690 of loan authorities at credit to be availed of for the purpose of providing money for local authorities over and above the whole of the commitments on the 16th September last?—Yes; but I would point out that the commitments were not all acquired up to the 31st March, when we would have authority to raise another million.

106. Yes, but I want to get the commitments on the 16th September. It is a fact that you have got authorities for obtaining advances for paying the whole of the commitments up to the 16th September, and available authorities of £173,690 beyond that without relying upon the next million that the Act enables you to borrow, providing it is decided to borrow it?—Yes; next year, not this year. We have no authority above the £825,000 beyond the 31st March. After the 31st March we begin a new year.

107. But over and above the commitments for the current year at the 16th September, plus the amount of repayments of principal and interest, there is an amount of £173,690?—But there will be more than that paid out. You have to take £5,000 off the amount.

108. You have the £173,690 and the whole of the moneys available for interest, less any debits there may be against that for interest or sinking fund?—Yes, we have authority to raise the money for commitments.

109. Then if the same principle were applied to the raising of loans for local bodies as applies to advances to settlers loans and advances to workers loans, of making the unexpended portion of a loan of one year cumulative in the second year, there would not be any difficulty in regard to authorities in the finding of the money?—I recommend it to the Minister if—

110. *Hon. Mr. Allen.*] Have I got the authority to raise the unexpended balance of last year?—*Sir Joseph Ward* was asking me would it not be better to extend the principle, and I say it would be.

111. But have I the authority now?—No.

112. *Right Hon. Sir J. G. Ward.*] If the Minister of Finance makes the same system applicable to the obtaining of loans for local authorities that exists under the Act for purchasing land for settlement or lending money to settlers or workers, they could be made available to such amount the Minister of Finance likes to ask for?—It would be a convenience. It has been extended in the case of workers. Last year the Act was amended so as to allow the available moneys or unexhausted authorities to be carried into the next year.

113. *Hon. Mr. Allen.*] But it does not apply to this?—No. It reads, "Provided that whenever the total amount authorized to be raised under this subsection in any one financial year is not raised within that year the balance unraised may be raised during any subsequent period in addition to the amount authorized to be raised during that subsequent period." I have recommended the amendment.

114. *Right Hon. Sir J. G. Ward.*] Can you state at this juncture, in regard to the commitments of £651,310, the number of years the payments extend over and the amount that is payable during each year?—Well, I have given the Committee a list of them as far as we can possibly do it. The statement is, "Probable dates when Advances on account of Loans raised under the New Zealand State-guaranteed Advances Act, 1909, will be needed."

115. According to this return of the probable dates, there is £266,650 required and to be provided for during the year 1912?—Yes. There may be more—we have not got them complete. It is difficult to get some of the local bodies to send them in complete. They are very careless, and I am going to suggest that a new procedure be adopted compelling them to do so. There are a few thousands that you can add on to that—say, £20,000 or £30,000.

116. Approximately it is £300,000?—Yes.

117. Then in 1913 there is an amount stated to be payable of £192,895?—Yes.

118. That is approximate too, I presume?—Yes. The local bodies do not like stating very far ahead, because they think they may want the money sooner, but it is necessary they should state so.

119. In 1914 the amount set down as payable is £91,465?—Yes.

120. Out of the total of £651,310 of commitments on the 16th September, taking the amount approximately at £300,000 payable in 1912, that leaves £284,360, representing commitments of £192,895 for 1913 and £91,465 for 1914, to be raised under authorizations in the years 1913 and 1914?—Yes.

121. Now, would it be a businesslike financial operation to raise this year the amounts required to be provided for 1913 and 1914?—Well, you would lose all the interest in the meantime unless you could find some investment for the money.

122. Is it done in the matter of providing moneys for the purchase of lands under the Land for Settlements Act, for instance?—No.

123. Is it done in the matter of providing moneys for payment of contracts extending over two or three years?—No.

124. Has it ever been done in this country?—I could not say. It has never been done in my time. I think it would be a piece of folly to do it. If you borrowed money for the Otira Tunnel contract six years ahead, or money for lands for settlement eighteen months ahead, in the meantime you would lose interest on it.

125. Is there any proposal this year, Mr. Poynton, to be made upon the supplementary estimates, or to be made in the Authorization Bill that is to come before Parliament, to provide for the total amount for the Otira Tunnel contract?—I do not know.

126. Will you look at the form attached to Exhibit I which you put in this morning, which goes to the Minister after the Board has dealt with an application for a loan?—Yes.

127. That form provides for the summary of the particulars of steps taken to obtain the loan, and who applied for, and then for the signature of the Superintendent; it provides that the local authority appears to have taken all necessary steps to obtain the above loan—namely, the consent of the ratepayers, the special order making the rate, then adopted, confirmed, advertised, gazetted, the rateable value of the district, showing the special rate of how much in the pound is sufficient for the loan of the amount applied for, and the rate per cent. that the local body is to pay upon the loan and for the number of years of such valuation; then, when the information is filled in under the whole of those headings, the following question is put to the Solicitor-General upon the same form: "Do you consider that all the necessary legal formalities have been so observed in this case as to enable the loan to be granted?" That is signed by the Superintendent, and that goes on to the Solicitor-General. Is that so?—Yes.

128. The date, of course, is furnished by the Superintendent below his signature; and then, after that is done, on the same form, addressed to the Minister of Finance, is the following:

“This application is submitted for your approval under clause (d) of section 69 of the New Zealand State-guaranteed Advances Act, 1909.” That is signed by the Superintendent, and the date is given at the foot. Then, on the same form is printed, “Loan application approved,” with the signature of the Minister of Finance and the date. Now, what I want to ask you is this: before this form that goes to the Minister of Finance is submitted for his signature—is this the case or is it not, that the Board at a meeting after the application for a loan from the local body, if it is inclined to consider a loan, it provisionally approves it?—Yes, in the first instance.

129. Now, after that provisional approval has taken place—this procedure is not gone through on this form for the provisional approval?—No, the provisional approval does not give any particulars.

130. This form is not made out on the provisional approval at all for submission to the Minister?—No, the papers go up to the Minister with them attached.

131. Is this form made out or not when the provisional approval is authorized by the Board in the first instance?—No, it is the final step.

132. Well, after the provisional approval is minuted by the Board, do they advise the local body that the loan has been provisionally approved?—Yes, and they send the forms, but perhaps it takes six months before they get the affairs in order.

133. After the provisional approval has gone to the local body have they not to ask for the authority of the ratepayers unless they had obtained the authority before?—Sometimes they have obtained it before.

134. Whether they obtain it before or afterwards, you have as Superintendent to set out on this form that all the necessary steps under the Act have been taken before this form goes to the Minister—that is, that the special orders making the rate have been adopted, that it has been confirmed, advertised, and gazetted, and that they have got the consent of the ratepayers: that is all done before this form goes to the Minister for his approval—is that so?—Yes.

135. Now, after the return from the local body reporting what they have done, from the date of the provisional approval, is it or is it not the case that the whole loan then goes before the Board for consideration before it goes before the Minister on this form?—Yes.

136. And is it the case that if the Board has approved the loan that the whole procedure of granting the loan has been finished except the loan application being formally approved, when it goes on to the Crown?—Yes.

137. Now, would it as a matter of procedure be right and in the interests of the Board for the Minister of Finance, who has to put his signature to the form that comes to him, to refuse to give effect to what the whole of this procedure indicates has been done and which the Board has adopted?—The Minister has to consent. If he refuses the loan could not be granted.

138. Would it be right of the Minister if he refused?—He would have to face a good deal of obloquy.

139. If he was to refuse at that stage he would be putting himself in the position of the Board?—I do not know. If the Minister thought the loan should not be granted he has a right to refuse.

140. Would not that be putting on the Minister the responsibility of the whole work and the duties which the Board had carried out in connection with the loan?—The Act says the Minister shall approve of it. That power has not been exercised yet. That is one of the essentials of the loan.

141. Would you expect the State-guaranteed Advances Board would be able to carry on business if he adopted that course?—Well, if the Minister refused a loan, when the next loan came along we would send it to him as a preliminary to approve of it. Perhaps that would be better now that money is getting short.

142. If that is so, how could the Board set out to the Minister that all the conditions of the Act had been complied with—namely, the consent of the ratepayers, the special order making the rate, then adopted, confirmed, advertised, gazetted, the rateable value of the district, showing the special rate of how much in the pound is sufficient for the loan of the amount applied for, and the rate per cent. that the local body is to pay upon the loan and for the number of years of such valuation—could the Board furnish that information to the Minister?—No; there would have to be an alteration in the procedure. The resumption of control by the Minister would not require an alteration in the Act. That form would be altered, and a summary of the position would be sent up to him before it went to the Board for approval. If when there is a shortage it becomes necessary to differentiate or to use discrimination, it would be only right to the Minister to send it on to him first, otherwise he would have to bear the brunt of it, and an alteration in the procedure will be necessary when there is not enough money to go round. It would only require an alteration in the procedure.

143. Do you know that under the old Loans to Local Bodies Act, when the Minister had control, that similar approval was made in regard to similar loans, that they came up complete to the Minister, and I do not know of any case where the Minister has refused to sign?—In this case the Board approved it and the Minister finally approved it.

144. You suggest widening the powers of the State-guaranteed Advances Office—that there should be no buffer between the Minister, who is looked upon as the political head of the Board, and the people desiring to get money from that institution?—You will have to do that when there is not enough money to go round. The Minister will have to say.

145. In other words, you suggest that the responsibility for advancing money to the extent of £1,000,000 a year which is provided for by the Act now to local bodies throughout this country should be done direct by the Minister without any Board between him and the borrowers?—The Board will have to see that the procedure is all right, but the Minister will have to exercise his discretion as to whether the loans should be granted or not. That will have to be done when there is not enough money to go round.

146. Was there any discrimination ever made by the Board or by the Minister in attendance at the Board as to a loan being granted or refused in a district of any particular member of Parliament?—It never entered into the consideration of members at all. The applications were considered and dealt with in numerical order. As they were received they were granted. The question as to whether the member of the district was a member of the Opposition or a supporter of the Government never entered into the consideration of the Board in any way.

147. For instance, Invercargill applied for a loan of £75,000 for tramways, and £32,000 for water-supply, and both were refused?—Yes.

148. Cambelltown applied for a loan of £4,000 to pay off an old loan raised for electric-lighting purposes, and that was refused?—Yes.

149. In the two returns I have asked to be prepared should be shown the applications for loans granted, the name of the member of the district and the local body, and also a return of the loans applied for and refused, and the name of the member of the district in each instance, and the amounts?—There may be a portion in each electorate, and there may be two or three members to one loan.

150. There is a case where one borough in my district applied for a loan and it was refused: was any suggestion or representation made by me as the member of the district or as a member of the Advances Board that any special consideration should be given to that district?—No.

151. There is the case of Pukekohe, which happens to be represented by the present Prime Minister. An application for a loan was applied for by his district. Would you state the amount?—£13,000.

152. What was the result?—£13,000 was applied for and £12,500 approved to instal a water-supply and construct roads. The portion allocated to electricity was declined.

153. And in that case there was no objection whatever against it?—No. These returns will take a long time to prepare, and if members of the Committee will take my assertion for it, I can say that the name of the member of the district applying for a loan never entered into our minds—it never weighed one bit with us. It would be quite impossible for the Advances Office to supply the information, because in some counties there will be two or three members.

THURSDAY, 10TH OCTOBER, 1912.

*Right Hon. Sir J. G. Ward:* Mr. Chairman, I want to call the attention of the Committee to a matter reported in the *Dominion*, to which I wish to refer for a moment, because it contains a statement I did not make and is capable of an interpretation that ought not to be on record unchallenged. The report says, "Sir Joseph Ward said that he would not care about being a Minister who had to take the responsibility of refusing loans." I made no such statement; I was dealing with the question raised by the Superintendent as to the Minister taking charge of this State-guaranteed Advances Board, Local Authorities Branch, and I was dealing with the question of the Board being a buffer between the Minister and the local bodies. Mr. Poynton is reported to have said, "If there is not enough money to go round the Minister will get all the blame. Mr. Craigie: He gets all the kudos, too. Mr. Allen: What does 'kudos' mean? Put it in other words. Sir Joseph Ward said that he would not care about being a Minister who had to take the responsibility of refusing loans." Now, Mr. Chairman, what I did say was that I would not care about being the Minister responsible for advancing loans without the Board. Now, under the old Loans to Local Bodies Act I have in my time refused scores of loans, and as a Minister of the Crown I would refuse any loan at any time that I thought to be wrong. The report conveys the impression that I made the statement here that I would not care about being a Minister who had to refuse loans, and yet I have refused scores of loans in my position under the old Loans to Local Bodies Act.

JOSEPH WILLIAM POYNTON further examined. (No. 2.)

1. *The Chairman.*] Have you had the returns prepared, Mr. Poynton, that were asked for?—Yes. Sir Joseph Ward asked for a return yesterday showing the amounts of loans to local bodies prior to 1910 and afterwards by the Government. Mr. Allen also wished other bodies included besides those mentioned by Sir Joseph, and I now hand in the returns. [Returns put in—Exhibit B.]

2. *Hon. Mr. Allen.*] Does it include Harbour Boards and boroughs?—Yes. Sir Joseph Ward also asked for a return showing the amounts obtained from the Post Office with the particulars. I also produce that return. [Return put in—Exhibit C.]

3. *Right Hon. Sir J. G. Ward.*] Can you inform the Committee, Mr. Poynton, what the losses to the country amount to upon the total amount of the advances under the old loans to local bodies system which was superseded by the State-guaranteed Act, 1909?—I could not give the exact loss, but the amount borrowed will have to be repaid and the interest will have to be repaid.

4. Well, is it a fact that under the old system, for the period of years for which these loans are granted, at the rates of interest charged to local bodies, that the full amount of principal is not repaid to the State?—Oh, yes. The whole of the loans granted for forty-one years will have to be repaid by the State—every shilling of it.

5. Well, take the ones for the shorter period?—There is a certain amount of interest paid in excess. For example, in connection with a loan for twenty-six years at  $4\frac{1}{2}$  per cent. the local body pays  $4\frac{1}{2}$  per cent. and the State pays  $3\frac{1}{2}$  per cent. to the Post Office, and in addition pays the sinking fund that accumulates after the twenty-six years; but after the twenty-six years it pays the interest, and it has to credit the local body with excess of interest paid by it during the twenty-six years.

6. Is the amount that the State has to pay under the old system of advances to local bodies more than the amount the local body pays to the State?—Yes, in every case more.

7. Could you have a return furnished for the next meeting showing the loans under the different periods of years, the different rates of interest, and the loss or profit, as the case may be, that the State makes upon those loans?—Yes.

8. In reference to the Timaru municipal loan, what amount of that loan was for drainage, sanitation, or other water-supply purposes?—The return laid on the table of the House shows the amounts. The particulars are set out on page 16. The amounts finally approved were £6,000 to construct streets, £4,270 for drainage and sewerage works, £36,000 for drainage and sewerage works, and £10,000 to construct streets.

9. That is not the full loan they got?—The first loan they applied for was £128,700, and of that £68,000 for purposes not approved was struck out. Then the other loans I have mentioned were finally approved.

10. What is the total amount of the loan they got altogether?—£116,000, I think.

11. Then, in addition to what you have given on page 15 of the return, Timaru got a loan of £60,700?—Yes.

12. Of the total loan advanced to Timaru, there are two items for the construction of streets—namely, £6,000 and £10,000—and the rest was for water-supply and sewerage?—Yes.

13. What was the amount of the loan advanced by the Board to the Mount Eden Council?—£31,700.

14. And the purpose for which the loan was granted was what?—Waterworks extension and general roadworks.

15. How much for each?—I have not got the file here.

16. What was the amount of the loan advanced to the New Plymouth Borough?—£11,225.

17. And what was it for?—To improve streets and extend sewers.

18. What was the amount of the advance to the Taumarunui Borough Council?—£21,845.

19. And what was that loan for?—Water-supply, drainage, road formation and metalling.

20. What was the amount of the advance to the Borough of Tauranga?—£12,000.

21. For what purpose?—To construct and make waterworks, reservoirs, and water-races.

22. What was the amount advanced to the Borough of Te Aroha?—There were three loans totalling £5,600 for sanitary drainage-works, &c.

23. What was the total amount advanced to the Borough of Onehunga?—Two loans—one of £42,500 and another of £3,450, totalling £45,950.

24. What was the purpose for which those loans were required?—The big loan was for drainage purposes, and the smaller one to extend the waterworks.

25. What was the amount advanced to Blenheim?—There were several loans—four altogether—£750, £1,000, £1,500, £65,000, and £1,900.

26. Of that amount you gave £65,000?—More than that. The largest amount was for water-supply and drainage.

27. What was the amount advanced to the Arch Hill Road Board?—£3,500, to extend the district sewerage system.

28. What was the amount advanced to the Avondale Road Board?—£15,500.

29. For what purpose?—To grade, widen, and metal certain roads in the district.

30. What was the amount advanced to East Tamaki?—£3,000, to improve and metal the main roads in the district.

31. What was the amount advanced to the Devonport Borough?—£12,500, to construct reservoirs, erect morgue, and provide for drainage at Stanley Bay.

32. Why was the amount advanced there for the morgue?—I could not say without looking at the file. I do not know whether the morgue was struck out, but I have an idea it was. The ratepayers struck out one item.

33. What was the amount advanced to the Borough of Eltham?—£10,000 and £3,500. The £10,000 was to construct coal-gas works, and the £3,500 for general street improvements.

34. And the amount advanced to the Borough of Queenstown?—£1,250, to construct acetylene-gas works.

35. Can you give the Committee the population of the Borough of Timaru and of the Town District of Pukekohe?—The population of Timaru is 11,280, and the population of the Town District of Pukekohe is 629.

36. As to the amount of the loan advanced to the Timaru Borough, how much per head does that work out according to the population?—About £10 per head, roughly.

37. And how much does the loan work out at per head in regard to Pukekohe?—About £18, roughly.

38. What is the percentage of cost per £100 of capital employed by the State-guaranteed Advances Department?—On the return given it shows 9½d.

39. There is a telegram from Mr. Greenslade of the 14th February, 1910, which I do not think has been put on record?—Yes. The telegram related to the Frankton Town Board's application, and reads as follows: "Re Frankton Town Board application for £3,000 loan: Board is anxious to know when money will be available as it is urgently required. Kindly telegraph me position.—GREENSLADE." The reply was, "Frankton Town Board's preparations apparently not completed for various loans. Will send application forms and instructions as soon as printed. Will be considerable time before moneys can be paid over.—POYNTON, Superintendent."

40. Is this statement published in the *Dominion* of the 30th September correct: "Of the £2,152,000, the sum of £1,011,790 had gone to boroughs, and £658,000 to counties"?—  
[Question ruled out of order by Chairman.]

41. *Hon. Mr. Allen.*] Mr. Poynton, you are the Superintendent for the State-guaranteed Advances Board?—Yes.

42. Who are the other members of the Board who deal with the local authorities' loans?—Mr. Warburton and Mr. Kember. Those are the two outside members.
43. What do you mean by "outside members"?—Non-official. The Act requires two members not connected with the Civil Service.
44. How are they appointed?—By the Governor.
45. Who are the other members of the Board?—The Valuer-General (Mr. Flanagan), the Public Trustee, and the Minister.
46. Now, on the 30th September, you, as Superintendent, addressed a letter to me, did you not?—Yes.
47. That letter is on record here, and the opening sentence is this: "At to-day's meeting of the New Zealand State-guaranteed Advances Office Board the following resolution was passed: 'This Board regrets the statements made in the House of Representatives on last Saturday morning.'" What statements were the Board referring to?—Statements that money had been lent during the election year and with the evident intention of influencing elections.
48. Where did you get them from?—From the Press.
49. Can you show them to me in the Press?—I cannot show them to you. There were headlines in one of the papers, and the *Post* said the charges were very explicit.
50. I want them, because this is a charge made against some members of the House, and I want them explicitly put on record?—The *Post* of the 30th September, which is an impartial paper, or supposed to be, contained statements.
51. When were the statements made?—On Saturday morning.
52. What date?—The 28th September.
53. Have you the *Post* of the 28th September?—No; I have the *Dominion* of the Monday morning.
54. Well, pick out from the *Evening Post* of the 28th, or the *Dominion* of the 30th, or any other paper, the specific words that you are referring to—the words which the Board had before them when they passed the resolution?—We had no particular words—the statements were in the Press.
55. What did you make your statement on?—Half a dozen people stuck me up and complained to me about squandering money.
56. What specific words were before your Board when you made this statement to me in writing?—No specific words—general charges of having squandered money during recent years. The headlines were: "State Lending," "A Record of Squandering," "Favoured Boroughs," "During Election Year."
57. Is that what any member said?—It is what the Press said.
58. I want to know what any member of Parliament said which was recorded in the Press that made you come to that decision. Give me the report of what the members did say?—Here is the Press report.
59. Is that what members of Parliament said?—That is what members said. You called attention to certain payments made—some transactions immediately before the election—and the Chairman of the Committee, Mr. Hine, said it was "diabolical," and Mr. Massey came in with some other approval of the statements.
60. What are the Press reports of statements made by a member of Parliament that you complain of?—The Press reports—
61. The letter says, "Regrets the statements made in the House of Representatives on last Saturday morning." What are those statements?—The statements made were that the money was squandered during election year.
62. Who made that statement?—Mr. Massey said "squandered," the Chairman (Mr. Hine) said "diabolical," and you mentioned specific dates.
63. Were those words before the Board when you passed this resolution?—I am not sure if they were.
64. I want to ask you on what grounds you passed this resolution—what had the Board before them?—The Board had the statement in the Press, the sensational headlines in the *Dominion*, and they had my reference of what took place in the House.
65. What had you in reference to what took place in the House?—The impression in the House was that we had squandered public money for the purpose of influencing elections.
66. I want to know what statements were made in the House of Representatives that you gave to the Board that made them pass this resolution?—I do not know that I gave them any particular words. The impression was that we had squandered public money for the purpose of influencing elections, and they were very much excited at what they had seen in the Press, and it was agreed that the sooner an inquiry was made into it the better.
67. Then you had no statements before you from the Press upon which this resolution was passed?—Not besides what was in the Press. I know there were sensational headlines.
68. That is not a statement made by a member of the House?—On the *Dominion* boards there was something about it, and there were sensational headlines and statements made by the newspapers that the money had been squandered, and people approached me. Half a dozen people spoke to me and said that we were a lot of tools to lend ourselves for political purposes. That was the impression.
69. You said there were statements put before the Board that were made by members of Parliament in the House?—The statements were in the Press.
70. What were they?—You said the thing had been dealt with a few days before the election. The Chairman of the Committee (Mr. Hine) said it was "diabolical," and Mr. Massey said something about it being the worst record of squandering since the Vogelian era.
71. That is all you had?—Yes, that is what we had.

72. Did you realize that this was a reflection upon the members of the House?—No, I did not intend it to be a reflection on the members of the House.

73. Did you realize that it was a reflection on the Minister in charge of the Department?—No.

74. Did they intend it so?—I wished for an inquiry to remove the impression that undoubtedly existed in the House amongst a great many members.

75. Then had the Board no intention to reflect upon any member of Parliament?—None whatever. I wished for an inquiry to remove the impression which appeared to exist amongst members of the House that these moneys had not been dealt with properly.

76. How many members of the Board were present when the resolution was passed?—I think all were present except the Public Trustee, who was ill.

77. Have you the minutes here?—Yes. There were present Mr. Flanagan (the Valuer-General), Mr. Kember, Mr. Warburton, and myself as Superintendent.

78. How many were there altogether?—Four.

79. Now, you were in the House, Mr. Poynton, when this debate took place, were you not?—I was.

80. Did I make any charge whatever against the Advances Board for local authorities?—No.

81. Did I make any suggestion that they had been influenced politically?—You made no suggestion, but the statement that the money had been spent, or the impression that undoubtedly existed, I thought, in your mind, that the money had been spent for political purposes, was, of course, an implied suspicion or a strong suspicion that members of the Board had lent themselves to this

82. Why should the suggestion be put in the light that it was the Board that was influenced politically?—Because the Board has everything to do with these loans except the final approval.

83. Had the Board everything to do with these loans?—Yes.

84. Could the Board grant a loan?—It could grant a loan with the approval of the Minister.

85. Could they grant a loan without the approval of the Minister?—No.

86. Have you got the 1909 statutes there?—Yes.

87. What is the section that deals with the approval of the Minister?—Section 69, paragraph (d), reads, "That the application is approved by the Minister in writing, for which purpose the application and all papers relating thereto shall be forwarded by the Board to the Treasury."

88. Must the Minister sign the form before any loan can be granted?—Yes.

89. And no loan can be granted without that?—No.

90. Would the Minister be justified in refusing a loan?—Yes, if he thought so.

91. Would it be his duty to refuse a loan if he thought it was right to do so?—It would.

92. In every instance the Minister has to sign?—In every instance, to complete the transaction. It cannot go without his signature.

93. Would his initials be sufficient?—Yes, as long as he approved the loan.

94. And you agree that his initials are sufficient, and not the full signature?—Yes; his mark would be sufficient if he approves the loan.

95. Now, you have the Remuera file, have you not?—Yes.

96. Before I come to the file: if any suggestion were made about political influence, why did you imply that it was a suggestion against the Board?—Seeing that the Board accepts these papers, forwards them on to the Minister for recommendation, and he signs or initials or approves them, and that they do not go to him till the last, then the suggestion that the money had been spent at random and used for political influence during that year, was a very strong imputation against the honour of the Board.

97. If there was anything in the suggestion?—It was the impression that concerned the Board, not the actual words. The impression undoubtedly existed in the minds of very prominent members of the House and Ministers that the loan-moneys of the Advances Office had been lent for political purposes and with the view of influencing the election, and that was a very grave reflection on the Board.

98. Would the suggestion, if it were made, and if it meant anything, apply equally to the Minister as to the Board, or more to the Minister?—No, not with the procedure that has been in existence for these last eighteen months. Seeing that the Minister never attended the Board and took no active part in the granting of the loans, the whole of the responsibility as far as the granting of the loans was concerned or receiving the provisional approval of the loans would rest with the Board, more so than with the Minister.

99. Has the Board more to do with it than the Minister, when the final approval rests with the Minister?—No. Final approval has never been refused by the Minister.

100. But you say it may be?—Yes, it may be. If the Minister thought the Board was doing wrong in entertaining loans or exercising favouritism, it would be the Minister's duty, just as it would be the Board's duty, to refuse to recommend it if they thought it was being used for political influence.

101. Take the Remuera file dealing with the £42,090 loan: would you mind reading the telegram from Sir John Findlay to Sir Joseph Ward?—The date is 2nd November, 1911, and it reads, "A deputation interviewed me this morning in connection with the application of the Remuera Road Board for a loan totalling £84,000. I understand that the Department has raised some objection with regard to the security, which I think has been answered by the Remuera Board. If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand and that immediately contemplated. The position is aggravated by the fact that the men engaged in the work have recently been on strike, and, the strike having now been settled, they desire to return to work. The Board meets them by explaining that they have not the means to carry on, because the Government will not advance the money to enable them



to pay for the work and other outgoings. I hope you will be able to have at least £10,000 advanced to relieve the tension of the present position. The deputation consisted of the strike leaders and the members of the Remuera Road Board. Kindly let me have a reply as early as you can, which I may use.—J. G. FINDLAY.”

102. Whom was it addressed to?—The Hon. Sir J. G. Ward.

103. How long was that before the general election?—About five weeks. The first ballot was on the 7th December, and the second on the 14th.

104. What is the mark on that telegram?—“Urgent, J. W. Poynton, for remarks.—J.G.W.”

105. In whose writing is the word “urgent”?—It is either Sir Joseph’s or Mr. Hislop’s, the private secretary. It came to me and I wrote, “Reply for signature attached.”

106. What is the reply?—The reply was prepared by the clerk, Mr. Martin, and I added something on to it after asking him what the position was. The skeleton reply of the clerk in Mr. Martin’s handwriting is, “J. G. Findlay, Auckland.—As special rate struck for water-supply loan is only sufficient security for £42,000, instead of £44,000 applied for on present valuation, this amount will be available for expenditure after being finally approved on Monday next. Debentures will be posted on Monday. Plan of district required, in case of drainage loan of £40,000 not yet forwarded by Road Board. Was wired for yesterday.”

107. Was that the telegram that was actually sent in reply?—No. Sir Joseph Ward added on something. Some one must have interviewed him, probably when the clerk went along.

108. Read what was added to it?—I have read the telegram as it left me, and the words added were, “Cannot advance £10,000, but as debentures for amount of loan authorized will be forwarded on Monday, that should be quite satisfactory.”

109. You say “it will be approved on Monday”?—Yes, Monday was our day.

110. What authority had you for saying that the Board would approve on Monday?—Everything was in order, and there was no reason why we should not approve. We always approved.

111. Did you always approve: you made up your mind it would be approved on Monday?—We always did.

112. That telegram was sent to Sir John Findlay, and he knew the loan would be approved on the Monday?—He was informed so.

113. How often do you meet—every Monday?—Yes, at that time.

114. On the Monday you did not get it approved?—On the Monday the clerk overlooked the thing and I did not get it. After the meeting was over, or the next day, the clerk came in to me and said he had overlooked this big loan and seemed to be very penitent, and I said, “Send it round to the members of the Board,” as was generally done. He then wrote this memo. for my signature, and addressed it to the members of the Board who were present: “At yesterday’s meeting of the Board the attached file was inadvertently omitted to be included with five other files for the Board’s recommendation to the Minister to finally approve, and as the money is urgently needed, or a portion of it, will you be kind enough to each express your approval of this file being submitted for the purpose mentioned, so that when the debentures are received the desired payment of £10,000 can be made without any delay. I personally agree to this being done, which can be confirmed at the next meeting.”

115. Who signed that?—I signed it. It was sent along to the various members, and they agreed.

116. You could not afford to wait till next Monday?—We could have waited.

117. It was marked “urgent”?—Yes.

118. Is it usual for you to do your business on the round-robin principle?—We have done it, and it has been done in other Departments.

119. Do you think it is satisfactory?—It has been done in the Government Insurance Department and the Public Trust Office. Where a lease is required to be signed or something urgent has been overlooked it has been sent round.

120. Even though you may call a meeting?—Yes.

121. Then that round-robin was signed by every member?—Yes, signed by the members of the Board.

122. And submitted to the Minister?—I suppose it was submitted—it must have been submitted. The approval was sent to the Minister. Mr. Carroll signed it for the Minister of Finance on the 7th November, 1911.

123. Then that loan of £42,090 was finally approved on the 7th November, 1911?—Yes. The date must have been filled in by the clerk in anticipation of the Board.

124. Was there another final approval for a Remuera loan on the 4th December, 1911?—I could not say.

125. Will you look up the file dealing with the £37,045 loan?—Yes, 4th December, 1911.

126. Whom is that signed by?—Mr. Carroll’s initials.

127. I ask you again whether you think it satisfactory to take initials?—On the approval it is all that is necessary. I do not think it is necessary to have initials if the Minister approves of it by some mark or writing.

128. The only record you have got is Mr. Carroll’s initials?—That is all.

129. What was the total amount granted to the Remuera Road Board finally approved?—£87,635.

130. Of which £42,900 was finally approved on the 7th November, 1911, and £37,045 on the 4th December?—Yes.

131. And what time did the election take place?—The first ballot was on the 7th December, 1911.

132. Then with regard to amounts that have been granted to boroughs, was £29,280 finally approved for the Birkenhead Borough?—Yes.



133. Was £24,880 of that paid over on the 21st August, 1911?—I have not got the dates when it was paid over.

134. Was £70,050 approved for Blenheim?—There was £65,000, £1,500, £1,750, £1,000, and £7,150.

135. And £21,500 to Dargaville?—Yes.

136. Of which £20,000 was paid over on the 27th November, 1911?—I do not know anything about the times. A return is being prepared.

137. Was £13,695 approved for Devonport?—Yes.

138. £13,500 for Eltham?—Yes.

139. Was £20,620 approved for Greymouth?—Yes.

140. Was £78,000 approved for Hastings?—Yes.

141. Was £27,500 approved for Marton?—Yes.

142. Was £48,000 approved for Miramar?—Yes.

143. Was £30,000 approved for Mount Albert?—Yes.

144. And £31,700 for Mount Eden?—Yes.

145. Was £10,000 approved for Napier?—Yes.

146. And Newmarket £35,935?—Yes.

147. New Plymouth £11,225?—Yes.

148. Onehunga £45,950?—Yes.

149. Pukekohe £12,500?—Yes.

150. Spreydon £20,000?—Yes.

151. Was £21,845 approved for Taumarunui?—Yes.

152. And Taranaki £12,000?—Yes.

153. Timaru £116,970?—Yes.

154. Waitara £20,425?—The amount finally approved on the printed return was £18,570.

155. Was £65,875 approved for Wanganui?—Yes.

156. And East Wanganui £1,122?—Yes.

157. Westport £10,300?—Yes.

158. And Whangarei £25,000?—Yes.

159. Now, I want to know what moneys you had available during the first year, because there is some misunderstanding about that. What were your loan authorities?—The first year, up to the 31st March, 1910, £500,000, and after that £1,000,000 a year. The first period was only portion of a year.

160. How much did you borrow out of that year?—Up to the 15th March, £400,000.

161. How much did you get rid of by way of loan that year?—I could not say without getting a return out, but we did not get rid of very much at the start.

162. How much was loaned out the first year to the 31st March, 1910—the amount actually paid over?—£10,000 is what is shown.

163. Loans to local authorities?—Yes. "Sundry loans, £400,000; accrued interest payable on account of loans, £901 7s. 2d.; total, £409,901 7s. 2d. Advances on mortgage, £10,000. Interest receivable—accrued, £7 13s. 5d. Sinking Fund Account—Public Trustee, £4,000. Profit and Loss Account, £636 3s. 3d. Cash in hand and in bank, £386,257 10s. 6d."

164. That was uninvested and costing us money?—Yes.

165. Had you power to invest it?—We had so much money. We had power, but no opportunity.

166. I asked you whether you had power to invest it?—Yes, we had power to invest it.

167. Had you power to invest it temporarily?—Yes.

168. Under what clause of the Act?—Different clauses.

169. Will you look at clause 27 of the Act?—Yes. It reads, "Any of the moneys in the Advances Account may, until required for the purposes of this Act, be temporarily invested from time to time, as the Minister directs, in any Government securities or in any securities wherein for the time being any balances in the Public Account may lawfully be invested, and all interest received in respect of any such investment shall be paid into the Advances Account. For all the purposes of this Act, and of every other Act relating to the investment of moneys, the debentures or other securities issued by the Superintendent under this Act shall be deemed to be Government securities." "35. (1.) With the consent in writing of the Minister, funds belonging to one branch and not immediately required for its purposes may be temporarily transferred to and for the use of any other branch, but shall be transferred as soon as practicable. (2.) A statement of every such transfer shall, within ten days thereafter, be laid before both Houses of Parliament if then in session, or if not, then within ten days after the commencement of the next ensuing session."

170. You had power to invest it but did not think it necessary to do so?—The other branches were full of money. I saw the banks to see whether they would take a temporary investment, but they would not.

171. Why did you borrow it?—If we did not borrow it we would not have had it when we wanted it. The whole idea of the Act was to get the money from the Post Office. If we had refused that money from the Post Office they would have put it out, and we should not have got it when we wanted it.

172. You had then money in hand uninvested losing interest?—Yes.

173. The Department was losing money?—Yes.

174. Can you without any delay tell me the amount you borrowed within the succeeding year and the year after that?—They are all here in the return I put in this morning.

175. £400,000 was the first year—how much was borrowed the next year?—£575,000.

176. And the next year?—£512,000.

177. How much did you borrow up till the 31st March, 1912?—It is in the return I produced this morning.
178. That is the total amount borrowed up till the 19th August, 1912?—Yes.
179. That is to say, in the financial year ending 31st March, 1913, you have borrowed already £175,000?—More than that.
180. In the financial year ending 31st March, 1913, have you borrowed £175,000?—We have borrowed more than that.
181. Out of the million available for borrowing this year, how much have we borrowed?—£175,000.
182. What authority has the Department to borrow this year?—£1,000,000.
183. And only £1,000,000?—Yes.
184. And there remains £825,000 that we can borrow for the year?—Yes.
185. We cannot borrow the remaining balance of the year before?—No.
186. We have no power to do so under the Act?—No.
187. We have had the commitments given before. Have you got the amount finally approved up to the 31st August, 1912—the total amount?—£2,115,195.
188. And paid over up to that date?—£1,481,700.
189. What is the amount not paid but finally approved?—£670,495.
190. Was nearly the whole of that approved by a Minister prior to my taking up the position?—Yes, there have not been many approvals since you came in.
191. And what money have I to meet those commitments?—You have very little money. You will have to raise money to meet it. You have £7,000 in cash.
192. And I had the unraised balance of a loan of how much?—£825,000.
193. So I must raise, practically speaking, the whole of that loan during this year?—No. You will have to raise about £300,000 this year to pay the amounts coming due this year.
194. And what have I got left besides that for my own commitments during the year?—The commitments are matters for your own consideration—that is to say, if you disapprove of committing any more you would not be involved any more.
195. I have to find £300,000 out of £825,000 that I have authority to raise by way of loan, and I have got to raise the money to do it?—Yes.
196. And out of the remainder of £825,000 I have to find all the money for my own commitments during the year?—Yes.
197. And I have still got to raise a loan?—Yes.
198. And what have I to find next year (1913), if I remain in office, for commitments already which I did not enter into; is it approximately £200,000?—Say, £250,000.
199. And the year after?—Say, £100,000.
200. And none of that loan-money is raised?—No.
201. Now, where did you secure those moneys?—At the Post Office.
202. Was there any arrangement with the Post Office when you entered upon this scheme that you should get the money from them?—They told us they would let us have as much money as we wanted.
203. Is that on record?—No, only verbal.
204. At what rate of interest?—3½ per cent. at first.
205. Are we committed to all those loans at 3½ per cent.?—No.
206. In regard to the actual payments and loans finally approved, are we committed to the whole of those at 3½ per cent.?—No.
207. Which ones are we not?—Since November last we have not entered into loans at 3½.
208. Are they granted at a specific rate of interest?—Yes.
209. At what rate?—Some at 3½ and some at 3¾ per cent.
210. Will you prepare a return showing how many are at 3¾ per cent.?—I will.
211. Were there any up to October last granted at 3¾ per cent.?—Since November last there have been none entertained at 3½ per cent. In October last the Post Office intimated to the Superintendent that they would lend no more money at 3½ per cent.—that the amount of money lent at 3½ and 3 per cent. was too great, and they should have more interest. The matter was brought before the Board and the Minister, and it was then decided to entertain no loans in future for provisional approval at 3½ per cent., and the rate after that was put up to 3¾. Some loans have been completed. Some bodies are very quick in getting the papers in order, and any loans applied for in November last up to the present date that have been finally approved have been at the rate of 3¾ per cent.
212. Can you definitely tell me whether there are many of those loans that I have to meet this year in 1913 and in 1914, the commitments and final approvals, that are at 3½ per cent.?—I could not tell you without getting a return prepared. (Return to be prepared.)
213. What do you understand by "provisionally approved": is the Board in any way committed to the local body?—No.
214. Not in any way?—Morally they are committed. We try to tell them it is not a commitment, but they go straight away and enter into contracts. The regulation is explicit on the point, but it does not seem to be effective. Regulation 6 says, "No such provisional approval by the Board shall be deemed to constitute any agreement between the Board or Superintendent and the local authority, or shall affect in any manner the right of the Board to refuse to grant the loan, or its right to impose any conditions on the grant thereof."
215. Since the 30th October, when the Post Office notified you that they could not lend at 3½ per cent., would you recommend the Minister to finally approve any loan that had been provisionally approved at 3½ per cent.?—Oh, yes, because these people had gone to the ratepayers and got the consent of the ratepayers to a loan at 3½ per cent., and it would put them in a very awkward position if afterwards the rate was raised to 3¾ per cent.

216. And you would reckon that the Post Office would have to find the money at  $3\frac{1}{2}$  per cent. for those provisionally approved loans?—Not the provisionally approved ones—for commitments.

217. Then, would it be a fair thing to recommend the Minister to grant these provisionally approved loans at  $3\frac{1}{2}$  per cent. if the Post Office is not going to find the money at  $3\frac{1}{2}$  per cent.?—If the money could be got it would be a fair thing to the local bodies to grant them at  $3\frac{1}{2}$  per cent.

218. The provisionally approved loans?—Yes.

219. Then, do I understand that in your opinion the Minister is also committed to the provisionally approved loans at  $3\frac{1}{2}$  per cent. as far as the Board is concerned?—Not committed; but there is a moral obligation upon him.

220. I want to know whether you would recommend the Minister to grant these provisionally approved loans at  $3\frac{3}{4}$  per cent.?—No; I should say it would be a hardship on the local bodies if after taking a poll and having got the authority to raise a loan, and having struck a special rate, it was refused, because they might have to go through another election and would be put to expense, and probably had entered into engagements.

221. If that is your opinion as Superintendent, and if the Minister agrees with you in granting these loans at  $3\frac{1}{2}$  per cent., is he not committed to more loans at  $3\frac{1}{2}$  per cent. than are shown in the final approvals?—No. I cannot say which of those are at  $3\frac{1}{2}$  per cent. until I get the return made out.

222. The question is perfectly plain. You say there are certain loans provisionally approved at  $3\frac{1}{2}$  per cent.: you say that morally the local body is entitled to get them at  $3\frac{1}{2}$  per cent., and if you recommend the Minister to grant them at  $3\frac{1}{2}$  per cent. and he accepts your advice, is he not also committed to all those loans at  $3\frac{1}{2}$  per cent.—Yes.

223. And will that not mean further commitments to loans in 1913 and 1914?—Yes.

224. How much will that be?—I do not know.

225. I shall be committed to a further amount than that shown in the final approvals at  $3\frac{1}{2}$  per cent.?—I could not say what the amounts are until I got the return. Until November last the provisional approvals were at  $3\frac{1}{2}$  per cent., but after that it was  $3\frac{3}{4}$  per cent. The amount would not be great now of the provisional  $3\frac{1}{2}$ -per-cent. loans.

226. Have you any returns showing the reductions of the provisional  $3\frac{1}{2}$ -per-cent. loans?—There is a return prepared.

227. What I want the Committee to understand is what further commitments the Minister has to submit to?—I will give that in the return.

228. Now I want you to state specifically whether the Post Office has agreed to give you money at  $3\frac{1}{2}$  per cent. for the provisionally approved loans?—Yes, those that had been approved up to November.

229. You said those that had been provisionally approved at  $3\frac{1}{2}$  per cent.?—Yes.

230. Have you the Post Office file here?—No. I would point out that there is a written document, and the file will be produced. The rule of evidence is that you do not examine a man on a written document. The Post Office file will be produced, and the arrangement entered into will be seen there.

231. Was it not the arrangement with the Post Office that  $3\frac{1}{2}$  per cent. was to be given for loans granted?—I cannot say without reference to the file.

232. Now, when was this limit of £5,000 first imposed?—In November last—some time about the 14th, I think.

233. Is there any record of it?—No. I simply told the Board the decision of the Post Office, that they could not allow us to have any more money for new loans at  $3\frac{1}{2}$  per cent., and that the amounts they could let us have would be very much smaller.

234. Was there any suggestion from you that the amount was to be reduced to £5,000 on the 31st October, 1911?—It was. I think that was the date—the file will show.

235. What file is that?—On a file relating to our Post Office loans.

236. Now, when you started your work with this State-guaranteed Advances Office, did you lay down some rules discriminating between bodies that you would lend to and others you would not?—No, none at all. We could not discriminate between local bodies.

237. Or did you discriminate between the works that they were to get the loans for?—Yes; we thought we had a right to do that.

238. What sort of works did you think were suitable?—Useful and necessary works. We cut out luxuries.

239. Did you cut out gas?—At first we thought gas was not one that would come in, but after consideration we granted some gas loans.

240. Did you refuse certain gas loans?—Yes.

241. Did you grant some gas loans?—We refused them, and after consideration, seeing that we had plenty of money, we thought gas was necessary in some cases. We refused loans to local bodies to purchase gasworks because those people already had gas; but where they wanted gas, or wanted to erect gasworks, we at first refused but afterwards agreed that gas was a necessity.

242. Did you refuse electricity?—Yes.

243. Did you grant acetylene?—Yes, acetylene and coal gas.

244. Did you grant Harbour Boards?—Yes.

245. Did you think those were necessary works that ought to be loaned on?—Yes, very necessary in some cases. At first we refused, but after discussing and considering the matter we thought in some cases harbour-works were very necessary.

246. Did you grant a loan to the Motueka Harbour Board?—Yes, £20,000, I think.

247. I will deal with gas loans first: you refused some and granted others?—We refused them at first and afterwards we granted them.

248. Did you get application from Dargaville for a loan of £8,500 to establish municipal gasworks?—I do not remember it, but if it is in the return it is correct.

249. Did you decline it?—Yes.

250. Why?—I cannot give the reason.

251. Did you get an application from Eltham for a loan of £10,000 to construct coal-gas works?—Yes.

252. Did you refuse that?—No, we granted that.

253. Did you get an application for £3,300 for Riverton to instal coal-gas works in the borough?—Yes.

254. Did you refuse that?—Yes. There were three periods in connection with gas loans. First of all we declined them because we thought we would want the money for other purposes, and when we found we had plenty of money and could not get it out we allowed it for gasworks, which will explain the apparent inconsistency.

255. Did you get an application from Sumner for a loan of £10,000 for gasworks?—Yes. We refused it at first and granted it afterwards.

256. What made you refuse it at first?—We did not think it necessary. We refused the first loan, but afterwards when we were getting a lot of money in and not getting it out we thought we might extend it to gasworks. There were three periods in connection with gasworks. Dargaville came into one of those periods in which we were declining those loans for gas.

257. Now, in regard to the Sumner gasworks, you first declined the loan on the 21st March, 1910?—Yes, very early in the proceedings.

258. What minute did you put on it?—The same minute—that it was not a necessary work. It was rejected by the ratepayers. Afterwards when they got the consent of the ratepayers they came again.

259. Will you kindly read the minute you put on it yourself?—Yes. “Grounds for declining not stated, but gasworks not considered a necessary public work.” A telegram went to that effect.

260. Then, on the 21st March Mr. Laurenson interviewed you, and you sent a reply?—Yes. “Mr. Laurenson interviewed me this morning *re* gasworks loan. Regret no hope of being granted on reconsideration.”

261. Then, on the 25th June you wrote to the Town Clerk: what did you say?—There is a telegram. “Town Clerk, Sumner.—Have any arrangements been made for borrowing money outside Advances Department? If not please delay, as granting of money will be reconsidered by Board on Friday next.”

262. Why did you reopen the question again?—I suppose we were getting a lot of money in and were considering other applications. It was discussed by the Board, and we thought we might give them reconsideration. I suppose that was the reason.

263. You say you suppose you were getting money in?—Well, that is the only reason I can give. We did not want the money for any other purposes.

264. Would it not be reasonable to let the money go for advances to settlers?—We had any amount of money at this time; we had a five-million loan.

265. You reopened it for what you considered an unnecessary public work?—Yes, first of all we did not think it necessary. We thought the money would be required for others, and after that we had plenty of money.

266. Did you reopen it for Dargaville?—No; I think Dargaville came in later when we were short of money.

267. Did you reopen it for Riverton?—No, that was a later loan.

268. Did you reopen it for Otane?—I do not know. The refusals and acceptances will be found to coincide with these three different periods.

269. How much was lent to Sumner for gasworks?—The first application for £12,000 was rejected by the ratepayers, and the second was for £10,000.

270. When was that provisionally approved?—On the 10th October, 1911.

271. Now I come to the Harbour Boards. Do you consider those necessary public works?—Yes, in some cases very, very necessary. For instance, Wairoa was a very necessary work. It is the only means they have for getting their goods out of that place.

272. What was it for?—Construction of harbour-works at Wairoa. The first application was rejected on my recommendation to the Board. I thought it was a large sum for what I considered then a small place, and I was afraid that it might result in another Oamaru business. Then it was reopened by a deputation that came to Wellington. I explained to them why it was rejected, and they gave very cogent reasons why I was wrong, that the district was very much more prosperous and wealthy than I had thought, and they also urged that it was the only access they had. The railway would not be made for some years, and they said they must have a harbour to get their wool and butter and other things away. The harbour had silted up, and there was only 2 ft. of water on the bar then. After the interview I told them that if they would put the statements in writing I would submit it to the Board for reconsideration. They did so, and wrote a very good letter, which was then submitted to the Board, and after discussing the whole thing the former resolution was rescinded and the loan granted.

273. Was it declined after the Engineer's report was sent in?—Yes.

274. And was the loan for £78,000?—Yes, I think it was a large loan.

275. When was it provisionally approved after being declined?—It was declined on the 16th February, 1911.

276. After the Engineer's report had been sent in?—Yes. As far as I remember the amount was £78,000.

277. I want the date of the second provisional approval after having been declined?—The 21st August, 1911.

278. Why was this reopened—was it on account of the deputation coming to see you?—Yes. Two men, whose names I do not remember, came down and pointed out that I was wrong in my opinion about the district, and that it would not be another Oamaru matter, and they gave such good reasons that I thought they were right and I had been wrong.

279. And you resubmitted it to the Board?—I told them that if they put it into writing it would be submitted to the Board.

280. What was put in writing?—I forget now, but the letter is dated the 15th August, 1911, and is as follows: "I am instructed to respectfully ask your Board to reconsider the question of an application for a loan of £78,000 for the Wairoa Harbour Board. The prior application was made in January last, and all the necessary copies of newspapers containing notices *re* special order, &c., were forwarded to your office. Our reason for renewing the application is that we now have a more definite proposal to lay before your Board. (1.) The plans for the proposed improvements are now ready and deposited in the Marine Department, signed by the Governor in Council, and my Board are satisfied that the result of the improved harbour will open up regular communication with the larger ports of the Dominion, whereas under present conditions communication is very erratic and unreliable owing to the continual shifting of the entrance to the river. I am posting a copy of the plans of the proposed works for your perusal. (2.) That the lands in the harbour rating-area will certainly improve in value. It is considered, with the improved harbour and the construction of the Napier-Gisborne Railway, under way, which will connect with this port, that the values in the rating-area will have increased 100 per cent., thus improving the security by that amount. The last valuation of the borough was over 100 per cent. on the previous year. This great increase was accounted for by the steps taken by the Board in taking the poll for harbour-improvements, and which poll was carried by a very large majority. My Board are also prepared to pledge, if necessary, the revenue of the port, about £1,000 per annum, also the foreshore leases, which are at present only producing £50 per annum, but which it is expected will before many years reach £1,000 per annum, due to the reclamation of several acres of foreshore which were vested in this Board during last session. That if your Board have any doubts about the value set forth, that an independent valuer be sent to the district to report on the whole situation. My Board will be glad if you will have this matter put before the Advances Board at the earliest possible opportunity, and will be glad to forward you any particular information which you may require." I impressed on them that I thought it would be a pity if the land was burdened like Oamaru. They pointed out that the railway would come in at the back and improve the land so much that 1d. in the pound would not be so great a burden.

281. *Mr. Pearce.*] Was any one sent to verify those statements? No.

282. *Hon. Mr. Allen.*] Then you approved finally of this loan of £78,000 to Wairoa after having refused it before?—Yes.

283. And you think that a more necessary work than gas or electric light?—Yes, I think it is very serious for a district to be shut out from civilization when they have a lot of produce to get out and have no way of getting it out. My concern first was the security. I did not want another Oamaru business.

284. Then, with regard to the Hokitika Harbour Board, was £25,000 approved for it?—Yes.

285. Was that refused originally?—I am not sure whether it was. There was some delay about it. I think we wanted to have a look at the plans, and it was postponed for that reason. The date of the application was 26th January, 1911.

286. What was that for?—£25,000 for construction and extension of waterworks, harbour training sea-wall seawards.

287. And you authorized £25,000 for that?—Yes.

288. And the Motueka Harbour Board wish to dredge out a lagoon, and applied for a loan of £20,000?—Yes, for the purpose of forming a harbour at or near the entrance to the Moutere Lagoon.

289. Was that declined on the 8th December, 1910?—Yes, it was declined at first.

290. Was it reopened on the 21st December, 1910?—Yes, shortly afterwards. It was submitted for reconsideration under the circumstances.

291. Why was it reopened?—In consequence of some letter received. The letter was dated the 20th December, and reads, "With reference to your letter of the 22nd ultimo and my reply thereto, I have the honour to inform you that the result of the poll of ratepayers for a loan of £20,000 to form a harbour at or near the Moutere Lagoon is gazetted on page 3457 of the *New Zealand Gazette*. I am further forwarding to you under separate cover copies of the *Motueka Star*, in which is published the special order for making a special rate, which was duly confirmed at a special meeting of the Board held on the 30th November, 1910. Should you require any further information on this matter I shall be happy to supply it. In the meantime the Board is anxious to know when the money will be available to enable it to proceed with the new harbour-works."

292. What is there in that letter to justify you in reopening the matter?—I cannot remember the circumstances. Possibly it was declined with hesitation, and afterwards perhaps considered that it should be reopened. It was submitted for reconsideration under the circumstances.

293. What are the circumstances?—I did not know whether the Board was going on with the works and had completed their poll. I really could not say. This is the only record I have. I was of opinion that it was rejected because they asked that the term should be extended to 42½ years.

294. And it was declined on the 8th December and reopened on the 23rd December, and is that letter the only record on the file?—Yes.

295. And are those the only circumstances?—Yes.

296. Do you think those are sufficient to reopen it?—Yes.

TUESDAY, 15TH OCTOBER, 1912.

JOSEPH WILLIAM POYNTON further examined. (No. 3.)

1. *The Chairman.*] I understand, Mr. Poynton, that you have some returns to put before the Committee?—Yes. I produce a return showing amount granted since February, 1910, to the 30th September, 1912, to local bodies under the Local Bodies' Loans Act, 1908, and its amendment, 1910. [Return put in—Exhibit D.] I produce another return showing the average amount per year granted from 1887 to 1910 by the Government to local bodies. Particulars of each body are given. [Return put in—Exhibit E.] I produce a return showing average amount paid over per year from February, 1910, to the 30th September, 1912, under the New Zealand State-guaranteed Advances Act, 1909. [Return put in—Exhibit F.] I also produce return showing approximate loss to the State on moneys lent by the Government under the various Local Bodies' Loans Acts. [Return put in—Exhibit G.] I also produce return showing amounts, giving dates, rates, and balances of loans finally granted, but not yet paid over, also balances of amounts finally granted and partly paid over, at  $3\frac{1}{2}$  per cent. and  $3\frac{3}{4}$  per cent. [Return put in—Exhibit H.] In regard to the return showing the loss to the State, it is only approximate, because at different times during the course of lending the rates were altered, and until I get the exact amount lent at the higher rates the exact loss cannot be ascertained, but the approximate loss is given in the return.

2. *Hon. Mr. Allen.*] We were dealing with the Post Office lending money to the Local Authorities Branch when we adjourned, and did I understand you to say, Mr. Poynton, that the Post Office had agreed to advance at  $3\frac{1}{2}$  per cent. for loans provisionally agreed to?—Well, it was not agreed to, but it was an arrangement. In regard to loans provisionally agreed to and those finally approved, I think there is a certain amount of confusion about it. The files containing the minutes are here, and it would be better to refer to them than to have any verbal evidence about them. I will just guide the Committee through them as far as possible. The minutes run over a good time, and are here tagged, and the exact arrangement can be seen.

3. *Right Hon. Sir J. G. Ward.*] Can you state what they are?—The question arose in this way: the Post Office was lending or proposing to lend to other bodies, and the arrangement previously had been that any surplus funds would first be offered to the Treasury. Well, on looking at the large demands by the local bodies, it was considered that it would not be wise to let the money go outside the Treasury, as it would all be required for loans to local bodies. The question cropped up in October last, and I wrote a memorandum to the Minister of Finance. There is no date on the memo., but it is stamped by the Post Office on the 30th October, 1911. It was a proposal to lend to the Wellington Harbour Board. In the memorandum I said,—

“The Right Hon. the Minister of Finance.

“Treasury, Wellington.

“*Post Office Loan of £50,000 to Wellington Harbour Board.*

“You will see from the memorandum hereunder that the Post Office is not notifying the Treasury of intended investments. This one has been submitted for your approval without reference to the Treasury. (See my minute to you of 30/8/11, letter to the Secretary, General Post Office, of 1/9/11, and his reply hereunder on this matter.)

“Relying on getting sufficient money from the Post Office for advances to local authorities, the Advances Board has approved and granted applications for loans for a large amount, and unless it is to get the surplus funds of the Post Office for this purpose of meeting these engagements inconvenience and losses will result.

“By law the money has to be lent by the Advances Office at the same rate at which it is borrowed—an unwise provision, in my opinion. If the Advances Office has to borrow outside the Post Office money at, say, £3 15s., money which it has agreed to lend at £3 10s. it will mean a loss of £2,500 per year on each million, in addition to the costs of raising the loans. If the Post Office is permitted to invest without first offering its money to the Advances Office through the Treasury, loans to local authorities will have to be reduced or the rate of interest increased. At the same time I am convinced that the rate of  $3\frac{1}{2}$  per cent. is too low. No local authorities anywhere in the world except New Zealand can get loans at this rate. The Post Office should get more than this rate for its funds when lent to local authorities.

“I would suggest—(1) That all future applications for loans from local bodies be entertained at  $3\frac{3}{4}$  per cent. instead of  $3\frac{1}{2}$  per cent. as hitherto; (2) that only sufficient of the Post Office funds as may be required to satisfy present loans granted at  $3\frac{1}{2}$  per cent. be borrowed from it at that rate; (3) that future loans for opening up Native land, purchasing land for settlements, &c., got from the Post Office be at 4 per cent.; (4) that in loans to local authorities preference be given to applications for loans from small bodies and under £5,000 in amount.

“Large public bodies can go abroad for money and can get it at a low rate of interest outside the Department. They are getting too much of the Department's funds, and some such limit is needed.

“If these suggestions are approved—(1) Not so much money would be required for loans as in the past; (2) the Post Office would get a better rate of interest than at present, and there would not be the necessity for it to take up securities other than loans through the Treasury to the Advances Office.

“J. W. POYNTON, Secretary to the Treasury.”

“Mr. Robertson.—For your views.—J.G.W., 30/10/11.”

“Memorandum for the Hon. the Postmaster-General.

“8th November, 1911.

“*Subject: Investment of Post Office Savings-bank Funds.*

“REFERRING to the attached letter from the Secretary to the Treasury, I beg to point out that the Secretary to the Treasury asked this Department some time ago what would be the probable

average balance available for investment through the Treasury. The information was duly forwarded, and, so far as I know, the Post Office has not failed to provide the sum anticipated. The whole trouble is that  $3\frac{1}{2}$  per cent. is not a profitable rate to the Post Office. I agree with Mr. Poynton that future loans obtained from the Post Office should bear a higher rate of interest than at present. As we at present pay 3 per cent. and  $3\frac{1}{2}$  per cent. on the deposits made in the Savings-bank, it is necessary that some margin should be provided if we are to pay that rate of interest and provide for working-expenses as well. In the past we had a certain proportion of money invested in securities bearing a higher rate than that usually paid by the Treasury, but for some reason the Treasury has gradually managed to withdraw the bulk of these securities and substituted  $3\frac{1}{2}$ -per-cents. in their place. It is quite true that the Savings-bank is to a large extent crippled by the large sum, approximately  $2\frac{1}{4}$  million pounds, invested in 3-per-cent. Consols; but this scarcely affects the main point—namely, that the ruling rate of interest on loans is at present higher than  $3\frac{1}{2}$  per cent. If all future loans made by the Post Office bear a rate of  $3\frac{3}{4}$  or 4 per cent. the position will be fully met, and I would recommend that the Treasury be instructed accordingly. If this is done, and there is no delay on the part of the Treasury in finding investments, there will be no objection to the Post Office not considering any investments offered from outside. As the case stands at present, however, it is absolutely necessary that we should have at least a proportion of our money invested at as high a rate as possible consistent with safety.

“D. ROBERTSON.”

“Sec. Treasury.—For your remarks.—J.G.W., 27/12/11.”

4. *Hon. Mr. Allen.*] Does that correspondence lead to this conclusion: that the Post Office had been lending outside the Government Departments at comparatively high rates of interest, and that the Treasury stopped that?—Yes. It was not myself. The thing had been over several years. The custom was that the investment should be offered to the Treasury first. I do not know how long ago, but I know it is several years back. That was the rule.

5. And as soon as those investments outside at higher rates of interest stopped the Post Office began to feel the effect of it?—It was stopped some time before this.

6. Were they not proposing to lend when the Treasury stopped them at that time?—No, it was carried through—the £50,000 to the Harbour Board.

7. But you were gradually stopping them?—That was the effect. My contention was that the investments were being offered outside, and the Treasury wanted the money. The rule had been laid down in Mr. Heywood's time that the Post Office had to offer to the Treasury first.

8. Did the Treasury gradually stop the Post Office from lending the money outside and tell the Post Office that they wanted all the money themselves?—The rule was not introduced in my time: it was before my time.

9. Then the Post Office found they could not lend to the Department profitably at  $3\frac{1}{2}$  per cent.?—Yes. The Minister then minuted the letter on to me for remarks, and I replied, “The Right Hon. the Minister of Finance.—I recommend that in future all loans from the Post Office raised by the Treasury be at the rate of  $3\frac{3}{4}$  per cent. Loans for lands for settlement and opening up Native lands raised by the State-guaranteed Advances Office should pay the Post Office 4 per cent. interest. Since my previous memo. the Advances Board has given preference to loans of £5,000 and under, the rate, being  $3\frac{3}{4}$  per cent. A sufficient amount will have to be obtained from the Post Office at  $3\frac{1}{2}$  per cent. to satisfy those loans already granted at  $3\frac{1}{2}$  per cent., but future loans to local authorities will be entertained at not less than  $3\frac{3}{4}$  per cent.—J. W. POYNTON.”

10. What is the date of that minute?—The 29th December, 1911.

11. And what is the previous memo. you referred to?—I do not know the date—it was stamped as 30th October.

12. Since the 30th October, 1911, the Advances Board had given preference to loans of £5,000 and under at  $3\frac{3}{4}$  per cent.?—Yes.

13. And there have been no loans since that date at  $3\frac{1}{2}$  per cent.?—No. On the 14th November the question of the shortage of money was discussed by the Board, and after that date no loans were entertained at  $3\frac{1}{2}$  per cent.

14. I want the date of that previous memo. fixed?—I did not get that back from the Minister until the Minister minuted it back to me on the 27th December.

15. Did you prior to the 31st October advise that it was unwise to lend over £5,000 in one amount at less than  $3\frac{3}{4}$  per cent.?—Yes, it was on the 30th October.

16. And is that the memo. you refer to as the “previous memo.”?—Yes.

17. And that is the date on which you suggested no more loans should be granted?—It was brought before the Board at the first meeting in November. We discussed it then, and then on the 14th November we granted the first loans at  $3\frac{3}{4}$  per cent.

18. And all loans since have been at  $3\frac{3}{4}$  per cent.?—Yes, and not more than £5,000.

19. The previous memo. you referred to is the 30th October, is it?—Yes. Then the Minister referred it to the Secretary of the Post Office for his views, and the minute from the Secretary of the Post Office on the 3rd January, 1912, is as follows: “The Hon. the Postmaster-General.—The proposals made by the Treasury will be quite acceptable to this Department. I should be glad if the matter could be arranged as early as possible, as the rate of interest we are at present receiving from the Treasury is too low. The policy of Government appears to be involved in the question of loans for lands for settlement. This Department would be quite content with  $3\frac{3}{4}$  per cent. all round.—D. ROBERTSON.”

20. Did you write on the 29th December as follows: “A sufficient amount will have to be obtained from the Post Office at  $3\frac{1}{2}$  per cent. to satisfy those loans already granted”?—Yes.

21. Are those for loans provisionally approved or already granted—is there any clear distinction between the two?—Yes. The Office has always recognized that when a loan is provisionally approved and people have received tenders for the works and completed their proposal, we have no right to refuse it, and we do not think it advisable to do so.



22. Did you think the Post Office were led to understand that the provisionally approved loans were to be granted at  $3\frac{1}{2}$  per cent.?—The Post Office may not understand the meaning between “provisionally approved” and “finally granted.”

23. Does not the Post Office understand the meaning of the word “granted”?—Yes.

24. What does the word “granted” mean under the Act?—“Granted” means “loan granted.”

25. Well, what is granted—is it after the Minister has finally approved?—Technically it is not granted, but, as I said before, there is a moral obligation to grant it and not disappoint the borrowing body. The local body takes its vote, and in many cases enters into contracts, makes all its preparations and gets estimates out, and then if you refuse to grant the loan it would be taking a big responsibility.

26. Then do you think the Committee can believe that the Post Office is bound to find the money at  $3\frac{1}{2}$  per cent. for provisionally approved loans?—Yes.

27. Does the Post Office understand that?—I should think they do.

28. *Mr. Pearce.*] You do not mean to say that is the law?—No, it is not the law. There is nothing to prevent the Minister refusing to complete any loans provisionally granted at  $3\frac{1}{2}$  per cent.

29. *Hon. Mr. Allen.*] You would not submit to the Minister any loans provisionally approved before the 31st October at  $3\frac{1}{2}$  per cent., would you?—Yes.

30. Did you do that to me with regard to Te Awamutu?—I could not say. Some, I think, have been sent to you at  $3\frac{1}{2}$  per cent.

31. Is this loan for Te Awamutu at  $3\frac{1}{2}$  per cent.: I want the provisional approval first?—At  $3\frac{1}{2}$  per cent.

32. What was the rate of interest submitted to me to approve—the rate of interest on the form where the Minister’s signature has to go?—That is  $3\frac{3}{4}$  per cent.

33. Is that the same as the provisional approval?—There is some second loan overlapping there. There is a letter on the file which reads (18th June), “I have the honour, by direction of the Board, to write you stating that from the Engineer’s report and estimate received it is found that the £20,000 loan provisionally approved of will not be sufficient to meet the case of the water-supply, streets-construction, sewerage, and lighting. Would you therefore kindly treat this as an amended application for the £30,000 loan at the new rate of interest—viz.,  $3\frac{3}{4}$  per cent.—made up as follows.”

34. Is there any new application?—That is a new application.

35. Voted by the ratepayers?—It is the Town Clerk. The rate was not sufficient to cover £20,000, and it was reduced to £19,830.

36. Would you not have to hold from the evidence you have given this morning that the provisional approval of this loan at  $3\frac{1}{2}$  per cent. was a moral commitment?—If they had gone to any expense in the matter or had let any contracts I should say it was, but if they had not there cannot be any commitment in the matter. Some of them, as a matter of fact, lapsed. Some put in an application and did not go any further, while others again go on and get plans out.

37. You said something about a £30,000 loan. For how much was the preliminary application in the case of this loan?—£20,000.

38. And that was provisionally approved, was it?—They asked for another loan on that.

39. Was that provisionally approved on the 2nd October, 1911?—Yes, and they afterwards asked for another loan.

40. Did you say that no expense had been gone to by this Board before the provisional approval?—I could not say.

41. Did you not get a letter from them on the 20th August to tell you about the result of the poll?—That is in August. That would not be at  $3\frac{1}{2}$  per cent.—that would be at  $3\frac{3}{4}$  per cent. The second application was made in June. If the poll was taken in August it would mean that the poll would cover the  $3\frac{3}{4}$  per cent.

42. Now, you know the second application form, which comes in where the loan has been approved by the ratepayers?—Yes, the form is there.

43. And what is the rate of interest mentioned on the form attached to the file dated the 20th September, 1912?—It is  $3\frac{1}{2}$  per cent.: that is a mistake.

44. Was not that what they put to the ratepayers?—No.

45. Was not that after the ratepayers’ vote?—It is a mistake then.

46. Whose mistake?—The mistake of the person who filled it up.

47. It is  $3\frac{1}{2}$  per cent. there?—Yes. It has been underlined in pencil when checking it.

48. You quoted a letter in which you say there is a fresh application?—Yes. We sent them a copy of resolution on the 20th June.

49. What happened with this fresh application, as you call it, dated the 18th June?—A letter was sent on the 20th June as follows: “In reply to your letter of the 18th instant, I have to draw you attention to the fact that as the loan of £20,000 for water-supply, streets-construction, and sewerage purposes was provisionally approved on the 2nd October, 1911, such approval will lapse unless all the documentary evidence of the steps taken to obtain the loan is supplied to the Department before the 2nd October, 1912. I have also to point out that the Advances Board passed the following resolution on the 15th January, 1912, viz.: ‘Resolved that in granting loans to local bodies preference be given to those to which loans have not already been granted. The limit to remain £5,000, and rate to be  $3\frac{3}{4}$  per cent.’ Your Board’s present application for the amount of loan to be increased to £30,000 cannot therefore be entertained, and, moreover, the £7,500 for lighting would be declined under any circumstances, as no loans have ever been granted for that purpose.”

50. Then, subsequent to that did you get that other application at  $3\frac{1}{2}$  per cent. interest, which you say is wrongly put in?—I am afraid we are a little at cross purposes about this. I



think the £20,000 application was gone, and the £30,000 lapsed. I think the papers asked to be sent in have been since sent in, and a mistake has arisen as to the rate.

51. Whose mistake was it?—The mistake was in the papers. The clerk in filling up the form has made it  $3\frac{3}{4}$  per cent. instead of  $3\frac{1}{2}$  per cent.

52. Supposing what you say is correct that there is a moral obligation to find the money for the provisionally approved loans at  $3\frac{1}{2}$  per cent., will that increase the demand that we have to make upon the Post Office for money at  $3\frac{1}{2}$  per cent.?—No, I have given you a return showing the loans at  $3\frac{1}{2}$  per cent.

53. You put in a return showing the amount of liabilities for loans to which we are already committed. Are those loans granted or provisionally approved?—Some are provisionally approved and some are granted.

54. Have you got the return in which the commitments are £651,000 on the 16th September—is that for loans finally approved or not?—That would be for loans finally approved.

55. What other responsibility is there in addition to that for loans finally approved at  $3\frac{1}{2}$  per cent. from the Post Office?—The return has been put in this morning, but I have not looked at it.

56. Will it be a larger responsibility?—No. The loans at  $3\frac{1}{2}$  per cent. were either finally approved, lapsed, or paid over.

57. I want those finally approved. Taking out those lapsed or rejected, there will still be many provisionally approved, but not in these commitments, and you say that morally we are to get the money from the Post Office at  $3\frac{1}{2}$  per cent. Will that increase the liability?—As far as the return goes, all those that have been applied for at  $3\frac{1}{2}$  per cent. have either been finally granted, lapsed, or paid over.

58. All of them?—Yes.

59. You are quite sure of that?—I put in the return this morning signed by the clerk.

60. I want the provisionally approved loans. Are there loans provisionally approved and not yet finally approved which we are morally responsible for at  $3\frac{1}{2}$  per cent.?—No, because they would all have lapsed next month. None were returned after the 14th November, and they must have either lapsed or been finally approved.

61. Are there at the present moment any loans provisionally approved at  $3\frac{1}{2}$  per cent. which have not been finally approved?—The return is, "Amounts, giving dates, rates, and balances of loans finally granted but not yet paid over; also balances of amounts finally granted and finally paid over at  $3\frac{1}{2}$  per cent. and  $3\frac{3}{4}$  per cent."

62. That return does not deal with provisionally approved loans, does it?—Yes.

63. Where are the words "provisionally approved"?—No, it does not refer to provisionally approved loans, because there are no provisionally approved loans at  $3\frac{1}{2}$  per cent. now in existence. I shall supply the Committee with a statement in regard to loans provisionally approved but not granted at  $3\frac{1}{2}$  per cent., but it will be nil.

64. It will be nil?—Yes, it will be nil. I might say, sir, I put that in one of the requests I gave to the clerk, and he told me there were no loans at  $3\frac{1}{2}$  per cent. provisionally approved and not finally approved. Therefore he left it out of the return.

65. Now, with regard to the Post Office: an arrangement was made with the Post Office to provide all this money for finally approved loans?—Might I say, sir, that we broke off in the middle of the correspondence, and I would suggest that the whole of the minutes be read. The memo. from Mr. Robertson dated the 3rd January, 1912, was minuted on to the Secretary, Treasury, "Arrange accordingly. What about lands-for-settlement funds as to rate?—J. G. WARD, 6/1/12." Then, on the 10th January, 1912, I sent this memo.: "Right Hon. Minister of Finance.—Lands for Settlement: Funds are included in my minute. See words underlined in red.  $3\frac{3}{4}$  per cent. all round (except for amounts already granted to local authorities at  $3\frac{1}{2}$ ) as suggested by the Post Office should be approved.—J. W. POYNTON." "Appd.—J.G.W., 11/1/12." Then a letter was sent to the Secretary, General Post Office, on the 11th January, 1912, as follows: "Interest on Post Office funds: The Right Hon. the Minister of Finance has approved of your proposal that in future all loans to the Treasury shall be at the rate of  $3\frac{3}{4}$  per cent. except for amounts required to satisfy loans already granted to local authorities at  $3\frac{1}{2}$  per cent. No further loans will be granted at that rate.—J. W. POYNTON, Secretary to the Treasury." That completes the correspondence and the minutes.

66. There is a memorandum on the 15th February, 1911, from the Secretary of the Post Office to the Postmaster-General?—Yes; the letter says,—

"15th February, 1912.

*"Subject: Interest on Post Office Funds.*

"Memorandum for the Hon. the Postmaster-General.

"It was recently decided by the Minister of Finance that all loans to the Treasury should be at the rate of  $3\frac{3}{4}$  per cent., except for amounts required to satisfy the loans already granted to local authorities at  $3\frac{1}{2}$  per cent. The Treasury recently renewed debentures for £194,200, and claim that they must receive the amount at  $3\frac{1}{2}$  per cent., as it is a renewal of an old loan. I consider that this is a breach of the agreement that loans should be at the rate of  $3\frac{3}{4}$  per cent., and I would recommend that the Minister insist on receiving that amount. As I have frequently explained, the margin between the interest earned on the investment of our funds and that credited to depositors is too narrow, especially considering that we carry over 2½ million of inscribed stock upon which only 3-per-cent. interest is paid. The matter is a very important one, as it is of the utmost consequence that the Post Office Savings-bank, for the financial reputation of the Dominion, should show a small margin of profit every year. Great public uneasiness would result if there were at any time even a small deficiency.

"D. ROBERTSON."

"Secretary, Treasury.—For report.—J.G.W., 15/2/2."

"The Right Hon. the Minister of Finance.—The agreement as to future loans being at  $3\frac{3}{4}$  per cent. was regarded by the Post Office as applying to renewals as well as future loans. The Treasury was considering only future loans. There was, therefore, no breach of agreement as stated. If renewals are at  $3\frac{1}{2}$  per cent. it will mean, of course, more interest; the increased rate on the £3,000,000 renewable during the current year will mean £7,500 increased interest next year. The Post Office should not be embarrassed by having its money locked up at too low a rate of interest, and if this would result by renewals at  $3\frac{1}{2}$  per cent., I recommend that  $3\frac{3}{4}$  per cent. be allowed on renewals as well as new loans.—J. W. POYNTON, 19/2/12."

"That was my explanation, and that was marked "Approved.—J.G.W., 21/12/12."

67. Then there is a memorandum on the 8th March from the Secretary of the Post Office to the Secretary to the Treasury?—Yes. It states, "The sum of £100,000 for investment in debentures under the New Zealand State-guaranteed Advances Act, 1909 (Local Authorities Branch), at interest at  $3\frac{1}{2}$  per cent. was paid over to the New Zealand State-guaranteed Advances Account on the 6th instant. In regard to loans already granted at the lower rate of interest, this Department will, if funds permit, find the necessary money at  $3\frac{1}{2}$  per cent. until fresh legislation is passed. I return herewith your file."

68. The memo. states that the Department will find the money if funds permit at  $3\frac{1}{2}$  per cent., and then there is a reference to fresh legislation. What does that mean?—It means this: the first intimation that there would not be enough money to supply the demands of local bodies' loans at  $3\frac{1}{2}$  per cent. was in October. The question of having promised these loans to local bodies was discussed between Mr. Robertson, Mr. Myers, and myself. The question of finding the money at  $3\frac{1}{2}$  per cent. was discussed, and Mr. Robertson thought that the amount he would have to find would be rather much. He was seeing the Minister, and we went together. He asked if it would not be possible to provide fresh legislation so that the difference between  $3\frac{1}{2}$  per cent. and  $3\frac{3}{4}$  per cent. could be made up out of the Consolidated Fund. Mr. Myers, Mr. Robertson, and myself discussed the matter, and it was suggested that authority be given by an amending Act to make up the difference. Supposing the amount at the outside was £1,000,000, the difference would be £2,500 a year, and that would not be very much to help the local bodies. I afterwards discussed the matter with Mr. Allen as to whether that could not be done, and if you remember, Mr. Allen, you intimated to me that it would not be done, but some power would be given in which, if a loan were provisionally approved and the money was not available when it was finally granted, it would be granted at a higher rate, but there would not be a fresh poll or other proceedings required. That is the reference to legislation in Mr. Robertson's letter.

69. Well, do you think it a fair thing to ask the Consolidated Fund to find the loss on loans that are granted to large boroughs at  $3\frac{1}{2}$  per cent.?—I do not know about large boroughs. I think they were pretty sharp in getting the money. I do not think there are many large boroughs to find for now.

70. Hastings did not get all of theirs?—That was finally granted. This was a case where it was provisionally approved.

71. You thought it was a right thing to suggest to the Minister, at any rate, that the loss on loans to large boroughs should be made up out of the Consolidated Fund?—Boroughs were not specially considered. I thought it was a very slight loss for the advantages local bodies got.

72. Now, I desire to ask you a few general questions about the whole thing. You borrowed in the first year £400,000, did you not?—Yes.

73. When I came into office did I find that a large number of loans had been finally approved of for which no money had been provided?—Yes.

74. Not only for this year, but for next year and the year after?—Yes.

75. And that those loans had been approved of at  $3\frac{1}{2}$  per cent. interest?—Yes, some of them.

76. What provision was made to get that money at  $3\frac{1}{2}$  per cent. interest except from the Post Office?—No provision except the arrangements shown in the correspondence and minutes put in.

77. What assurance had you from the Post Office that they would find you the money at  $3\frac{1}{2}$  per cent. interest?—We had the letters and the minutes—that is all.

78. It all depended on what the Secretary of the Post Office said—on their being able to find the funds?—Yes.

79. And on somebody making up the loss?—Yes. I might say that on the 22nd June of this year the Post Office intimated to the then Minister of Finance, Mr. Myers, that they would let us have £2,000,000 this year. Next day that was corrected, and I wish now to read a letter, because the Minister considers we did not look far enough ahead. The letter is as follows:—

"General Post Office, Wellington, 22nd June, 1912.

"Memorandum for the Secretary to the Treasury, Wellington.

"REFERRING to our conversation yesterday about the amount likely to be available for investment during the current financial year on Savings-bank Account, I now beg to inform you that on looking further into the matter I find that there will probably be no more than £1,500,000 which can be invested. I informed the Hon. Mr. Myers of this by telephone, and also that I would send a memorandum to you.

"D. ROBERTSON, Secretary."

80. Did you think it was wise to commit the country to loans at  $3\frac{1}{2}$  per cent. two years and a half ahead?—It was a choice of evils. We borrowed moneys and we were paying interest. It is done in the Advances to Settlers Department, the Lands Department, and you have done it yourself. You have authorized lands to be purchased without having the money in hand.

81. We will come to the lands-for-settlement question later on?—It is a question of whether it is right to enter into any obligations.

82. This is an officer of my Department making a charge against his Minister?—You are asking me if I think it is wise. I am not making any charge. It is a question of policy.

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

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.

116. In your evidence the other day as regards the loan to the Wairoa Harbour Board it was not very clearly explained why you at first refused the loan and then granted it a short time afterwards?—I stated why. I said that I was afraid the amount was too large for a small body, and I did not want to have another Oamaru harbour trouble in New Zealand, and I advised the Board to decline it for that reason.

117. Then I understand a deputation came to you?—Yes. They quoted figures and arguments to show that my idea was wrong, that the place was really a very good district, and that they had no means of getting their goods out except by this harbour. They only had 2 ft. of water on the bar then, and they were completely blocked. I cannot remember now what figures they quoted, but they convinced me that I had taken the wrong view, and I told them that if they submitted the matter to me in writing I would bring it before the Board again.

118. It was known when the first application was made that the bar was bad. Why did you think the security was better—was there any difference in the district?—Yes, there was a difference, because of the railway which was going through that way to Napier. I got a map showing the projected railway. I thought it came down the coast, and as it went through the back part of the country more than I had thought which was level, it would increase the land-values of the district very much, and a rate of 1d. in the pound would have been very lightly felt.

119. What steps does the State-guaranteed Advances Board take to decide on these matters when advancing large sums of money? There was a suggestion in the letter that you should send some one to investigate. What is the general custom in regard to finding out whether the security is good enough?—We have no general custom, but we look at the rateable value of the property, and the clerk works out the percentages. Care is taken to see if the security is there, and if not the loan is reduced to an amount which would bring it within the amount provided for by the rate. If the rate is 6d. in the pound or more, it is looked at with suspicion. We take care that there is no question about the security: we have the official documents to look at.

120. What struck me as being peculiar in this case was that you refused it and then granted it, and I want to know whether the Department had any expert to look into the matter?—I intended to send the Inspecting Valuer to report, but on looking into the question, and seeing that the railway was going through the heart of this country and would be completed to Napier in less than ten years, even supposing the harbour-works were a total failure, the increased burden would be so low that it would not be felt.

121. The Advances Board had some information before them which caused them first to refuse the loan, and then when a deputation from the local body came they granted it?—It was not the same information. The information before the Board when it was granted was quite different to that when I advised the Board to refuse the loan. They had a letter from the Secretary of the Board setting out the whole of the arguments, and they also had my investigations as to the route of the railway and the area of the district, and so on. It was quite different information.

122. The principal reason was the suggested railway?—No, but the suggested railway would increase the value very much more than it was then.

123. Then your reply is that you have no expert and no way of looking into the matter except general information?—We send an expert when there is any doubt about the security. We have not done it in the case of local authorities, but we have sent the officer in a number of cases of settlers and workers' loans where we were doubtful about the amount of the security. Where the values differed, or where we thought that the increased valuation as compared with former valuations was suspicious, we have sent a man to report.

124. *Mr. Craigie.*] A good deal has been said in regard to loans to local bodies. From a business point of view, Mr. Poynton, was it good business for the State to continue that system of lending money for forty-one years at  $3\frac{1}{2}$  per cent. and then for thirty-two years at 4 per cent.? Was it not a clear loss to the State to lend money under those circumstances?—It was a loss of more than £2,000,000, but it was helping the local bodies. That was a matter of policy.

125. Well, by lending the money to the local bodies at  $3\frac{1}{2}$  per cent. for forty-one years they got the money at bedrock prices, and at the end of forty-one years they got a gift of the whole of the capital they borrowed?—The State has to repay the whole of the capital, and has to continue to pay the interest until it is paid.

126. In regard to the loans for the Timaru body, can you look up the file and tell me when Timaru made the first application for this money?—I have not got the file here. There are so many applications. You were pretty early.

127. Can you tell me how much they got in 1910?—There is one application on the 1st April, 1911. Some of the applications were carried to another file.

128. Can you state what Timaru got in 1910?—No, I could not. There was a loan of £6,000 that you applied for on the 30th September, 1910.

129. That was about the commencement of the time that you lent money out under the State-guaranteed Advances Act?—We commenced to lend early in 1910. Your application is dated the 17th February, and the Act came into force on the 2nd February. You were earlier than that really, because there was a telegram from the Mayor of Timaru asking about it on the 14th January. You applied before the Act came into force. The telegram was signed "James Craigie, Mayor."

131. At the time that Timaru made application for that money you had plenty of money in the fund?—We had plenty of money, yes.

132. And at that time your money was lying idle and you were paying interest on the money?—We did not borrow the money then—we borrowed the money in March.

133. You had money in the fund, and you were paying interest to the Post Office and not getting interest back?—Yes.

134. And by Timaru being in the field early and taking that loan of £60,000 it helped the Department—the loss would have been bigger if Timaru had not taken the loan and paid interest on it?—Yes, that is right.

135. Can you say whether some of the applications from Timaru for certain purposes were turned down?—Yes, that particular loan or application was for £128,000, and it was declined.

136. There was an application for a loan for a renewal of a loan in London for waterworks, £60,000?—Yes, that was refused.

137. Was there any other loan refused for Timaru?—I could not say.

138. For municipal buildings?—I could not say without looking at the file, but if you applied for a loan for municipal buildings it would be refused.

139. The loan granted to Timaru was for drainage, sewerage, and waterworks?—Yes.

140. I do not know whether it is known that there is a sinking fund of £1 7s. 6d. that pays up the whole loan?—Yes.

141. If the State can borrow money at  $3\frac{1}{2}$  per cent. and lend it at  $3\frac{1}{2}$  per cent. it does not lose any money if there is a sinking fund?—The State loses the money in the way of interest while the money is lying idle.

142. *Mr. Lee.*] There was a loan of £5,000 applied for by the Borough of Waikouaiti?—Yes.

143. And provisionally approved by the Board?—Yes. It was the last loan for over £5,000 that was approved. It would be in November, 1911.

144. The Board is aware that the local authority in some way took it for granted that they were going to get that money, and entered into large contracts for the supply of water-pipes?—Yes.

145. For technical reasons connected with the taking of the poll the loan has been refused?—Yes, not only in connection with the taking of the poll, but there was a petition protesting against it.

146. And a petition from some ratepayers has been lodged since?—Yes.

147. Assuming that another poll is taken and that the necessary vote is obtained in the borough for this money, it would be a reasonable thing that the borough should get the money?—If it was under £5,000 and the money was available.

148. It was passed provisionally?—But it has been declined since.

149. Assuming that a new poll is taken and the necessary vote obtained, would it not be reasonable that they should get this money in view of the fact that they have entered into these contracts?—Well, I do not know. If they like to enter into a contract without having the thing in proper order I do not know that the State is bound to help them.

150. As to the £6,500, would it not be a reasonable thing that if they take a new poll in accordance with the terms of the Act that they should get the £6,500 now that they have entered into arrangements?—Not beyond the £5,000. We cannot make an exception in their case. If we did we should have a dozen others coming in.

151. Are there not cases where local bodies have entered into engagements in this way assuming that they would get the money?—Yes, quite a number. They are too fond of entering into engagements. In one case, after being refused, they went and built a hall.

152. I mean for purposes for which you lend money under the Act, is there any case similar to that of Waikouaiti?—I could not name the cases, but I know they have entered into contracts as soon as the provisional approval was given.

153. In connection with work upon which the Board lends money?—Yes.

154. I understand then that there is no chance, even if a new poll is taken, of the borough getting the money?—I do not say there is no chance, but they will get no more than £5,000. I might state that in the first instance the voting-paper did not state the amount of the rate to be struck, and it is a very serious matter for these people not to know what their properties are to be charged with, and they vigorously protested. If the thing had been in proper order the Board would have provisionally approved it the same as others, and it would have gone on for completion.

155. But now if the matter is put right the chances are that they will not get the money?—They cannot get more than £5,000 now.

156. That is because of the stringency in the funds of the Department?—Yes, we cannot give them more than £5,000. If we gave Waikouaiti more than £5,000 how could we refuse other people?

157. In declining this loan, was not the Department guided to a great extent by the fact that it was short of funds?—No, it was not. The Board declined it for two reasons—first of all because of the vigorous opposition by a great number of ratepayers who sent in a petition; and, secondly, the irregularity of the proceedings would not allow the loan to be granted.

WEDNESDAY, 16TH OCTOBER, 1912.

JOSEPH WILLIAM POYNTON further examined. (No. 4.)

*Witness:* Sir, I wish to say that I have looked into the question of the legality of granting loans to be paid beyond the year in which they are granted. I regret that I differ from the opinion given by the Solicitor-General. As the Board, however, will be reluctant to grant further loans in view of the opinion given by him unless the Act is amended, it will mean a cessation of lending. I therefore urge, as I have already done, that the Act be amended. I wish to say in reference to the  $3\frac{1}{2}$ -per-cent. loans that I overlooked a circular sent out by the Office on the 19th March, 1912, to every local body that had received provisional approval of a loan at  $3\frac{1}{2}$  per cent.

The circular reads: "New Zealand State-guaranteed Advances Office, Advances to Local Authorities Branch, Wellington.—SIR,—It is provided, as you are no doubt aware, by section 70 (a) of the New Zealand State-guaranteed Advances Act, 1909, that the rate of interest charged on loans to local authorities under that Act 'shall be the same as the rate at which the money was raised'; and by No. 6 of the regulations published on pages 423 and 430 of the *New Zealand Gazette*, 1911, that the Board's provisional approval of any such loan 'shall not be deemed to constitute' any agreement between the Board or Superintendent and the local authority, or shall affect in any manner the right of the Board to refuse to grant the loan, or its right to impose any conditions on the grant thereon. And I am reminding you of these provisions because the moneys which are authorized by the Act and its amendment to be raised to provide funds for such loans *cannot now be raised at a lower rate than 3½ per cent., and the rate of interest on all such loans provisionally granted at a lower rate than 3½ per cent. must be increased accordingly.* I regret that I should in these circumstances have to inform you that although the loan of £ , applied for by your , was provisionally approved at the rate of 3½ per cent., the Board is unable finally to grant it at a lower rate than 3½ per cent., and to ask you to be good enough to let me know whether your desires to proceed with the loan at the increased rate.—Yours obediently, J. W. POYNTON, Superintendent." Some replied and some did not. That is the explanation in regard to the Te Awamutu Board's loan. It is the custom of the clerk whose duty it is to send out such circulars to make a mark with a blue pencil on the page showing that the circular was sent out. He has given a certificate that that circular was sent out. I now produce a return asked for by the Hon. Mr. Allen, showing total amount of loans which have been provisionally approved but have not been finally granted. [Return put in—Exhibit J.] Some of the counties replied to the circular and some did not, but they are all marked down at 3½ per cent.

1. *Dr. Newman.*] Mr. Poynton, how much money was lent to Harbour Boards finally approved in this list?—You have it stated there.

2. One hundred and twenty-three thousand seven hundred and fifty pounds?—Yes.

3. Seventy-eight thousand pounds was lent to the Wairoa Harbour Board. Who represented the district?—Sir James Carroll.

4. And the Motueka Harbour Board, who represented that district?—I am not sure whether that is in Nelson or in the Motueka district. If it is in Motueka, then the Hon. Mr. McKenzie.

5. In regard to Wairoa, you said that the engineer's report was hostile to this?—No, I did not.

6. Or adverse?—No, the engineer's report was highly favourable.

7. After you had refused the loan, who were the two persons who came down and interviewed you?—I could not say now. One was, I think, the Clerk of the Board. I cannot remember his name, but he sent the letter as Secretary of the Board. The Clerk was very clear in his reasoning, and convinced me that I had misjudged the position, and I told him to put the position in writing and it would be submitted to the Board for reconsideration.

8. Did you think that the fact that the railway was going through there was going to increase the trade of the harbour?—No, I was not looking at that at all; I was looking at the burden on the district. He assured me that if the railway went through there the land would rise more than £10 an acre, and therefore a rate of 1d. in the pound would be insignificant. The railway would increase the value and decrease the burden.

9. Why were loans refused for electricity when loans were granted for gas?—Electricity is more a luxury than gas. There were more demands for electricity than for gas, and if we had done that it would have meant that the big bodies would have come in as well as the little ones. Both electricity and gas were refused at first.

10. Was there any principle guiding you in the matter?—No. When we first started lending we wanted all the money we could get for roads and bridges, thinking it would be all required. At that stage we refused gas loans. Later when we had sufficient money and did not get it out quickly enough we decided to entertain gas loans. Later on again, when the money was short, we refused them. There were three distinct stages in dealing with gas loans. At first we refused them, secondly we entertained them, and thirdly we declined them. There was no discrimination.

11. In regard to Harbour Board loans, what Minister signed the approval for the Wairoa loan?—Mr. Carroll initialled it.

12. Are the members of this Board paid for their work?—Yes, two of them—the two outside members, Mr. Warburton and Mr. Kember.

13. What do they get?—Mr. Warburton is paid £150 a year and Mr. Kember £250.

14. For this work?—No, they deal with advances to settlers and advances to workers. Three different classes of applications are dealt with on the same day. First come the local authorities' loans, then the settlers', and then the workers'.

15. In regard to the Remuera loan, it seems to have been hung up for a considerable time; then you got a telegram from Sir John Findlay, and then the letter from Sir Joseph Ward?—It was not a letter; it was a minute on the telegram.

16. Did that have the effect of speeding up things?—No.

17. Why was there all this delay for months previously?—Through the fault of the Remuera Board itself. It had not its papers in order. The loan had been provisionally approved the May previously, and had the papers been in order the loan would have been granted in June.

18. In regard to the Remuera loan of £47,000, the Board neglected to consider it at the next meeting?—It was not before the Board. The clerk had not brought the papers before the Board. When these telegrams were forwarded I handed the papers over to the clerk, and he omitted to bring them up at the following meeting. The Board had not heard of it till I sent a minute round to the members explaining the position, and it was approved by them then.



19. Have you looked into the point in Professor Salmond's opinion that when loans are borrowed at a lower rate the money shall be lent out at a higher rate?—The Act says it shall be lent at the same rate as it is borrowed.

20. You admit that is a wrong thing?—I pointed out to the Minister that it is a wrong thing.

21. You will admit it is in defiance of the Act?—It is in strict accordance with the Act; but I say it is a bad principle, because you may have to borrow at a higher rate.

22. Some loans were lent out at a lower rate than what you were getting the money at?—No. We got the money from the Post Office at  $3\frac{1}{2}$  per cent., and afterwards the Post Office agreed to give us the money at  $3\frac{1}{2}$  per cent. for the loans we had granted. When money was tight and the Post Office stated that they could not let us have more, we immediately raised the rate. The Post Office agreed to give us all the money at  $3\frac{1}{2}$  per cent. for loans granted at  $3\frac{1}{2}$  per cent. I say in my letter to the Minister of Finance, "By law the money has to be lent by the Advances Office at the same rate at which it is borrowed—an unwise provision, in my opinion."

23. You followed the trend of the money-market pretty closely?—Yes.

24. When you were lending money at  $3\frac{1}{2}$  per cent. and some of the money was not to be paid over for two or three years, did you not realise that the money would have to be borrowed at perhaps a higher rate and yet lent out at the lower rate?—Yes; the agreement was made.

25. Whatever rate the money was obtained at, the country was pledged to lend this money at  $3\frac{1}{2}$  per cent.?—Yes. At the time the Post Office said they would not let us have any more we were committed to  $3\frac{1}{2}$  per cent., but at the same time they were pledged to  $3\frac{1}{2}$  per cent.

26. The Board was aware that money was rising. Did you think it right that the Board should lend money at  $3\frac{1}{2}$  per cent. for a number of years when paying a higher rate?—The money-market had nothing to do with these loans. The understanding all through was that the Post Office had to supply all the money wanted. If we had had to go to the London market it would have been a different thing. The arrangement was that the Post Office would let us have all the money required for local authorities.

27. Do you say the Post Office agreed to let you have the money for an indefinite period at  $3\frac{1}{2}$  per cent.?—No.

28. Do you wish it to be inferred that the Post Office was bound down to  $3\frac{1}{2}$  per cent. if money got dearer?—The Post Office might get emptied out to-morrow; you might have a war to-morrow and money at 6 per cent.

29. Then, the money-market does affect the rates charged by the Post Office?—Not much. Money has been fluctuating for years past, and money has always been got for years past at  $3\frac{1}{2}$  per cent. from the Post Office.

30. If money gets very much dearer, would not the Post Office at once have to put up its rates?—Yes.

31. If we lend a lot of money at  $3\frac{1}{2}$  per cent. years ahead, would not the colony have to pay more for it to the Post Office?—Yes.

32. Money borrowed at a time when money was likely to be dearer to the Post Office?—As soon as we got notice from the Post Office that they wanted to increase the rate we altered our rates. I pointed out in my letter the advisability of amending the Act to provide for that.

33. How much a year had you to lend?—£1,000,000.

34. What does that average a month?—£80,000 odd.

35. How much money was finally approved in the month before the election?—I could not say. I have given it to you in the return.

36. The return puts it at £164,000?—I could not say.

37. Was not that an abnormal rate of speed?—No. Some months I think it was more and some months less.

38. An average would be £85,000, and in about twenty-eight days it was £165,000: does not that indicate that in some months you would be only able to lend £40,000?—The monthly rate was not considered.

39. Do you admit that £165,000 had been lent for the month before?—I have given the return, but I say again that the election had nothing whatever to do with the proceedings of the Board.

40. In the list you have prepared the loans to local bodies finally approved came to how many, do you know?—I do not know.

41. *Mr. E. Newman.*] When money was being lent by the State-guaranteed Advances Department to local bodies and payment extended over some years, as was frequently the case, did it not occur to the Board to make an arrangement by which, if there was a rise in the money-market, the local bodies should pay the increased rate?—Well, if we had finally approved or granted loans to local bodies we could not do that, but in the case of provisional approvals we could have done.

42. Would it not have been a prudent thing to have made arrangements with the local bodies that the local bodies should pay an increased rate if money went up?—We could not do that if it was a final contract.

43. *Mr. Hanan.*] You are a barrister and solicitor by examination?—Yes.

44. Will you look at the opinion which has been given by the Solicitor-General, Professor Salmond?—Yes.

45. The question put to the Solicitor-General by Mr. Allen, Minister of Finance, is as follows: "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." Will you look at that opinion and tell me if that is a specific question to reply to, and if so, what is the conclusion the Solicitor-General arrives at?—The conclusion that these contracts fix the rate of interest. I do not think it is a direct reply to the question.



46. Having regard to the question put, does that opinion say Yes, it was illegal?—The question is wrong, I might say. It says, "Loans have been granted at  $3\frac{1}{2}$  per cent. : to borrow now costs  $3\frac{3}{4}$  per cent." Our arrangement with the Post Office was that we were to get all loans at  $3\frac{1}{2}$  per cent. and not  $3\frac{3}{4}$  per cent. The statement in the question is not correct. The opinion states, "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." That is a supposititious case. "I am of opinion that this practice is illegal and should be discontinued."

47. What practice?—Fixing the rate of interest.

48. Do you notice that the question is not replied to? All the Solicitor-General deals with there is as to the power to make regulations fixing the rate of interest that will fluctuate according to the rate payable by the Government. Having regard to the question put as to committing the country to future expenditure, does the Solicitor-General say it is illegal?—He says it is illegal.

49. Only as regards the rate of interest?—Yes, on the assumption that we commit the country to loans that we cannot get at the same rate of interest.

50. You have been making these agreements under the regulations?—Yes.

51. Were those regulations referred to in the Solicitor-General's opinion placed before the Solicitor-General to be perused before they were made?—The Crown Law Office issued the regulations under the Act.

52. And now the Solicitor-General says that those regulations which the Crown Law Office issued, and led the public to believe were correct, are illegal?—They seem to doubt that they are within the power of the Act. The opinion states, "The regulations, however, will require redrafting to some extent."

53. Then we have this position: that the regulations which were issued by the Crown Law Office, of which Professor Salmond is the head, are now declared by the same gentleman to be illegal?—That is the effect of it. He says, "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." His statement that the lending of money to be paid in future years is illegal is inconsistent with the regulations drafted by the Crown Law Office. They allow loans to extend over four years.

54. I am referring to the regulations mentioned by the Solicitor-General?—I think it is Regulation 15.

55. What does it say?—"No loan and no instalment of a loan shall be paid to a local authority at any date later than two years after the date of the application for the loan, except in special cases, where the period may be extended by the Board to four years, with the consent of the Minister."

56. I understand, Mr. Poynton, that your reason for writing that memo. to the Minister of Finance was because of certain statements made in the House, and also because of certain headlines such as appeared in the *Dominion*, and also comments conveying the opinion that there had been a record of squandering and political influence used?—Yes, it was rather a serious statement to make.

57. Did you read the *Evening Post*, dated 30th September, 1912, which says, "Grave charges against the Ward Government were made in the House of Representatives early on Saturday morning by the Prime Minister, the Minister of Finance (the Hon. James Allen), and Mr. J. B. Hine. The accusation was that the late Liberal Administration had used the State-guaranteed Advances Office last year scandalously in 'sweetening' certain electorates, mainly boroughs. It was stated that urban areas had been unduly favoured with loans, to the disadvantage of people in rural districts, and altogether the Government, in the year of the election, had mismanaged the lending Department to the detriment of the country as a whole and to the sore embarrassment of the present Ministry"?—Yes, I read that.

58. Now, regarding political influence: has the Board the power of making recommendations to the Minister in regard to advances?—Yes.

59. If a Minister was open to a charge of political influence, would it not mean, in your opinion, influencing the Board?—Yes.

60. And therefore a charge of political influence against a Minister would carry with it the stigma that the Board was open to influence at the instance of Ministers or politicians?—Yes. The Board has much more to do with the loans than the Minister. The Minister only came in when everything was finished. If political influence had been used it must have been used on the Board.

61. Was there any need to discriminate between the loans applied for?—You mean, discriminate between the loan, or the body?

62. By reason of any representation made to you by a Minister of the Crown or a member of Parliament?—No, no Minister or member has ever attempted to in any way influence me.

63. Was any undue preference given to any application from any district?—The area of a particular district, or who represented it, never entered into the consideration of the Board.

64. As a matter of fact, districts represented by members on both sides of the House received loans?—Yes.

65. Was there any need to show undue preference with the moneys you had in hand?—No.

66. Then it follows, does it not, that the charge of political influence falls to the ground?—There has never been any political influence used at all. That is my statement.

67. At the time the Timaru loan was applied for, can you say what was the rate of interest prevailing in regard to loans outside the Government?—They could not get it under 4 per cent. with the discount—I should say  $4\frac{1}{4}$ . That is apart from any sinking fund.

68. What would it be in the open market?—With costs and commission, it would be fully 4 per cent. or more for a local body.

69. Am I right in saying that those local bodies that obtained loans from the State-guaranteed Advances Department effected considerable saving in regard to interest and other charges?—Oh, yes. There was no procurement fee, no discount, no underwriting, or whatever fees they charge. All those little things that increase the cost were all avoided by borrowing from the Department. The only charge was 10s. per cent. for the commission.

70. Am I right in saying that up till recently the practice of the Department in granting loans to boroughs or bodies outside the backblocks districts was justified inasmuch as the conditions did not arise which necessitated them applying for loans to your Board?—The applications did not come in in too great numbers until November last.

71. Then the policy was one in accordance with the policy put forward by the districts of New Zealand?—Yes.

72. By reason of new conditions arising—that is to say, by bodies coming to you for loans that did not come before—it was necessary to impose a limit?—Yes.

73. Does not the fact that the Board is there to act somewhat guarantee that political influence cannot be used?—I suppose that is the object of having the Board.

74. And also to see that the security offered and other conditions are such that should warrant the loan being authorized?—Yes, it has to do with the procedure of the loan, and I think the fact of having the Board there should remove all suspicion of political influence.

75. Are you aware that right throughout New Zealand any number of newspaper comments have been made to the effect that there has been a record of squandering and political influence in connection with the Board?—There have been statements made in the Press, but my desire was to remove the impression from the minds of members of Parliament that undoubtedly existed.

76. As a matter of self-respect and a matter of duty to the people of New Zealand, you felt that the statement had to be made?—I wished for an inquiry to show that there was no political influence ever used.

77. *The Chairman.*] Would you mind showing me the resolution passed in the first instance regarding the £5,000 limit?—On the 13th November it was decided to give preference to loans of £5,000 and under. There was no formal resolution entered up.

78. But what happened after the 31st October—that is the starting of the £5,000 limit?—There was correspondence between the Post Office and myself about it, but the thing did not come back till the 29th December. The first discussion was after consulting with the Post Office towards the end of October. I thought it my duty to express to the Board what the position was, that we were not likely to get the same amount of money as we expected to get, and that as the Post Office required more interest, that we had better limit the advances to £5,000 and to fix the rate of future loans at  $3\frac{1}{2}$  per cent. They agreed to that without a formal resolution, and on the 13th November the first loan at  $3\frac{3}{4}$  per cent. was raised. It went on, and in January a lot of the bodies that had previously had more than £5,000 began to come in for £5,000 loans. It was discussed again in January at a meeting, and a formal resolution was put into the books.

79. I want to know when the £5,000 was first instituted and took effect?—On the 13th November. I am satisfied we did not grant any after that. Applications continued to come in for larger sums than £5,000, and some of the bodies that had already received large loans put in applications for £5,000, and then the matter came up in January.

80. Were there any grants between the 31st October and 13th November?—I think Waikouaiti was the last one.

81. You have not made it clear whether the £5,000 limit extends to one application or to the total amount of applications of any local body received?—If any body received £5,000 they would not get any more. That was decided on the 15th January: “Resolved that in granting loans to local bodies preference be given to those to which loans have not already been granted. Limit to remain £5,000, and rate to be  $3\frac{3}{4}$  per cent.”

82. Can you tell me how many County Councils came under that limitation?—No, not without getting a return out.

83. Have there been many rejections under the £5,000 limit?—Yes, there have been a good few rejections. On the 6th November the last application for a sum of over £5,000 was provisionally approved. That was for Waikouaiti. The original amount applied for was £9,000, and of that amount £6,500 was provisionally approved previously.

84. There was one item for £42,000 and £5,000 finally approved for Remuera. Did it strike the Board at all that they were harassing the needy and backblock districts in finally granting the £42,000?—No. I told you that we considered ourselves open to grant a loan already provisionally approved, and to have refused to grant a loan after a local body had gone to expense in connection with the matter would have been very wrong.

85. You think it would have been a breach of agreement?—Yes, I think it would have been a shocking breach of agreement.

86. Then in regard to the second loan of £37,050, which you said was not in order but finally granted in December, did not the Board have any discussion as to the wisdom of advancing that £37,000 barring another amount of £5,000 really still in force?—No, we considered that those people who had completed the arrangements at  $3\frac{1}{2}$  per cent. were entitled to have the agreement carried out by us.

87. Although they had failed in their legal duties?—They might not have crossed a “t” or dotted an “i,” but that is no reason why they should lose the loan.

88. Would the Board call that a technicality?—No.

89. In the list you have given us there is a £20,000 loan granted a month after the £5,000 limit was in force?—We did not provisionally approve of any loan after the 13th November. That does not say we were going to reduce the loans provisionally granted. To cut that loan of £42,000 for Remuera down to £5,000 would have been monstrous.

90. Apparently the Board took no notice of the previous resolution in regard to the £5,000 limit if there was any application that had been provisionally approved?—We regarded those loans that had been provisionally approved in this light: that had the local body gone to any expense or gone on with their works, to have reduced the amount would have been a very bad thing.

91. What caused the Board to decide on the limit of £5,000?—Because the applications for loans were coming in so fast that we would not have enough money to go round.

92. Could you anticipate the following year?—No, but the Post Office intimated that they could not give us the amount of money we expected.

93. And you considered you were on a legal footing in granting a loan in one year to be paid in the following two or three years?—Yes.

94. Because the Board passed a resolution to that effect?—No, there is nothing to limit the Board granting a loan to be paid in the following year any more than there is a limit to the Minister undertaking to carry out a contract two or three years hence.

95. Is there anything in the Act giving power to the Board to lend money to a local body beyond the year?—There is nothing in the Act about it, and there is nothing in the Act to prevent it.

96. In making advances are you guided by what is in the Act or what is not?—There are other things not in the Act which the common rules of law have to be applied to. If you limit yourself down to the mere words of an Act you will be bound up in such a way that you will not be able to do anything.

97. What clause in the Act guided the Board in framing the regulation giving them power to extend the period?—The Crown Law Office issued the regulations.

98. You know that under the old Loans to Local Bodies Act power was given there for the Board to advance two years in one year?—Probably the Crown Law Offices followed the old Act and put it into the regulations.

99. Do you know that in the old Act there was that provision?—Yes, if the money is not available this year it can be next year. In the case of a local body borrowing £1,000 which cannot take it all this year, the Minister can grant it next year.

100. Under the old Act that local body could obtain £6,000 a year?—There was a limit.

101. But they could obtain £12,000 in one year with the Minister's consent?—Yes, if we had the funds, but if not we would have let them come in next year. It was all a question of money—whether we had enough money to go round.

102. Would the Board consider themselves justified in taking upon themselves to say whether they would have funds or not the following year?—The Board has to see about it. On the 22nd June the Post Office intimated that they would have £1,500,000 to lend this year.

103. What is the amount the State-guaranteed Advances Office can borrow?—£1,000,000 a year.

104. That million has not been obtained, and the operations this year have been hampered by the commitments?—No.

105. What that amounts to is this: that the administration of the Board has had the effect of curtailing the amount that the local bodies can obtain?—Yes, we have lent all we can. If I may be permitted to say, from Dr. Newnan's cross-examination, and the question was also asked by you, Mr. Chairman, the idea might go out that a lot of money was lent in November and December, and more than in the average months. In the summer months the local bodies want more than in the winter months. They do not carry out their work in winter because there is too much mud. But I will prepare a return showing the amounts paid out per month.

106. *Right Hon. Sir J. G. Ward.*] Mr. Poynton, would you be kind enough to look at the return you laid before the Committee showing "the Approximate Loss to the State on Moneys lent by the Government under the various Local Bodies' Loans Acts"?—Yes, I have a copy.

107. That is a return giving the loans made by the Government of the country to local bodies under the old Loans to Local Bodies Act, and not under the State-guaranteed Advances Act under which the present Board is advancing money?—Yes.

108. And the losses to the country as shown in that return under the old Loans to Local Bodies Act, which I asked the House to repeal for future years except to give effect to current engagements, amount to £2,300,000 at least?—Yes.

109. And no portion of that £2,300,000 at least is ever to be paid to the country by the local bodies that got that money?—No.

110. The State-guaranteed Advances Act introduced by me at the time, and the repeal of the system under which that loss had been made, provided that the full rate of interest that the country paid for its loans had to be paid to the country in full by the local bodies: is that so?—Yes.

111. And the Act provided that the cost of raising the loans was to be borne by the State?—Yes.

112. And that the local bodies were not to pay any portion of the cost of raising the money?—The moneys were to be lent to the local bodies at the same rate as the State raised them, except for the 10s. per cent. That amount was supposed to pay the expenses of the Office, but it does not.

113. The cost of working was to be paid at the rate of one payment for the whole period of the loan, 10s. per cent.?—That was one year only, a single payment of 10s. per cent.

114. One payment of 10s. per cent. was the only one made over the whole currency of the loan?—Yes.

115. What amount of money has been advanced by the State-guaranteed Advances Board since that Act was placed on the statute-book in 1909?—Finally approved up to the 16th September for payment to local bodies, £2,168,165.

116. And of that amount how much was actually paid over to local bodies?—To the 31st August, £1,481,700.

117. Of the total amount that has been advanced under the State-guaranteed Advances Act, have the local bodies to repay to the country the whole of the capital and the full rate of interest charged to them?—Yes.

118. And in contradistinction to the loss made under the old system of at least £2,300,000, all of which is lost to the country, so far as the repayment by the local bodies is concerned, the whole amount advanced under the State-guaranteed Advances Act has to be repaid in full, with interest at the same rate that the country pays upon it to the State?—Yes, that is the system.

119. Any suggestion of loss upon the moneys advanced under the State-guaranteed Advances Act is due entirely to the non-investment of available funds for advancing to local bodies?—Yes.

120. And the amount of that loss upon the £1,481,700 already advanced is about £23,000?—About £23,000 of a total loss.

121. Am I right in saying that under the State-guaranteed Advances Act, excepting the loss of interest upon the money uninvested, as against the old system the country is saving the whole of the capital advanced to the local bodies?—Yes, the capital has to be repaid.

122. Would you look at the return of securities held by the Postmaster-General in regard to Savings-bank Fund on the 31st December, 1911, and inform the Committee whether the amount is £15,303,321 11s. 2d.?—The return shows that.

123. Would you be good enough to inform the Committee whether the whole of the amount of £15,303,321, excepting an advance of £13,800 to the Oamaru Borough Consolidated Loan Debentures, £30,000 to the Patea Harbour Board, £10,000 to the Thames Harbour Board, £4,000 to the Timaru Borough Council, £100,000 to the Wellington City Council, £25,000 to the Wellington City Council, £28,900 to the Wellington Harbour Board, and £489,500 to the Westport Harbour Board—whether the whole of those items in the return certified to by the Postmaster-General and laid on the table of the House are not Treasury investments?—Yes, I assume they would be. Looking at the practice that prevailed, I should say the Post Office would ask the Treasury if it had any investment.

124. Has the Post Office ever advanced money to any one in this country upon mortgages?—I think not.

125. Since you have been Secretary to the Treasury, is it or is it not a fact that the Minister of Finance had to find investments through Departments of the amount available in the Post Office Savings-bank Fund for investment with such exceptions as I have just referred to, and some of them are dated thirty years ago?—That was the practice. The Post Office intimates to the Treasury that it has money for investment. If the Treasury does not want it, the Post Office looks round for investments.

126. In connection with the State-guaranteed Advances Department, would it as a matter of business have been a proper thing for the Minister of Finance to have stopped the Postmaster-General from investing Post Office Savings-bank funds with the State-guaranteed Advances Department before the State-guaranteed Advances Department could lend them out?—It would mean a loss to the Department. It was known that the local bodies required money, and all the money they could get from the Post Office, and it was the proper thing to put the money into the Advances Office.

127. If the Post Office had to depend upon the Treasury to find investments for nearly the whole of its funds, would it have been a proper thing for the Treasury from time to time to say to the Post Office, "We decline to allow you to invest sums in the State-guaranteed Advances Department or any other Department?—It would have been wrong.

128. Are you aware from the official records that the Minister of Finance in February last approved of all Post Office investments being made at a rate of not less than  $3\frac{3}{4}$  per cent., except in the case of the moneys required for the State-guaranteed Advances Department which were fixed at  $3\frac{1}{2}$  per cent.?—Yes. On the 11th January there is a minute addressed to you by myself as follows: "Lands-for-settlement funds are included in my minute. See words underlined in red.  $3\frac{3}{4}$  per cent. all round (except for amounts already granted to local authorities at  $3\frac{1}{2}$ ), as suggested by the Post Office, should be approved." Then you approved it. Afterwards the question came up as to whether it applied to future loans. On the 11th January there was a letter from me to the Post Office following that minute, as follows: "Interest on Post Office funds: The Right Hon. the Minister of Finance has approved of your proposal that in future all loans to the Treasury shall be at the rate of  $3\frac{3}{4}$  per cent., except for amounts required to satisfy loans already granted to local authorities at  $3\frac{1}{2}$  per cent. No further loans will be granted at that rate." There was a little misunderstanding between the Treasury and the Post Office. The Post Office said their rate was for future renewals as well as for future loans, and Mr. Robertson wrote on the 15th February thinking we had committed a breach of agreement. The letter states: "It was recently decided by the Minister of Finance that all loans to the Treasury should be at the rate of  $3\frac{3}{4}$  per cent., except for amounts required to satisfy the loans already granted to local authorities at  $3\frac{1}{2}$  per cent. The Treasury recently renewed debentures for £194,200, and claim that they must receive the amount at  $3\frac{1}{2}$  per cent., as it is a renewal of an old loan. I consider that this is a breach of the agreement that loans should be at the rate of  $3\frac{3}{4}$  per cent., and I would recommend that the Minister insist on receiving that amount. As I have frequently explained, the margin between the interest earned on the investment of our funds and that credited to depositors is too narrow, especially considering that we carry over two millions and a quarter of inscribed stock upon which only 3 per cent. interest is paid. The matter is a very important one, as it is of the utmost consequence that the Post Office Savings-bank, for the financial reputation of the Dominion, should show a small margin of profit every year. Great public uneasiness would result if there were at any time even a small deficiency."

129. That is signed by D. Robertson, Secretary of the Post Office; and I want to know whether that is the official letter?—Yes.

130. On that it was referred by me as Minister of Finance to the Secretary of the Treasury for report on the 15th February, 1912?—Yes.

131. And you sent a report?—I replied to your minute.

132. Your reply to that minute is as follows: "The Right Hon. the Minister of Finance.—The agreement as to future loans being at  $3\frac{1}{2}$  per cent. was regarded by the Post Office as applying to renewals as well as future loans. The Treasury was considering only future loans. There was therefore no breach of agreement as stated. If renewals are at  $3\frac{1}{2}$  per cent. it will mean, of course, more interest; the increased rate on the £3,000,000 renewable during the current year will mean £7,500 increased interest next year. The Post Office should not be embarrassed by having its money locked up at too low a rate of interest, and if this would result by renewals at  $3\frac{1}{2}$  per cent., I recommend that  $3\frac{1}{2}$  per cent. be allowed on renewals as well as new loans.—J. W. POYNTON." Is that your reply?—Yes.

133. And upon that I approved the proposal on the 21st February, 1912, to allow the Post Office  $3\frac{1}{2}$  per cent., amounting to an increase of £7,500, upon new loan-money advanced to the State-guaranteed Office?—Including renewals of other loans.

134. Any suggestion that an investment by the Post Office was to be made at a lower rate than that recommended by the Secretary of the Post Office to me would be contrary to fact?—Excepting the  $3\frac{1}{2}$  per cent., as far as I can see, the file shows a complete understanding between the two Departments.

135. Now, Mr. Poynton, would you look at the loans advanced at a Board meeting on the 6th November?—Yes.

136. There is a loan provisionally approved to the Otahuhu Road Board of £1,500?—Yes.

137. A loan of £3,000 to the Raglan County Council: is that correct?—Yes.

138. A loan of £600 to the Hawera County Council?—Yes.

139. A loan of £2,000 finally approved on that date to the Manaia Town Board?—Yes.

140. £2,950 approved to the Pelorus Road Board?—Yes.

141. £5,300 approved to the Waitara County Council?—Yes.

142. £1,250 to the Waitomo County Council?—Yes.

143. £3,500 to the Waipawa Borough Council?—Yes.

144. If all those loans except one were approved to districts represented by Opposition members in November, would it not be just as fair to say they were advanced for party political purposes as to say that the loan advanced in November to the district represented by the Government candidate was for that purpose?—I repeat again that no matter who represented the district, the question never entered into the minds of the members of the Board.

145. Now, on the 13th November, the Stratford County Council applied for a loan of £14,000 and that was declined?—Yes.

146. That was for electric-light purchase?—Yes.

147. If political influence is said to be introduced into this Board's work, then the declining of a loan to a district represented by an Opposition member would be likely to get the Government into great disfavour and do the Government harm?—You know more of the political feelings of members than I do.

148. There is a place called Pukekohe that had a loan finally approved on the 13th November?—Yes.

149. Do you know that Pukekohe is in the district represented by the present Prime Minister, Mr. Massey?—I think it is—I am not sure.

150. Now, there is an amount on the 20th November to the Hobson County Council of £3,000; Taranaki County Council, £3,000; Hawera County Council, two sums of £600; Mangatarata Road Board, £3,000; Waimate West County Council, £375, recommended by the Board for final approval by the Minister on the 19th November, 1911?—Yes.

151. The final approval would be advised to the districts at that time where Opposition members represented them?—Yes.

152. There is a loan of £5,000 advanced to the Kaponga Town Board on the 27th November, recommended by the Board for final approval of the Minister?—Yes.

153. There is a loan provisionally approved on the 27th November at  $3\frac{1}{2}$  per cent. to the Rangitikei County Council of £2,000; another to the Rata Drainage Board, £5,000; Weber County Council, £3,000—those items are correct?—Yes, but I could not say whether Government or Opposition candidates represented the districts.

154. If I told you that they are districts represented by present Government candidates, you would not contradict me?—No.

155. Between the first and second ballots there is a loan of £1,100 provisionally approved for the Rangitikei County Council?—Yes.

156. Another £1,500 for the Mount Roskill Road Board—that is approved?—Yes.

157. Further down there is a loan of £32,000 applied for by the Invercargill Borough Council for extending the present system of waterworks, which was refused. While Opposition members got large sums for their districts, that loan was refused by the Board on the 11th December. If this Board was in any way exercising political influence, was there any reason whatever why that Invercargill application for a loan could not have been postponed till after the second ballot?—Yes, if we wished to.

158. Then, taking the question put previously, that dealing with a loan close up to an election, if that was likely to influence the election, *per se* the declining of a loan to Invercargill would prejudice the electors against the Government candidate. If such a statement is correct, then, applying that reasoning, would not that be so?—Yes, we could have postponed it if we wished any impression created that we were going to grant it.

159. If the suggestion is made that those loans were granted for political purposes, and a loan was refused to a district which was favourable to the Government candidate, would not the declining of the loan, if that reasoning is right, prejudice his chances of election?—Yes, one is the corollary of the other.

160. Now, there was a loan of £80,000 applied for by Waitemata on the 6th November, and that loan was declined?—Yes.

161. If the theory is correct that these loans were being advanced for political purposes, would not the declining of the loan of £80,000 to the Waitemata County Council have prejudiced the chances of the candidate standing in the interests of the then Government if the reasons which are assigned by some gentlemen are to be accepted as sound reasoning?—The same reasoning applies.

162. Was there any telegram received from the member for Invercargill urging the Board to grant the amount of the loan for waterworks?—I have searched the file but cannot find any.

163. Do you recollect any of the circumstances in connection with the granting of a loan to Eltham?—Yes. The Eltham gas loan was applied for under the old system—that is to say, they applied for a Government guarantee of the loan. They could not get it under the Act at that time. The loan had been guaranteed by the Government under the old system. They delayed getting their loan for two years, and afterwards when the Act was repealed they made application to the Advances Office for a loan. It was declined twice. The whole of the proceedings regarding the guarantee are on the file. The application came up later, on the 8th February, 1910.

164. Have you any recollection of a deputation that waited on me in regard to the matter?—Yes, a deputation waited on you. In the *Evening Post* of the 26th April, 1910, there is a report of it.

165. That deputation that waited upon me was introduced by Mr. Dive, member for the district at the time, and the following is the report: "Gasworks Loan: When the Local Bodies' Loans Act was in operation the Eltham Borough Council was authorized by the ratepayers to raise a loan of £10,000 for the construction of gasworks. The Treasury authorized the amount in due course, and asked for the form of debentures to be forwarded for approval. The rate of interest was to be  $4\frac{1}{2}$  per cent., but in the hope that the rate of interest would go down the Council delayed taking the necessary steps to get the money, which under the Act could be obtained at any time within two years. While they were waiting the State-guaranteed Advances Act was passed, repealing the Local Bodies' Loans Act, and compelling local bodies either to borrow privately or to apply to the State-guaranteed Advances Board for a loan. The Council applied to the Board for the loan, and it was refused, and the Council, finding itself in an awkward position, sent its representatives to the Minister of Finance (Sir Joseph Ward) to ask for reconsideration. The deputation, introduced by Mr. B. Dive, M.P., waited on Sir Joseph this morning. He advised them to send in a fresh application, promising to place the facts before the Board, but made it clear—as he did to a previous deputation—that the Board was giving precedence to applications to loans for such purposes as roads and bridges, water and sanitation; gasworks would probably come next, but loans for such purposes would not be granted until the more urgent necessities had been provided for. The money was there, but the policy of the Board was to meet first demands for the more urgent works, and those would receive the first consideration." What was the outcome of that—was the loan granted?—No, it was declined.

166. Then, what led up to the Board granting the loan?—The question of granting gas loans came up again for consideration, and it was decided after discussing the matter that we would grant loans for gasworks, as we had the money, and a telegram was sent to the Town Clerk on the 25th June, 1910, exactly similar to the one sent to the Summer Borough Council. This shows that there was no political influence used. The telegram stated, "Have any arrangements been made for borrowing outside Advances Department, otherwise please delay, as question of granting loans for this purpose will be considered by the Board on Friday next."

167. In the report which I have read I notice that I made a statement to the effect that the consideration of gas loans would come next?—Yes, something about that. You said "Gasworks would probably come next."

168. Did the Board afterwards decide that they would make advances in connection with gasworks?—Yes, somewhere about the date of that telegram—the middle of June.

169. Was any influence attempted to be brought to bear by me as a member of the Board to get any gasworks loan authorized for any purpose?—No. I think you would have been at the meeting.

170. What was the date of the granting?—The date of the provisional approval was the 1st July, 1910.

171. I was present at that meeting?—Yes.

172. Is there any truth in this statement which is published in the *Dominion* newspaper of the 30th September, 1912: "Under the Ward Administration the State Advances Office went so far beyond the boundaries of common prudence, and transgressed so violently the spirit of the Act, in its anxiety to make the Department an electioneering weapon, that it had to limit to £5,000 the sum the Department could lend to a county under the Act"?—None whatever.

173. Is there any truth in this statement which is made in the same paper of the same date: "Wherever it seemed desirable, during 1911, to use the Advances Department to sweeten an electorate, the Government appears to have opened the purse-strings. Money was thrown at Timaru, at Blenheim, at Wanganui, and the boroughs of Parnell, of Greymouth, of Miramar, and of Hastings. Even the small proportion allotted to the counties was apparently allotted with an eye to the fact that an election was to take place in December. It is a shameful story of what a self-seeking and unpatriotic political group can do with the nation's resources when the party case is desperate." Is there any truth in that statement as far as the Board is concerned?—None whatever.

174. The Miramar loan of £68,000 which is referred to in that statement, was that loan in the district represented by Mr. Wright?—I am not sure whether it belongs to Wellington East or not.

175. What is the general position in regard to these gasworks loans?—I have said there was no influence whatever in connection with gasworks loans. Any apparent inconsistency shown in refusing some and granting others was due to the fact that at first we declined them thinking that all our funds would be required for other purposes. Secondly, we accepted them when we thought our funds were sufficient. When our funds began to get short again, or the Post Office told us we could not have as much as we expected, we declined them. That is the whole explanation as to the inconsistency.

176. And there was no influence of any kind brought to bear upon the Board?—None whatever. I produce all the gas files with a summary at the end showing the date of acceptance or refusal.

177. Is it or is it not a fact that the security for gasworks loans, in addition to the property of the gasworks itself, is secured by a rate over the town or borough in which the gasworks are situated?—Yes. The Solicitor would not pass it otherwise; he must also have the security by a special rate.

178. Is there any doubt raised as to the soundness of the securities in connection with any of the advances made to local bodies since the Advances Board was established?—I have never heard of any.

JOHN GEORGE FINDLAY, K.C.M.G., sworn and examined. (No. 5.)

1. *The Chairman.*] What are you?—I am a barrister practising in Wellington.

2. *Right Hon. Sir J. G. Ward.*] Did you at any time, Sir John, make representations on behalf of the Remuera Road Board to the State-guaranteed Advances Office for a loan for that Board?—The answer to that question would be No; but I think perhaps the better way would be for me to state in a word or two all I had to do in connection with the loan.

3. Did you send this telegram to me?—Yes, I sent this telegram: "A deputation interviewed me this morning in connection with the application of the Remuera Road Board for a loan totalling £84,000. I understand that the Department has raised some objection with regard to the security, which I think has been answered by the Remuera Board. If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand, and that immediately contemplated. The position is aggravated by the fact that the men engaged in the work have recently been on strike, and, the strike having now been settled, they desire to return to work. The Board meets them by explaining that they have not the means to carry on because the Government will not advance the money to enable them to pay for the work and other outgoings. I hope you will be able to have at least £10,000 advanced to relieve the tension of the present position. The deputation consisted of the strike leaders and the members of the Remuera Road Board. Kindly let me have a reply as early as you can, which I may use." The circumstances anterior to that telegram were these: I was in Auckland, I think, in the month of November—at any rate, this telegram is dated the 2nd November—and I had been seen by the Chairman of the Remuera Road Board—Mr. Cawkwell, I think—and he explained first that the loan had been agreed to by the Department some months before; that there was no question as to the security, but that some objection had been raised by the Department to the legal formalities of the debentures; that he was advised these formalities were pure red-tape, and that the Department was sticking up the loan quite unnecessarily. He further explained that a strike which had been pretty bitter and had involved a large number of men—I think the number approximated a hundred—had been settled some days before on the express condition that the men should be taken back and should start their work on the succeeding Monday; that that arrangement had been arrived at on the faith of their getting the money from the Department with which to start the work and pay the men's wages; that the whole thing was imperilled because the Department would not make the advance owing to some objections to the legal formalities of the documents, and that in those circumstances the strikers were suspicious that the Board was not trying *bona fide* to carry out the arrangements—in other words, there was something between the Board and the Government which was not clear to these men; that he felt there was a suspicion growing in the minds of these men, and he wanted an interview at which both the Board's members and the strike leaders should be present. That was given, I think, on the 1st November, and the position was discussed. I knew nothing whatever, of course, about the loan. It had been granted when I was in England months before.

4. *Hon. Mr. Allen.*] Not granted—provisionally approved?—They said the loan had been agreed to, but there was objection raised in regard to formalities. "Provisionally approved" means, I take it, that the loan will be granted. At the interview the position was discussed. I am not sure whether there was any newspaper report of it, but I agreed to send a wire to the Minister of Finance—the Prime Minister—expressing what I have expressed in this telegram. Now this telegram was dictated in the hearing of the deputation. The telegram was worded so that those present should understand there was nothing being communicated by myself to the Prime Minister which they should not know, and I wanted it further understood that anything I got from the Prime Minister should be communicated to them, so that they might know frankly and fully what the attitude of the Department was, and I undertook that I would give them a copy of any reply I got. It was in those circumstances the telegram was sent. I got a reply, and that reply was communicated either by myself or my secretary to the chairman, and I think also to the leader of the strike, Mr. Semple, who was looking after the men's interests. That, I think, was the whole connection I had with the matter. I had, as far as I remember, no other



communication with the Prime Minister, and I do not think I communicated at all with Mr. Poynton. It seemed to me that the only function I was discharging was attempting to remove an objection to the loan based on formalities which I thought, looking at the circumstances, should be removed as soon as possible.

5. *Right Hon. Sir J. G. Ward.*] At that time were you a member of the Ministry?—I was Attorney-General and Minister of Justice.

6. Did you at any time, on behalf of the Remuera Road Board, make any representations to the State-guaranteed Advances Board asking them to consider a loan or urge them to give facilities for granting a loan?—I had no communication whatever with them. I intervened in this matter in no way. I used no influence of any kind, nor did I desire to.

7. You were interviewed as a Minister of the Crown?—Yes, and I sent the telegram the day I arrived in Auckland. I arrived in Auckland, I think, about the 1st November.

8. In that telegram you said, "Kindly let me have a reply as early as you can, which I may use." What did you mean by that?—I told those persons present at the interview that I would communicate the reply I got. You are aware that frequently one Minister communicates with another and he gets a confidential reply or a reply in such terms which could not be communicated, and I wanted the reply framed in such a way that I could give it to those people, so that the strikers would understand that there was nothing in the shape of concealment between the Remuera Road Board and the Advances Board.

9. That telegram was not sent for political purposes?—The best answer to that is this: that telegram and my connection with the matter were never referred to right through the election which ensued. It was not referred to at any meeting in my support throughout the campaign, and the idea that it would be used for the purpose of promoting my candidature was not thought of.

10. If the statement was made in the House, in reply to an interjection by a member, that this payment was authorized three days before the election, and when the district was asked for the reply was "Ask Sir John Findlay," can you make any further statement on the point?—No. I apprehend that refers to some interjection of Mr. Allen's, and I do not complain at all of the construction which apparently he put upon the telegram. He did not know the special circumstances—he did not know what I have stated just now—and quite possibly a hurried perusal of the telegram would justify the apparent suspicion he had about the matter; but I have stated the facts, and I think, in view of those facts, I have given an answer to the question put to me.

11. Did you ever during your term of office make any representation to a member of the Board for a loan on behalf of a public body or any one?—Never. I felt it was my duty as a Minister to communicate what happened at that deputation to you as Minister of Finance. The words in that telegram meant that I was going to use whatever reply I got—that I was going to communicate it to those people. It was not used in any other way, either on the platform, in the Press, or elsewhere.

12. In that telegram to me application was made for an advance of £10,000. Was that granted or refused by me?—It was refused. Your answer shows you refused it.

13. In your telegram you say, "If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand, and that immediately contemplated"?—Yes. They said, "Do not let the work be stopped on Monday. All these men believe they will be put on. Get us enough of the loan-money at least to start the work and carry it on until whatever difficulties there are in regard to the form of the debentures can be removed."

14. *Mr. Lee.*] In asking, Sir John, for the £10,000 mentioned in your telegram, were you asking that as an advance from the Advances Board or from the Treasury?—Frankly, I do not know. I did not appreciate the distinction. I thought the Department advanced on account of a loan which I understood had been approved by the Board.

15. You were aware at that time that the technical difficulties had not been got over by the Board—that matters had not been settled?—Yes. The Chairman of the Road Board represented that those technical difficulties were mere red-tape difficulties and of no substance. There was some difficulty as to the formalities.

16. But you had come to the conclusion that they were difficulties which should be got over?—I did not know what they were. I could not pass any judgment upon the reasonableness or otherwise of them. I was told there was nothing in the objections.

17. You sent that telegram in your capacity as a Minister of the Crown?—Yes.

18. Would you suggest that the Board should advance £10,000 until all the technical difficulties had been got over?—I think if £10,000 could have been safely advanced to relieve the tension then existing, it would have been very wise to do it, assuming the security was good, and assuming the difficulties were only red-tape difficulties. I think, as a body of business men, the Board might very well have advanced £10,000 to relieve the position.

19. Who was the member for the district at that time, do you remember?—Mr. Lawry. He did not wait upon me as a member of the deputation.

20. When you received the reply from Sir Joseph Ward, what did you do?—I think a copy of the reply was sent by my secretary to the Chairman. I know Mr. Semple called upon me personally either that day or the next day, and I assured him there was no want of good faith on the part of the Board. They were anxious to get the money and start the men at work, who were suspicious of the *bona fides* of the Board.

21. Was there any account of this in the newspapers after you received the reply?—I have not looked, so I do not know whether there was or was not. I have not had much time lately to look into the matter, and I did not even look up the telegram I sent.

22. As you told us, you had no intention in any way of getting this money from the Board in order to assist you in your political campaign?—None.



23. Looking at the whole transaction now, do you think it is unreasonable for some to think that it may have assisted you?—I confess that the telegram is not sufficiently guarded against misconstruction, and in the absence of a knowledge of the circumstances in which it was sent, I feel no resentment at the interjection Mr. Allen made in the House.

24. *Mr. E. Newman.*] Do you think, Sir John, that the Advances Board should consider anything but the security when deciding upon advances? You said that you thought the conditions in regard to this strike should have affected the judgment of the Board in making the advance. Do you think that is right?—No, I scarcely think you understood me correctly. What I mean is this: assuming the security is ample, and that the money will be advanced when certain technicalities are complied with, that the situation might well be considered with a view to expediency and with a view to advancing a portion of the money, assuming the security is good. I would apply the same test to the Board as I would to you as a lender: if a man borrowing from you could show that the immediate advance of a portion of a loan would greatly help him, I would expect you to make it if the security offered to you was good.

25. *Mr. Myers.*] Under the same set of circumstances presumably you would act in a similar way again to what you did then?—Precisely so; and I would go further and say that there is not one man round this table who would not have done the same.

26. In no way did your action influence the result of the election—the majority of the strikers were not living in your electorate at all?—No. Remuera is not a residential part for the workers.

27. You were fully alive to the fact that the loan had been provisionally authorized some months previously?—I was told that months before it had been agreed to. There was no question about the security, but the formalities were in question.

28. You know that public opinion in regard to that strike was at high tension?—It was, as you know, a very bitter strike, and suspicion was the prevailing element between both parties. You know how suspicious the workers were as to the *bona fides* of the Board.

29. And if there had been any doubt in the minds of the strikers or if there had been any breach of faith on the part of the Remuera Road Board, it might have led to further trouble?—That is so.

30. *Mr. Hanan.*] Will you read this report of an interview with the Chairman of the Remuera Road Board which appeared in the *Auckland Star*?—Yes. It reads: “‘It is all a concoction,’ remarked Mr. C. A. Cawkwell, Secretary to the Waitemata County Council and late Chairman of the Remuera Road Board, when replying to a representative of the *Star* this morning concerning a parliamentary inference to the effect that a loan amount of £37,000 had been forwarded to the Remuera Road Board three days before the general election for the purpose of influencing the candidature of Sir John Findlay in the interests of the Government of the day. This imputation was made during a criticism by the Minister of Finance (the Hon. James Allen) in the House of Representatives on the administration of the State advances-to-local-bodies system, and a telegraphed report of the debate appeared in Saturday’s *Star*. Adverse references were also made by the Minister to alleged excessive grants to the boroughs of Onehunga, Newmarket, Birkenhead, and Mount Albert. Representatives of the local bodies in these suburbs were seen this morning by a reporter, and without exception the policy adopted by the late Government was championed by them. Speaking in a more general sense, Mr. Cawkwell said the negotiations for the Remuera loan were commenced by himself in June, 1911, which was long before any suggestion of Sir John Findlay’s candidature was made. ‘It was absolutely essential to raise the loan,’ he continued, ‘and but for the facilities provided by the advances-to-local-authorities system we would have had to go on the money-market on our own initiative. As it was we secured the money for 3½ per cent., and probably we would not have had our present water-supply and drainage system without it.’ Mr. Cawkwell strongly commended the policy of the Liberal Government, and contended that such advances were in the best interests of the Dominion. The Mayor of Newmarket (Mr. David Teed), in referring to his Council’s loan of £35,935, and the suggestion that Sir John Findlay’s candidature was responsible for it, said he unhesitatingly denied the inference. Twelve months before his coming out for the Parnell constituency, Newmarket had taken into consideration the question of the loan. As a matter of fact, he (Mr. Teed) went on to the Council some years ago with the expressed purpose of advocating a comprehensive loan policy for street-improvements. The advance referred to had been wisely spent on essential works, and had it not been for the facilities provided by the Government scheme they may not have been able to raise the money in the outside market. The experience of the Mayor of Auckland (Mr. C. J. Parr) in Sydney would substantiate his opinion. Mr. Teed firmly opposed any alteration in the system. Inquiries made of the Onehunga Borough Council elicited comments of a similar nature. The loan of £45,950 had been spent on the extension of the waterworks and the drainage of the borough, principally on the latter work. The waterworks extension enabled them to supply water to Ellerslie, Penrose, Beresford, &c., with the fluid which was formerly so scarce. When the Government made the money available at 3½ per cent. it meant a big saving (representing about £1,000 in interest alone). At the very least they would have had to pay 4½ per cent. outside, and may have experienced difficulty in raising the amount required. Onehunga Councillors, too, were hopeful for a continuation of the system.”

30A. As far as your knowledge goes, Sir John, the facts stated there are correct?—As far as my knowledge goes, yes.

31. Now, I want to quote to you an extract from a report which appeared in the *Dominion* on Saturday, the 28th September, 1912, as follows: “Mr. Allen: ‘The Borough of Onehunga, £49,950; the Borough of Newmarket, £35,935.’ Mr. Hine: ‘Where’s that?’ Mr. Allen: ‘I don’t know. Ask Sir John Findlay. Mount Albert has received £30,000; Miramar, £48,000.’”

(Cries of "Oh.") Greymouth, £26,720; Dargaville, £21,500; Blenheim, £70,150; Birkenhead, £25,180. Now, the honourable gentleman wanted to know where the money had gone.' Mr. Hine: 'What about Remuera?' Mr. Allen: 'Remuera is not a borough; it is a Road Board.' He added that Remuera had received £87,625—£37,000 three days before the election, and £42,000 one month before the election. Mr. Hine: 'Diabolical!' Now, in the Auckland *Herald* of Wednesday, the 2nd October, 1912, a similar statement in the way of a report, word for word, appears in this paper as given in the *Dominion* of the date I have mentioned. Commenting on that the Editor says, "The statements made in the above report are sufficiently alarming to make the country still more thankful that it has seen the last of Wardism. The report plainly shows that the rich bodies have been helped at the expense of the poor, and that several of them, moreover, were granted assistance at the very moment the prospects of certain Government candidates at last year's polls were looking so black. This applies particularly in the case of Remuera, which received £37,000 three days before the election and £42,000 one month earlier. Remuera, we would point out to our readers, is the richest portion of the Parnell electorate, for which Sir John Findlay was the Government candidate. Further comment is needless." Now, from the reports I have read to you and the comments with reference to your electorate, and the loan obtained by the Remuera Road Board, what conclusion do you draw from that?—There is no other conclusion but the imputation that I or the Government was assisting these local bodies for the purpose of promoting my candidature in Parnell. I want to say that such an imputation is entirely groundless. I want to say that I never discussed with Sir Joseph Ward, the Minister of Finance, or any other Minister, the question of any advances to any part of that electorate. I never asked for a loan; I never suggested it, and never discussed it. In point of fact, I knew nothing of these loans except the one in respect of which I sent that wire. The whole head and front of my offending, if any, is contained in that telegram.

32. Am I right in saying that, having regard to the facts as known to you and what you did, the statement that you used political influence, or that it was an attempt on your part or on the part of the Government to sweeten your borough at election time, is extravagant and wild fiction?—I should say it is political criticism.

33. In other words, Sir John, the statement is utterly untrue?—As far as I am concerned and my knowledge is concerned, the statement is without foundation.

34. *Dr. Neuman.*] Do you think the sending of that telegram speeded matters in Wellington?—I do not think it did.

35. If it was not speeded up, why did you send it?—I sent it to speed it up. My motive was to get this money for these people.

36. Were you the candidate for the district?—I intended to stand for Parnell. I think the 2nd November was the day that I arrived in Auckland. But I put this: how can you dissever your character as a Minister from your character as a candidate? A Minister does not cease to carry out his duties because he is a candidate. No doubt he is liable to the criticism that you are suggesting to apply to me, but what I did in the matter is what you or any other man would do in my position as a Minister of the Crown.

37. *Hon. Mr. Allen.*] I think, Sir John Findlay, you knew the Chairman of the Board, Mr. Cawkwell?—No, I did not know him before.

38. He came to you about this matter?—He came, I think, the day I arrived.

39. Will you tell us what he said to you?—Do you want me to repeat the exact words?

40. Yes, if you can?—I cannot.

41. Did he lead you to understand that if this loan were secured that it would help your candidature?—Not in the least; my candidature was not referred to. As far as I recollect, it was a short interview. It was an explanation of the difficulties they had in their work.

42. He never referred to your candidature or that this would assist you?—There was no reference to it that I have the faintest recollection of.

43. If the loan had been refused, would it have affected any votes in your district?—I do not think it would.

44. Do you remember the men working on the Mount Hobson Reservoir getting a holiday?—I do not remember that.

45. You know nothing about it?—I know nothing about it.

46. Mr. Cawkwell never said anything to you about paying those men?—I do not remember anything about paying those men. Are those men Government employees?

47. I do not know—the men working on the Hobson Reservoir?—I do not remember anything about it.

48. They were Remuera Road Board employees?—I did not know anything about it.

49. And you never gave Mr. Cawkwell to understand that you would do anything towards paying them?—Certainly not. Do you suggest they are Government employees? I do not know how the question arises.

50. I do not suggest it: I am only asking you because some one may suggest you did?—I will be very glad to see the man who would suggest it. I do not understand the question. If it implies impropriety, I think I ought to know it still further.

THURSDAY, 17TH OCTOBER, 1912.

"Return of Post Office Savings-bank Funds invested in Securities granted outside the Treasury or Government Departments to the 31st December, 1911," prepared by the Secretary to the Post Office and forwarded to the Committee. [Return put in—Exhibit K.]

JOSEPH WILLIAM POYNTON further examined. (No. 6.)

1. *The Chairman.*] I understand you have a return you desire to put before the Committee?—Yes; I produce a return asked for showing “Loans which were provisionally approved up to the 10th July, 1912, and which Approvals are now in Force, with the Position of each Application.” [Return put in—Exhibit L.]

2. *Right Hon. Sir J. G. Ward.*] Mr. Poynton, there is one matter I wish to clear up. All the moneys advanced since the State-guaranteed Advances Act, 1909, has been in operation, the full amount of the capital, has to be repaid by the local bodies, the same amount of interest as is paid by the State, and in addition to that there is a sinking fund for the extinction of the loan?—Yes, the instalments include payment of capital as well as interest. On the termination of the last instalment the whole capital is repaid with interest at the fixed or agreed-upon rate over the whole term. Instead of a sinking fund being set aside by the local body, as is usual, the sinking fund is included as part of the instalment. The capital is repaid by instalments as well as the interest.

3. In other words, in each payment the local body is making of interest there is an amount included over the period to repay the whole cost of the loan?—Yes, capital and interest are included in the instalment.

4. So that the capital and interest is repaid in full by each local body under the State-guaranteed Advances Act?—Yes.

5. And under the old loans-to-local-bodies system, which the State-guaranteed Advances Act superseded, the local body paid no portion of the principal back at all?—It paid no portion, but the extra interest or interest in excess of the amount paid by the State should be credited to that body in considering the liability to the State. For example, in the forty-one years' loan the exact amount of interest was paid by the local body as was paid by the State.

6. But the local body paid no portion of a sinking fund for the redemption of the amount of the loan?—No, it paid interest. If it was a shorter term it paid a lesser sum. If the term was forty-one years the local body paid  $3\frac{1}{2}$  per cent. interest, for a thirty-two years' loan 4 per cent. Its liability then ceased, but the State had to pay the capital borrowed to lend to the body, and the local body should be credited with the extra interest paid—that is to say, for a twenty-six years' loan the State paid  $3\frac{1}{2}$  per cent. and the local body paid  $4\frac{1}{2}$  per cent. The 1 per cent. over twenty-six years should be actuarially calculated and allowed in reducing the liability of the State.

7. But it would not reach anything like the amount of the principal?—It would not reach half the principal.

8. And under the new system there is no loss under those headings except for the non-investment of any funds held?—No, and there is received 10s. per cent. commission.

9. Do you recollect obtaining authority from me to call upon the different banks with a view to seeing whether they would take a considerable amount of money at interest that we had uninvested?—Yes.

10. What was the result of the application?—We could not get investments.

11. What date was that?—It was some time in 1911—some time after the five-million loan. We had a lot of money in the Office, and had no room for temporary investments, and you suggested that I should go and see the banks.

12. Among others, the State-guaranteed Advances money was included?—Yes, we wished to reduce our bank balance.

13. Although an effort was made to invest considerable sums of money at the time, it was not possible to do it?—No, we could not get any investments.

14. Now, in reference to the investments of the Post Office: the return you furnished to the Board shows that in the years 1910, 1911, and 1912, £1,772,000 was lent by the Post Office to the State-guaranteed Local Authorities Branch?—Yes, it is in the return, and that would be correct. It is not signed by the Accountant, but it was furnished by him.

15. Would you look at the return and give the totals for each of those three years—what the Post Office had available every year for this particular Department?—We look at it from the 31st March to the 1st April, and in that case we would have borrowed in the first year up to 31st March, £400,000; in the second year, £975,000; and in the last year, £222,000. Taking the Post Office year from the 31st December, the amounts would be £975,000, £512,000, and £285,000.

16. There is a return which has been put in this morning showing the Post Office Savings-bank funds invested in securities granted outside the Treasury or Government Departments to the 31st December, 1911. I find on looking through the return that, outside the guaranteed debentures to the Greymouth and Westport Harbour Board and the Dunedin Garrison Hall, the whole of the other investments made outside the Treasury leave an amount of £246,000 under the various headings extending over the whole period up to 31st December, 1911?—That would be a long time before I came into the Treasury.

17. Over the whole of that period, approximately the total investments the Post Office made, outside of those guaranteed debentures to Westport and Greymouth and one or two small items, is only £246,000 out of £15,000,000 that the Post Office has invested outside, and none of it on mortgages of land?—No, it is not the custom of the Post Office to advance on mortgage—I do not think it has power to do so.

18. Now, in regard to the return of commitments that you placed before the Committee, during my administration did you at any time experience any difficulty in my providing money for commitments when they became due two years ahead of any contract?—No.

19. Has there at any time since you have been Secretary to the Treasury been any inconvenience from a financial point of view caused by delay or inability on my part as Minister of Finance to find money for commitments ahead?—No.

20. Regarding the form approved by the Minister when it goes to him, Mr. Poynton, has any application for a loan to any public body in this country been made through the Minister and not by the local body direct to the Board?—I have no recollection of any, and I am satisfied there is none.

21. Has any business transaction in connection with a loan under consideration of the Board been communicated to the County or Board applying for it through the Minister of Finance or any other Minister?—I have no recollection of any. Generally a letter is sent either by the Chairman or the Secretary, and a reply is sent by the Department, with regulations and forms to fill in, and the Minister does not appear in it till later. There may have been applications made to you and you may have directed them to be sent to the Board, but I have no recollection of any of them. The procedure is that when inquiries are made they are made direct to the Board, and the Department sends all forms, regulations, and does everything.

22. If an application had been made to me as Minister of Finance on behalf of a local body, would you have dealt with my application?—Yes. Sometimes Ministers are written to in regard to loans. The Minister would forward the letter on to the Department, and the Department would forward the forms. The letter would be returned to you perhaps, with a minute on it to the effect that the forms had been sent to the Clerk.

23. And beyond that there would be no interference?—No, there never has been any interference. That would be the procedure if a letter came through a Minister or member of Parliament making inquiries. The forms would be sent to the local body, and the further proceedings would be between the Board and the local body.

24. Well, if this suggestion were carried out that there should be an unfixed rate of interest for loans by the lending Board to a local body which wanted its payments over two or three or even four years ahead, could the local body indicate to the ratepayers what the interest would be?—Yes, they could take a sufficient rate to cover either 5 or 10 per cent. They could take a vote authorizing the loan and take a rate sufficient to cover any rate of interest. They are bound to certain limits, but the ratepayers could sanction the rate and it would be a great convenience, because it would enable loans to be entered into for a long time ahead.

25. There would be no difficulty in fixing the rate so high as to make it sufficiently elastic?—To cover any possible rate of interest within the limits.

26. Do you expect that the ratepayers would agree to any local body getting a £50,000 loan at a rate of interest up to 6 per cent.?—Yes, provided the Government got it they would know they would get it cheaper through the Government than direct from lenders, and they would have the Government behind them. The Government generally gets money cheaper than any of the largest local bodies. For instance, Sydney has just borrowed £1,000,000, and had to pay for the London rate £4 17s. 6d. and the Sydney portion over £5. Our smaller local bodies could not expect to get it outside the Government as cheap as they could inside.

27. *Dr. Newman.*] Was that loan issued at par?—No.

28. What discount?—The particulars were in last night's *Evening Post*.

29. *Right Hon. Sir J. G. Ward.*] Will you look at the minute-book in connection with the application for a loan from the Borough of Campbelltown, and state whether I was present at that meeting when the loan was dealt with?—I do not think you were—I think you were absent in England at the time.

30. Then if the statement has been made by a Minister of the Crown in the House that that loan was refused because my seat was a safe one, would there be anything to warrant an aspersion of that kind?—Oh, no. I have stated it until I am sure the Committee must be tired of hearing it, that no such consideration entered into the Board's deliberations at all.

31. When it was decided by the Board to limit the loans to £5,000 in consequence of the aggregate amount of the number of applications coming in, that applied to boroughs?—Yes, we never separated boroughs from counties.

32. And as far as I am officially concerned as Minister of Finance, I should like to know whether at any time in connection with the administration of this Board any suggestion or pressure, direct or indirect, was made by me to advance money to a local body or to any one else in this country?—No. I now desire to produce a return showing "The Position of Loans raised under the New Zealand State-guaranteed Advances Act, 1909, from the 1st November to the 15th December, 1910." [Return put in—Exhibit M.]

33. *Hon. Mr. Allen.*] When you are borrowing from the Post Office, Mr. Poynton, for the purpose of loans to local authorities, on what terms do you borrow as regards the number of years?—Thirty-six years and a half.

34. All of them at thirty-six years and a half?—I think so.

35. Is there any variation from that?—I am not sure now; I am not aware of any variation. I do not think there was any.

36. And if you lent a sum of money for forty-two years, have you borrowed that from the Post Office for forty-two years?—No.

37. Have you lent any money at forty-two years?—We have made one loan at forty-two years and a half. They made a mistake in their statement at the poll; it would have meant a fresh election and a lot of expense, so the Board got out a special table for it.

38. You made a statement yesterday that under the Solicitor-General's opinion you could not lend any more money?—Yes, until the Board had the money in hand and the loans paid off it would not be safe to pay out more.

39. Do you adhere to that statement?—Yes. We have now a lot of engagements ahead and have not sufficient money to meet them, and if we are not to lend money till we have the money in hand, we have to stop till we get funds.

40. What powers have you to borrow for the year?—One million.

41. How much have you already borrowed for this financial year?—£222,000.

42. And how much can you borrow for the remainder of the year?—The difference between that and £1,000,000.

43. Can we therefore not lend any further to local authorities?—Not unless we have the money in hand.

44. Do you think you are justified in saying that you will refuse every loan?—If we have no power to grant money without we have the money in hand.

45. Have you not the power to borrow?—Yes.

46. Can we not borrow?—We hope to be able to borrow.

47. Do you think it is a right thing to say that you would refuse all loans of under £5,000?—I think the Board would be reluctant to grant loans if the Act is not altered.

48. Did not the Solicitor-General's opinion refer to commitments in subsequent years?—Yes. We have a return showing that we have more commitments for this year than we have money in hand, and if the Post Office cannot let us have the money we must cease borrowing. We would not lend the money at more than we are likely to get the money for.

49. Can we not get the money outside of the Post Office if they cannot lend it to us?—Not until the Act is altered. You would have to lose money on it.

50. Why not?—The Act says you must lend at the same rate.

51. I am talking about commitments for the present year. Can I not borrow it in London and lend at the same rate to local bodies?—Yes, but you would have to borrow first, because you do not know the rate otherwise. We would have to know how much you got and how much you paid for it, and then after that we could entertain loans at that rate, but not until that was done.

52. Can I not borrow from the Post Office for the remainder of this year and lend?—I think all you can borrow from the Post Office will be required to meet engagements. We may be able to borrow far more.

53. Is it quite correct to say that the local body pays back the whole of the loan under this system?—Yes, and in addition the 10s. per cent.

54. Are there no losses made?—There may be losses made, but up to the present there have not been.

55. Have there been some made already?—No.

56. Are there not £22,000 of losses already?—That is not through the fault of the local body.

57. Has the Department made a loss?—The local body borrows £1,000 and pays back £1,000. It is acutarly calculated that it must pay back so much in  $36\frac{1}{2}$  years, and that includes capital and interest. The Department may have an enormous loss or it may not have any at all.

58. The Department has made some loss already, has it not?—Yes.

59. Does the local body pay back that loss?—No. The local body does not undertake to repay anything but by instalments the money it borrows.

60. I want to know whether the local bodies pay back the loss to the Department?—No. They pay back the money they borrow with interest on it.

61. What becomes of the instalments of repayments of capital made every year by the local body?—The Public Trustee under the Act gets 1 per cent. of the capital.

62. Do the repayments by the local bodies of the instalments increase every year on account of capital?—There is a very slight increase. The table is set out in the regulations. The payments for interest decrease as the capital decreases and the payments of instalments for capital increases.

63. On the seventy-third repayment, will the repayment by the local body on account of principal be £2 7s. 11d. for the half-year as against 10d. on account of interest?—Yes.

64. What becomes of the £2 7s. 11d. each half-year?—It is reinvested again, excepting the 1 per cent., which is taken out for the Public Trustee under the Act.

65. Is there any authority under the Act to repay the instalments of principal to the State-guaranteed Advances Department?—No, it falls into the Common Fund of the office, and is paid into the Local Authorities Account.

66. And from there where does it go?—It is reinvested. The interest is paid on the loans, and the 1 per cent. is paid to the Public Trustee, and anything over is invested.

67. And the balance of it, you say, remains in the Local Authorities Branch of the State-guaranteed Advances Department?—Yes.

68. Are you quite sure of that?—Yes, it falls into the Local Authorities Account.

69. That is your answer, that it remains in the account?—Yes.

70. And is it reused as capital?—Yes, it is lent out.

71. Can you point out a clause in the Act which allows that?—I do not know that there is a section in the Act, but it is the custom of the Office. You cannot get a section in the Act for everything.

72. Do you not think the Legislature should have made provision for the reinvestment of the capital?—The same practice prevails in connection with the advances to settlers and advances to workers.

73. Have you made some suggestions to me with regard to an alteration of the legislation?—Yes, I have stated so in my memo. to the Committee—the amendments necessary.

74. What is that special amendment suggested in regard to the repayment of capital?—The capital should be taken back from the Public Trustee and reinvested by the Office—paid into the account and credited to the accounts.

75. You have had some instalments of principal paid back, have you not?—Yes.

76. Do they show in the account as instalments of principal?—I am not sure.

77. Can you point out to me where they are shown as instalments of principal paid back?—No, there is nothing of that shown in this return.

78. Where do they appear in the account?—They would appear as the amount in hand.

79. Cash in hand?—Yes, cash in hand £143,618 ls. 2d.

80. Is there any account kept of their reinvestment?—No, there is no special account kept of their reinvestment. They fall into the account and are reinvested afterwards as required.

81. Have there been any after the payment of sinking fund since this has been in existence?—There must have been some. There are none now. The payment for interest and the payment for the 1 per cent. to the Public Trustee would take all for the next six months.

82. Can you give the Committee a clear statement as to the course of repayment of instalments of capital during the process of the loan—what becomes of them?—The repayments are credited to the Local Authorities Account. Out of that interest has to be paid on the loans, 1 per cent. has to be paid to the Public Trustee, and if there is anything over it falls in to be reinvested. But looking at the difference between  $3\frac{1}{2}$  per cent. and £4 17s. 6d. and  $3\frac{1}{4}$  per cent. and £5 ls., it gives only £1 7s. 6d. and in the other case £1 6s. You pay 1 per cent. to the Public Trustee, and that leaves in one case a margin of 6s. and in the other case 7s. 6d. If you take it over a short period the times for the payment of interest and sinking fund may take far more than this. Over long periods these amounts would be available.

83. You were asked a question about the local body paying a higher rate when the loan raised happened to be at a higher rate, and you saw no difficulty in carrying that out provided there was legislation to enable it to be done?—I said in my statement, "Local bodies cannot complain if they get the money at the same rate (or with the addition of one-eighth of 1 per cent. here suggested) at which the State obtains it, when they are ready to receive it."

84. When the local bodies take a vote do they notify the rate of interest?—Sometimes; they are not compelled to by the Act.

85. Can you show me any file in which they have?—No. Sometimes they do.

86. Can you show me any file to that effect?—No. The Act does not require it.

87. When they take a vote they do not know what rate they are going to pay?—No, the law does not require them to fix the rate, but they sometimes do so.

88. You know that the object of the State-guaranteed Advances Act was to borrow money under guarantee?—Yes.

89. Has any money been borrowed under that guarantee?—I think there have been some loans.

90. Borrowed in England?—No.

91. Has any single loan been borrowed in England under the guarantee?—No.

92. Do you think any ever will be?—No.

93. Will you read Regulation 6?—Yes; it reads, "No such provisional approval by the Board shall be deemed to constitute any agreement between the Board or Superintendent and the local authority, or shall affect in any manner the right of the Board to refuse to grant the loan, or its right to impose any conditions on the grant thereof."

94. Does that mean that provisional approval does not mean the commitment of the Board for anybody else?—Yes.

95. Is it unfair to the local body to say so?—No.

96. And they know that?—Yes, but it is difficult to make them understand.

97. Now, in regard to the return laid before the Committee yesterday (Exhibit J): "Total Amount of Loans which have been provisionally approved but have not been finally granted. £447,696; Amounts, Dates, &c., provisionally approved, but not finally granted at  $3\frac{1}{2}$  per cent., Nil." Then you have put before the Committee to-day a return showing "Loans which were provisionally approved up to the 10th day of July, 1912, and which Approvals are now in Force, with the Position of each Application." Now, in regard to the first return, does that include only loans declined, abandoned, rejected at the poll, or lapsed?—The return I put in yesterday states what it is. I think the heading of the return I put in to-day will have to be altered.

98. What is the heading of the return marked "Exhibit J"?—The return was prepared by the clerk, and states, "Loans declined, abandoned, rejected at Poll, or lapsed."

99. Does that include loans provisionally approved of but not dealt with?—I have not looked through it.

100. Take return Exhibit L: are there some loans provisionally approved of there which have not been finally dealt with? Take the Rotomanuka Drainage Board. £1,500, provisionally approved on 17th July, 1911?—Yes, that has lapsed.

101. Why is it marked "Incomplete," then?—I do not know.

102. When did it lapse?—On the 17th July.

103. The day it was provisionally approved?—Twelve months after.

104. They are in existence for twelve months?—Yes.

105. Why is it not marked "lapsed"?—It is an error on the part of the clerk. There is an error there. It says "Now in force," and they are not in force.

106. I will take the summary on the last page—"Provisional approvals subsisting on the 10th July, 1912, £162,590." Do you see that?—Yes.

107. Have those lapsed?—Well, according to this return they would not have lapsed.

108. We have a responsibility in regard to those, if the moral obligation stands, in addition to the finally approved?—You would not have any of those, because a circular was sent round in March stating that all provisional approvals at  $3\frac{1}{2}$  per cent. would have to be written down at  $3\frac{3}{4}$  per cent.

109. But they would be my obligations at  $3\frac{3}{4}$  per cent.?—Yes.

110. Mr. Myers.] When I was Minister of Finance I received circulars notifying me of meetings?—Yes.

111. Did I attend any of the meetings of the Board?—No.

112. When you saw the statements in the newspapers of remarks made by members of Parliament, did all the members of the Board think it was a reflection upon their honour?—I could not say what they thought, but they wished to remove the impression which seemed to be in the minds of members of Parliament.

113. The resolution was passed unanimously?—Yes. It was not intended to reflect on any one; the Board just desired to remove the impression.

114. All the members of the Board were present at the meeting with the exception of one?—Yes.

115. Who was that member?—The Public Trustee; and his deputy could not attend in his place.

116. And all the members present passed that resolution which you put in that letter?—Yes.

117. *Mr. Craigie.*] In regard to the repayments, I do not understand why portion goes to the Public Trustee—what does the Public Trustee do for the 1 per cent.?—He invests it in the Common Fund of the Office. The idea was that a sinking fund should be established for all funds borrowed by the Advances Office, and the Act contains a provision that every year 1 per cent. of the moneys borrowed must be handed over to the Public Trustee. It is not a wise provision. Supposing the Office borrows this year £1,000,000 of money for the Local Authorities Branch, during this year or at the end of the year £10,000 of that money has to be paid to the Public Trustee. If it borrows another £1,000,000 next year, £10,000 has still to be paid on this and £10,000 on the other, so that next year we have to pay £20,000; and if next year you borrow another £1,000,000 you have to provide £30,000. This money is kept by the Public Trustee and invested. There is a procedure which is rather troublesome by which we can get the money out and reinvest it again, but it has never been done yet.

118. *Mr. Lee.*] You have been asked by Ministers of Finance in the past as to their attendance at this Board on occasions: is not the Minister of Finance under the Act a member of the Board?—Yes, he is Chairman when he is present.

119. And taking the majority of the meetings, does the Minister attend or does he not?—He does not attend. I wish he would attend.

120. The Board has no objection to the Minister attending?—The Board would be glad if he would attend—he would see what goes on—but he has not the time.

121. The non-attendance of the Minister which has been accounted for is not to the credit of the Minister in any way, is it?—No, and it is not to his discredit. He does not attend, because he is too busy. I might say that during the ten years I was in the Public Trust Office there was never a Minister at the Board except on one day when we wanted a quorum.

122. The Minister does not absent himself because he does not wish to take part in the proceedings?—No. I think if he had the time he would attend. Sir Joseph Ward, during the first year the Local Authorities Branch was in existence, was particularly anxious about it, and wanted to see the thing working smoothly. When he saw the thing working well he dropped away. He must have made considerable sacrifices to get there, but as far as the Board is concerned we would like to see the Minister present. He would be able to discuss the various loans.

123. In March last you issued a circular to the local authorities that in the case of provisional approvals there would be an increase in the rate of interest?—We called attention to what already existed in the Act, that the provisional approval did not bind us, and that there would be an increase in the rate of interest—that we could not get the money at  $3\frac{1}{2}$  per cent.

124. Up to that time you had been paying for money for loans provisionally approved, and you had been finally approving them at the rate of interest at which they were provisionally approved?—Yes.

125. Under what you thought was a kind of moral obligation?—We thought it was a moral obligation where they had entered into contracts and the local authority had done work ahead.

126. This moral obligation ceased in March?—It ceased only because we had not the money. The moral obligation would have continued indefinitely if we had had the money, but when we could not get it we had to call attention to the regulations.

127. You were driven to inform them that you had increased the rate?—Yes.

128. Before that several local bodies had got money at a rate of interest less than the amount which your Department could get it for?—No, they never got any money at a less rate than the Department could get it. As soon as we were informed that we could not have any more money at  $3\frac{1}{2}$  per cent. we raised the rate of interest to  $3\frac{3}{4}$  per cent.

129. No money has been lent out, then, to local bodies at a lesser rate than what it has been borrowed by the Department at?—No.

130. *Mr. Hanan.*] Have you received letters from Ministers during the last two years dealing with requests made by local bodies for loans?—I would not swear that I did not get letters asking what was the position, but I repeat my assertion that no letter or verbal communication has ever been received by me, or as far as I know any other member, with the intention of influencing the granting or refusing of a loan.

131. Did you ever receive a letter from Mr. Myers during his term of office regarding a loan?—No; I do not think I ever received a letter from any Minister. I would not say I did not. I may have received one, and turned it down and minuted it on to the clerk, "What is the position?" and he would reply.

132. I see that on the file there is a letter from the present Minister of Finance regarding a loan to the Clutha district?—That had no bearing on the question of influencing me to grant a loan.

133. But there is the fact that you received a letter from the present Minister of Finance?—I remember receiving a telegram from Mr. Myers about the Hastings loan. It is on the file, and I referred to it in my memo. That is the only one I can recollect.

134. And then there is also one from Mr. Allen?—Yes. It is dated the 10th September last, and it says, "Memo. for Superintendent, State-guaranteed Advances Office.—The Clutha County desires to borrow from the Advances Office £3,000 for the purpose of metalling roads within the Clydevale Riding. I do not know whether their application has come to you. Could



it be favourably considered?" The reply on the 11th September was, "The Hon. the Minister of Finance, Wellington.—*Re. Clutha County Council's Loan*: The Department has received an application for a loan of £3,000 to metal roads in the Clydevale Riding, but as the Council has already had £3,000 provisionally approved, only £2,000 more can be submitted for the Board's provisional approval, which totals a limit of £5,000. The enclosed copy of a letter was sent to the County Clerk on the 10th instant and a form of application was enclosed.—J. W. POYNTON."

135. *Hon. Mr. Allen.*] Is there any further letter from me?—No.

136. Did I speak to you about it?—No.

137. *Mr. Hanan.*] Have you a return showing the total amount of loans granted for water-works, sanitation, and drainage?—No; they have not been dissected. The total could be given.

138. Are you aware that the majority of the electorates are in the country districts in New Zealand?—I have not considered the question of electorates.

139. Do you know if at times representations have been made at Municipal Conferences to the Government for them to supply money to these boroughs with a view to securing a reduction in the amount of interest paid on the loans?—Yes, I believe at every conference; the question was a perennial one. I have seen it in the newspapers. It is a very burning question with the local bodies to get money as cheap as possible.

140. Now, supposing the money had not been advanced to these boroughs by the Department, what would have been the position—what effect would it have had on industries and enterprises if the money was borrowed locally from outside sources?—They would have to pay more interest. They certainly could not get it at the rates they are getting it at now, and perhaps the money that would be applied to clearing bush or purchasing farms and other industries would be, to a certain extent, locked up in these investments.

141. In other words, it would tighten money and increase the interest for business enterprise?—It would lock up capital. Of course, the money lent to these local bodies was always for new works, and therefore the money was not locked up as on a loan being repaid and the money going to England. This money lent by the Department was all expended on new works.

142. Having regard to the opinion given by the Solicitor-General, what is the position now regarding the advance of loans?—The position is that we will have to discuss the opinion at to-morrow's meeting of the Board, and, knowing the members of the Board, I think they would hesitate to grant any more loans until the Act was amended to allow them to enter into engagements ahead.

143. Does that mean closing down the Department so far as that aspect of the operations is concerned?—Yes; I am anxious to avoid that, and I would urge an amendment of the Act accordingly. It would be a serious thing for the local bodies if the Office had to wait until other liabilities were wiped off.

144. In your opinion, is it necessary to close down?—It is not, in my opinion, but others may think differently. When it has been said by the highest legal officer in the country that the procedure is irregular, it would not be right to go on lending money.

145. Do you know what the effect would be in the country if these advances are not made now?—It would not be so bad now, because the summer is on; but later it would be rather serious. If the Act were amended during this month or next month, then engagements could be entered into. I merely urge it so that the Committee may help to get the Act amended.

146. *Dr. Newman.*] I want to ask you, Mr. Poynton, when you borrow a loan, say of £40,000, for a local body from the Post Office, when is the Department to pay back that £40,000?—Debentures are issued for thirty-six years and a half.

147. For all these loans you issue debentures at thirty-six years and a half?—Yes.

148. Do you not think that when the Board was lending money lavishly it would have been wiser to have stopped these big loans, and therefore to have hoarded more money for these applications?—We lent money in these large amounts till we got intimation that the funds were not so plentiful, and then we reduced. The first intimation we got from the Post Office was in October that the funds would not be so plentiful as they had been in the past. Immediately this was brought before the Board the rate of interest was increased and the limitation of £5,000 imposed.

149. When a Committee like this asks for returns, should not those returns be checked by somebody, and not merely left to a clerk, before they are presented to this Committee?—Yes, but I have not time to check them. I go to a responsible clerk and say, "I want that return," and I assume it is correct.

150. *Right Hon. Sir J. G. Ward.*] As a matter of fact, you have been in attendance on this Committee every morning?—Yes, I have other duties to perform, and I am certainly not going to check all those returns of the clerks. There are two clerks in charge of the work, and they check them.

HENRY KEMMER sworn and examined. (No. 7.)

1. *The Chairman.*] You are a member of the New Zealand State-guaranteed Advances Board?—Yes.

2. *Right Hon. Sir J. G. Ward.*] You have been a member of the State-guaranteed Advances Board, Local Authorities Branch, since its inception?—Yes, since its inception.

3. Have you at any time had any attempt made of political pressure in connection with any loans dealt with or any business of the Board?—None whatever.

4. Have you ever been asked by me as Minister of Finance or by any other Minister of the Government of which I was head to assist to pass a loan of any kind at that Board?—Never—never spoken to by a Minister or anybody else.

5. During the time you have been a member, have you had any occasion to call the attention of the Board to anything in the shape of squandering of money, or has there been any squandering of money by the Board?—No. If I thought there had been any squandering of money I



certainly should have said so at once. I have seen no object in squandering the money; we have given everybody what they asked for, what they were thoroughly entitled to, and that is the only thing I know. According to the Act they were entitled to what they have had in every case, nothing over and nothing less.

6. Has there been on the Board any attempt at favouring loans to boroughs at the expense of County Councils?—No, there has been no favouritism whatever. We have granted the loans to the country, all the backblocks, for every cent they have applied for, and therefore we could not grant any more to them. If we had not granted to the boroughs—we will say Timaru, for instance, because there seems to be a vast amount of trouble over that in regard to political favouritism—we should have made a loss. We granted Timaru £116,000 out of £188,000 applied for by them, and if we had not granted it we should have lost £10,000 more than we did lose, because we had the money in the bank and could not get rid of it. We should have been very foolish not to have granted Timaru the £116,000 which we thought they were entitled to out of the £188,000 they applied for.

7. Was there any doubt as to the security in regard to the Timaru loan?—None whatever.

8. Have you at any time during your membership of the Board had occasion to find fault with anything in the direction of waste?—No, I have not seen any waste.

9. Have there been any losses made upon any advances to a borough, a County Council, a Road Board, a River Board, or any other Board that an advance has been made to?—Yes, I think there has been a loss.

10. In what direction?—By granting money at what the Act says we should grant it—that is, the rate at which it is borrowed, which is not the cost of it.

11. What I want to know is this: has there been any loss upon any loan issued to any local body by the non-payment of interest or by the loss of security?—No, none whatever.

12. There has been a loss in not earning interest upon moneys waiting for investment?—That is so.

13. Amounting to about £23,000?—£22,000. That is about £9,000 a year. That is the only loss.

14. Do you remember at an early meeting of the Board a discussion taking place upon this question of the loss of interest?—Yes, perfectly well.

15. Do you remember whether I undertook to have a vote provided upon the consolidated estimates for any loss that occurred in that way?—It is some time ago now, but you said, as far as I remember, that it would be better to wait for a year or two before we did anything in that way, although we knew actually that a loss must take place. There must have been a loss, but you thought it better to wait a bit to see what the result would be.

16. *Mr. Lee.*] You mentioned loss just now on account of interest—£22,000. I understood you to say previously to that that on account of the framing of the Act there was some other loss?—No, not some other loss. In the Act it says distinctly that you must let the local bodies have the money at the rate at which the loan is raised, but the rate at which the loan is raised is not the cost of the loan.

17. Then there was a loss in that direction?—There must be a loss. That accounts for the £22,000 in not putting our money out. We could not put it out. We had money in the bank but could not put it out, and we lost interest in that direction.

18. *Mr. Myers.*] After the discussion took place in the House you saw the paper the following morning with the headlines “Political Influence”?—Yes.

19. Did you consider it a reflection on the members of the Board?—Most decidedly I did. I considered it was a reflection especially upon me. I am the only independent member of the Board; I am the only man who gets my living outside the Board; and why should my character be taken away by saying that I was influenced by political purposes in putting this money into Timaru?

20. You felt your honour was impugned?—Yes, I felt so, and I still feel so.

21. Without the slightest justification?—Yes, precisely—without any justification whatever. I never dreamed of political influence. I cannot possibly see now, and I have studied the thing as much as any man, how political influence can come about with the advances to local bodies.

22. *Mr. Hanan.*] You are a public accountant, Mr. Kember?—I am, sir.

23. What is the nature of your work in connection with accountancy in Wellington?—Every sort of accountancy.

24. Do you act as accountant for big companies?—I act as accountant for big companies, small companies, individuals, secretaries of companies, and so forth—every class of accountancy in the City of Wellington—most of my clients, I may say, being what I should call a very conservative class.

25. It is stated in the opinion by the Solicitor-General, “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.” Can that be done easily?—Well, that can be easily done provided the money is paid away at once, but if it is carried for three or four years it is a little difficult, I think, with exactly that wording.

26. In your opinion a difficulty is involved?—I think it is a little involved, most decidedly.

27. Am I right in saying that the local authority would not know accurately and definitely the precise rate of interest it would be called upon to pay?—Yes, that is perfectly decided as to what they have to pay.

28. Now, as to striking a rate to meet the interest on these moneys, what would be the position unless something definite is laid down?—We are in the habit of acting according to instructions given by the Act. I think we have done the best we can in regard to the matter, and we have certainly kept within our bounds in putting out our loans at the then price at which the

members of the Board made it, but that is as far as the Board is concerned. What happens after that is nothing whatever to do with the Board. That is a question for the Minister and the Superintendent. I do not know what arrangement they choose to make—it is made by the Minister and the Superintendent.

29. Do you know of any application for a loan that was not recommended by your Board that was approved of by the Minister?—Oh, no, that would be simply out of the question. That would damn us at once as far as I can see.

30. Then there is no instance on record as far as your knowledge goes of a Minister approving of a loan that was declined or not recommended by the Board?—It could not possibly be done—it is impossible.

31. But I take it that your Board having made a recommendation, you look to the Minister to approve of that loan?—That is nothing to do with us—the Minister can please himself about that; although I suppose it is no use having a Board unless the Minister approves of what the Board does. That is all I have to say, but the Minister can please himself whether he chooses to approve of it or not. It is no business of ours what the Minister does.

32. *Dr. Newman.*] Are all these loans approved at Board meetings?—The only way that loans are approved are at Board meetings.

33. Do you recollect an application by the Remuera Road Board for a loan of £42,000?—Yes, I do, perfectly well.

34. Was that approved at a Board meeting?—Most decidedly.

35. Was not a paper brought round by a clerk to each member of the Board, and each member of the Board put his initials to it, and afterwards it was ratified at a meeting of the Board?—What do you allude to?

36. To the loan of £42,000. You remember Sir John Findlay's telegram?—Yes.

37. Well, was that loan approved by the individual members of the Board by putting their signatures to it and afterwards ratified at a Board meeting?—I do not remember that. Will you tell me the date on which it happened, because I was absent from nine meetings. [File produced.] Yes, I signed that.

38. A loan was granted, and you approved of it without a meeting of the Board?—No. We each say that we will grant permission to the Board that that loan shall be approved by the Board. We did not approve it in any way. It is put before us "To be approved."

39. Oh, no?—Oh, yes. It states, "At yesterday's meeting of the Board the attached file was inadvertently omitted to be included with five other files for the Board's recommendation to the Minister to finally approve, and as the money is urgently needed, or a portion of it, will you be kind enough to each express your approval of this file being submitted for the purpose mentioned, so that when the debentures are received the desired payment of £10,000 can be made without any delay. I personally agree to this being done, which can be confirmed at the next meeting."

40. You approved of it to be confirmed at the next meeting?—Yes.

41. Were there any other cases like this?—I do not remember any.

42. This was an exceptional case?—Yes; I do not remember any other.

43. *Hon. Mr. Allen.*] Do these forms come before you?—They are on the file.

44. Do you approve of those allocations of the loan?—That would be put in our minute-book. I cannot say what is there. We approve of the minute-book—that is what we go by, not by this form. We may call for the form, but the minute-book expressly states all the conditions of what the people want.

45. Does the minute-book say when the loan is to be paid over to the local body?—No. That is for the consideration of the Minister and the Superintendent.

46. Then who puts the allocation on the form No. 3?—We have a printed copy of the minute-book and we go by that.

47. Does the Board know anything about this at all?—They can if they choose see this, but I do not see the necessity. The whole information is in the minute-book or our printed paper. We could have the file, but it would take us a week to go through it.

48. Then when you are granting a loan to a local body do you grant it to be paid out immediately or not?—No. We do not make the arrangements with the local body at all. The Board does not know whether it is going to be paid to-morrow or any other day.

49. Who lays down that condition?—The borrower lays down his condition.

50. Has the lender got no say in it?—The lender is the Superintendent, who has power to pay it whenever he chooses.

51. Is your statement this: that the Superintendent makes the conditions with regard to the payment of the loan?—The Superintendent and the Minister, who is finding the money.

52. They make arrangements with regard to the payment of the loan?—Yes.

53. Then if a loan is to be made payable partly in 1911, partly in 1912, and partly in 1913, the responsibility is with the Minister and the Superintendent, and not the Board?—Quite so.

54. You remember the resolution you passed after the discussion in the House?—Yes.

55. You remember that your objection was to the statements made in the House?—Yes.

56. Whom did you refer to?—Well, in the first place, there was the Hon. Mr. Allen: he stated that the Remuera Road Board was paid £37,000 three days before the election. Remuera before the election never received one penny; and therefore I say that Mr. Allen made a mistake or made a misstatement which he should not have done.

57. Are you quite sure that Mr. Allen said that Remuera was paid £37,000 three days before the election?—I can only say you were reported to have said that.

58. Well, you ought to say so?—I could not say you actually said it—I was not there. It was a decided reflection. Here is what you said: "Birkenhead, £25,180, of which so much

was paid three days before the election; Remuera, £87,625, of which £37,000 was paid three days before the general election." That is what the paper said or reported you to have said.

59. Do you not think that as I was Chairman of your Board it would have been wise on your part to have waited and asked me if that is what I did say?—No. Other people called it a most diabolical arrangement. Here is another paper in which they say, "diabolical outrage." Why did you want, as you were Chairman of the Board and our Minister of the Board, why did you want to throw discredit on us in the way you did?

60. I did not want to?—It seemed that you said we paid out £37,000 three days before the election. That was sufficient to damn us. Were we to stop because the election was on?

61. What I did say, and I was quoting from this return I hold, was that the Minister had finally approved of £42,000 being granted to Remuera on the 17th November, 1911, and £37,000 had been finally approved for Remuera on the 4th December, three days before the election?—Yes, that is true; but you did not say so according to this report which I read. I did not read anything else. I knew that to be untrue, because I know Remuera did not have a cent before the election.

62. How long was it after Remuera got the money?—That is nothing to do with me.

63. Was it within a month?—Yes.

64. I ask you the question again: do you not think it would have been wise of you to have written to me as Chairman of the Board to ask what I did say?—No, because everybody was satisfied you had said it.

65. Now, I tell you I did not say it?—Well, I am sorry that you were reported to have said so. As I only read one paper on that Saturday I was very much disgusted with the whole thing.

66. Was it reported to you that Sir John Findlay had telegraphed to the Prime Minister about this?—No.

67. You know nothing about that?—No, nothing whatever. He did not telegraph to me.

68. *The Chairman.*] You stated just now that the Board would lose money if you did not invest money promptly?—Yes.

69. On the 30th November the limit of £5,000 was imposed?—Yes.

70. What effect would that have on the funds in hand?—We should be able to find £5,000 in a reasonable time, and as far as the limit was concerned, I have not the least doubt about it that it was the very best thing for the country. That is quite sufficient for backblocks—they cannot spend £5,000 in a day. Give them £5,000 when they apply for it, and when they have spent that let them apply for another £5,000. What is the trouble with the backblocks? Nothing. They have had everything they wanted, and they did not ask for more. Why should there be such a fuss about the backblocks?

71. As a member of the Board, do you mean to say that any backblocks can get £5,000 any time they apply for it?—Yes, I do.

72. Even if they have had £5,000 before?—Yes, most decidedly. What is to prevent them?

73. The limitation is not confined to £5,000?—Not in only one sum of £5,000.

74. Is not the Board carrying out the principle that if a local body has received £5,000 in any one sum they shall not receive any more?—No, that is not a limitation.

75. If a local authority asked for £5,000 they could apply for more and it will be granted at the present time, irrespective of any amount they have applied for before?—Yes, decidedly.

76. And if Remuera, which has already received £80,000, applied for £5,000 they could receive it?—Yes, if they have the security.

77. And Timaru too?—Yes. If they applied for more than a certain sum they could not get it, but if they applied for £5,000 and they had the security they would get it.

78. What would you say if the Superintendent takes it upon himself to refuse a loan on account of the local authority having received £5,000 before?—He would have to bring it before the Board; he cannot refuse anything at all. He has no authority to—it has to go to the Board.

79. And the Board would take up that attitude that any local authority could have it?—I would without doubt, but I am only one member of the Board.

80. That is the policy they are pursuing at the present time?—No, there has been no chance of pursuing that policy. I have said that I speak distinctly for myself as a member of the Board, and I can say whatever I please on the Board.

81. You were at the meeting when the £5,000 limit was imposed?—Yes.

82. And you understood that was to apply to individual amounts?—I do not see why you should ask me what I understood about the matter.

83. What is the fact?—At the present time there is a limit of £5,000 for anybody applying at all.

84. Irrespective of what they have borrowed before?—I do not see that borrowing before has anything whatever to do with it.

85. *Right Hon. Sir J. G. Ward.*] Mr. Kember, on that point put by the Chairman, if a further application was received from Timaru it would go before the Board, I assume, on its merits?—Yes.

86. And the Board in the ordinary course will either reject or approve of it?—Yes, provisionally approve.

87. And all approvals at that Board are unanimous?—Yes.

88. Now, has the procedure of the Board been that where prior applications were up for consideration by the Board, that they would take precedence as against a second application from Timaru?—You see this is all supposition, is it not?

89. No, I am asking the procedure in the sequence of the applications for loans. Would the second application from Timaru be put ahead of others applied for before?—No, that would

not be fair. The applications will be put in as received by the Board. If we had money and we have not already refused a local authority, and it came in to our hands, we should then go back to the first preceding application and tell them that they could put in a further application.

90. *Mr. E. Newman.*] Mr. Kember, if a County Council had received £5,000 for expenditure on local works and put in another application for £2,500, would they get it if the security was all right?—It depends on the time after the receipt of the £5,000, and what they did with it. In all probability it would take over six months to spend it, but in all probability we should grant them the extra £2,500 if we had the money.

91. Do you not understand that the £5,000 limit meant that the local body should not get more than that altogether?—No, I did not understand that.

92. Would you be surprised if local bodies had been refused grants on the ground that they had already received £5,000?—There has been no such application as that.

93. Then you would be surprised if I could produce letters from the Superintendent to that effect?—Yes, I think so.

94. *The Chairman.*] There was an application from a local body up north a few months ago for only £240 on good security and it was refused. What would your explanation of that be?—Well, if you tell me who it was and what were the grounds of the refusal I may know something about it.

95. The ground of the refusal was that they had exceeded the £5,000?—How long afterwards—it must have been a day or two afterwards.

96. A month after they had received another previous loan?—I do not know.

WILLIAM ROBERT GAHAGAN SWORN and examined. (No. 8.)

1. *Right Hon. Sir J. G. Ward.*] Are you Chairman of the Spreydon Road Board?—It is a borough now, and I am Mayor of the borough.

2. How long has it been a borough?—Two years.

3. Do you recollect the members of the Spreydon Road Board interviewing me in Christchurch in 1908 and pointing out their inability to obtain the necessary money for public works within the Road Board of Spreydon?—Yes, we were trying to get a loan.

4. Do you remember the amount of the loan you were asking for?—£20,000.

5. Do you recollect if you were one of those who waited upon me?—Yes, and Mr. Downes was also there.

6. Do you remember informing me that you could not obtain the money locally?—Yes, we tried hard to get the money locally but could not.

7. Do you recollect the deputation urging me to try and obtain the money in London for them?—Yes, and you promised to do so.

8. Had you any opportunity of obtaining that money until you got it from the State-guaranteed Advances Department?—We made several attempts, but we could not get it. We were willing to give a fair amount. We had promises that we would get the loan if it were possible, but we could not obtain it.

9. Has that loan been expended in the borough as it is now?—Yes. The work is very nearly finished. We just got our last £1,000 a few weeks ago.

10. Has the expenditure of the loan been beneficial to the people there?—It has just made the place. Spreydon was then a Road Board, and adjoins Greater Christchurch. I might say that the area of Spreydon is about 1,400 acres, and it was in an out-of-the-way place and was practically dead. It is a real fine suburban place, and if we had not obtained the loan it would have been in the same position to-day. About the end of 1908 we had a population of fifteen hundred, but to-day I believe we can count on a population of four thousand. The capital value of the property then, I think, was £250,000, while to-day it is about £450,000. I can hardly explain the great difference it has made in the place. With that money we were able to widen the roads; we have laid down twenty-five miles of asphalt footpaths, and we have put in twenty-five miles of concrete channeling. You could hardly imagine the difference in the suburb, and building is going ahead very fast.

11. Do you attribute that to the money you obtained from the State-guaranteed Advances Board?—Certainly. It was a district where a number of persons held properties ranging from 2 to 10 acres, but those properties have been cut up and roaded, and since we have been a borough we have been able to compel them to put in asphalt paths and concrete channels, which has advanced the district. Anybody who had been there two years ago and went three now would hardly know the place.

12. Has the expenditure of that money contributed to healthier conditions for the people who live there?—Certainly. Through the expenditure of that money there is one part of Spreydon—the Bowden Estate—which has been drained. That could never be drained properly; it was like a basin; but, owing to the works that were carried out, we were able to alter the drainage district and thereby drain this Bowden Estate, which we were not able to do before.

13. Are there many workers living in the borough?—They are chiefly members of the working-class. There are a lot of the Addington Workshop employees living in the district. I suppose the boundary of Spreydon is about a quarter of a mile from the Addington Workshops.

14. And prior to your obtaining this advance from the State-guaranteed Advances Office you were not able to put any of those works in hand?—No, we were too poor.

15. In regard to the workers to whom you referred, does it mean that by going out of Christchurch they are able to get lower rents?—Yes, certainly. When they cut up the properties they got a quarter-acre section for about £80 or £90. They were good cheap building sections of about 50 ft. or 60 ft. frontage. They were not put to any expense in altering the sections, as they were level, and they could grow vegetables or anything else on them.

16. And there is no overcrowding?—None whatever.

17. *Mr. Hanan.*] Will you state what the saving in interest has been by your getting the loan from the State-guaranteed Advances Department as compared with outside people?—From what I understand, I do not think we could have got the loan outside at under 5½ per cent. That is practically a saving of 2 per cent.

18. Then the development which has been of so much advantage in securing health and cheaper living to the workers which has been referred to could not have been secured?—We could not have done it without a loan; it would have been impossible. Sir Joseph Ward asked if it was an advantage in regard to the sanitary arrangements, and I desire to say that it was. The land is rather flat there, and in talking to Mr. Freeman, the surveyor who was doing the work, he said that we could not have got the water away on account of the place being so flat, but when we got the concrete channels we had better conditions.

19. What is your position?—I am Mayor of the borough.

20. If the lending of money by the State Department to local bodies like yours is discontinued, what, in your opinion, will be the effect?—Well, I might say that there is a small portion of our borough which is out of the loan area, and we are very anxious indeed that the Government will be able to help us still further. In fact, I believe there is a petition coming to the Council to put this small portion in and to get a further loan, and if that cannot be done it will be very serious for that portion of the district.

21. Do you think that boroughs ought to obtain loans?—Certainly I do.

22. Why?—Because it is a big advantage to the whole district, especially in the way it is granted. In the course of thirty-six years and a half we will have our loan paid off.

23. But applying to other boroughs—the principle?—I certainly do, if they were in the position we were in of not being able to raise the money otherwise. They must have it. I know they are trying to form a new borough in Lower Riccarton, and I feel certain that unless they are able to get a loan they will not go ahead as we have done. I feel certain of that.

24. *Hon. Mr. Allen.*] With regard to loans to boroughs, if there is only a certain amount of money, do you think it is wise of the Government to lend it out in large sums to well-to-do boroughs?—I hardly know how to answer that, Mr. Allen. I certainly think it is the right thing for any Government to encourage these boroughs. Of course, if they can raise the money locally well and good, but I say that even if the Government is not going to make much money out of it, it is their duty to help these boroughs. I am a public man. In fact, our Council thinks we ought to try and help the working-class in our borough and try to raise money to help them to build houses.

25. I am referring to the large boroughs that have considerable capital and are able to borrow either inside or outside New Zealand. If there is only a limited amount of money, do you not think it would be wise for the Government to keep it for the boroughs that are more needy?—Yes, I feel that way.

26. *Mr. E. Newman.*] What was the amount of your loan?—£20,000.

27. And what did you spend the money on?—Regrading, widening roads, asphalt footpaths, and concrete channels.

28. Were there any sewerage-works?—No, not purely sewerage-works, but all surface-water drainage. I believe that, in connection with the Bowden Estate alone, the drainage of that property alone has increased its value by fully 20 per cent.

29. If there was a limited amount of money available, would you consider it better policy to spend the money in levelling and widening roads in proximity to a city or in giving access to the backblocks?—I think they ought to divide it up. I do not think they ought to block one for the sake of another. I believe in helping those who are not able to help themselves in the backblocks, but I do not think the suburbs should be neglected.

30. What did you pay for this money?—3½ per cent. and a sinking fund.

31. Does that include the sinking fund?—Oh, no, it is over and above that.

32. *Right Hon. Sir J. G. Ward.*] Was there any political influence of any kind sought to be used by your Road Board or borough to obtain this loan from the State-guaranteed Advances Department?—No.

33. Was application made direct to the Department?—Yes.

34. *Mr. E. Newman.*] What date did you apply for the loan?—June, 1909, I think.

35. And when did you hear the loan was granted?—I could not say. We are at present represented by three different members—Mr. Laurenson a small portion, Mr. Ell a larger portion, and the Hon. Mr. Rhodes another portion.

36. *The Chairman.*] You went direct to the head of the Government in Christchurch in connection with your loan?—Yes, in Christchurch, when we failed to get it anywhere else.

JAMES KEMMIS WARBURTON SWORN and examined. (No. 9.)

1. *The Chairman.*] What is your occupation?—I have retired from the position of Auditor-General.

2. *Right Hon. Sir J. G. Ward.*] Mr. Warburton, how long have you been a member of the State-guaranteed Advances Board that deals with advances under the Local Authorities Branch?—About two years and seven months.

3. You were for a number of years Superintendent of the State Advances to Settlers Department?—Superintendent of the Department under the Advances to Settlers Act.

4. You had a long experience in connection with the advancing of moneys in the Advances to Settlers Department as Superintendent and as a member of the Board before you took up the position of a member of the State-guaranteed Advances Board for Local Authorities Branch?—Yes.

5. Can you say from memory how many years?—I cannot recollect precisely; I think at least three years.

6. And you were for many years Accountant in the General Post Office?—Yes, Controller and Accountant.

7. And you were also for a number of years Controller and Auditor-General of the Dominion?—Yes, from September, 1896, until the end of January, 1910.

8. Would you be good enough to inform the Committee whether in any of the positions you have held, including the present one as a member of the State-guaranteed Advances Board, if you saw anything in the shape of political interference or squandering of money or waste of money or improper administration, whether you would have considered it your duty to have attempted to stop it and at least have brought it under the official notice of the Minister?—I should certainly have stopped it, but whether I should have brought it under such notice I am not quite sure, but I should certainly have stopped it.

9. Well, if as part of your duty it was necessary you should report it, you would not hesitate to have done so?—I think not.

10. Now, on the State-guaranteed Advances to Local Authorities Board, were you at any time asked or requested by any Minister of the Crown to use your influence in the granting of a loan for any purpose?—No. No present Minister or other person ever addressed me on the subject of a loan, except perhaps a member of the Board at a Board meeting in Mr. Poynton's office.

11. But there was no political representation or interference with you of any kind?—No political representation or pressure of any kind.

12. Have you in your present position on the State-guaranteed Advances Board seen any squandering in connection with loans that have been administered by that Board?—No. Every loan has been granted in accordance with the law.

13. Has every loan been dealt with under the terms of the Act and with the provision for the security by a special rate that the Act provides for?—To the best of my knowledge and belief it has been done.

14. Well, has there been to your knowledge any loss made upon a loan on the part of a local public body not paying the interest or by depreciation of the security since the issue of a loan?—No, not that I can recollect.

15. Now, has there been any waste in connection with the carrying-on of the affairs of that Department to your knowledge?—No.

16. There has been no squandering, no waste, and no political interference with you as a member of the Board?—I would ask what you mean by "waste"?

17. That is the term which has been used publicly and reported in the Press?—I understand there has been no waste.

18. Is it a fact, Mr. Warburton, that under the old loans-to-local-bodies system, upon the expiry of a loan the principal was not required under the Act to be repaid to the country?—The General Government became liable for the capital amount of the loan.

19. Is it a fact that under the State-guaranteed Advances Act, which has replaced the Loans to Local Bodies Act, the State gets back the whole of the capital, and has the full rate of interest repaid by the local body as well as the repayment under the scale by way of a sinking fund for the repayment of the whole of the loan?—Yes, that is the case.

20. Is there anything unusual in a Board of the kind of the State-guaranteed Advances obtaining the authority of individual members of the Board for action on the part of the Board to be confirmed at the subsequent meeting?—It has been done on every Board of which I have been a member.

21. On other Boards than the present State-guaranteed Advances Board?—Yes. I recollect that was done in one or more instances. For instance, on the Board administering the Public Debt Sinking Fund, of which I was Chairman. Occasionally there would be a proposal to make one investment for which it was not considered worth while to call a meeting of the Board, and which was submitted to each member to approve of making.

22. At a meeting of the State-guaranteed Advances Board it is in evidence that business in connection with a loan authorized for the Remuera Road Board had been inadvertently not brought up to be considered at that meeting of the Board, and that when the mistake was discovered a memo. was sent to each member of the Board asking him to act for confirmation at the succeeding meeting. You agreed to that, I understand?—I do not remember the particular loan, but no doubt that was it. Yes, a loan of £42,000 was submitted by the Superintendent of the State-guaranteed Advances Department to each member of the Board, and I as one of the members approved of it.

23. And did you consider that in approving of that between the meetings of the Board that you were doing anything that you should not have done or doing anything unusual?—No, or I would not have signed it.

24. *Mr. Lee.* } I may take it, then, that in approving of it in that way you were doing what was usual?—Well, it is usual in such circumstances.

25. Can you give me any other instance in the whole of the transactions of the Board in which the final approval was carried out in this way?—I do not recollect any.

26. You approved of this letter of complaint of the 30th September, 1912, directed to the Minister of Finance, did you not?—As a member of the Board, yes, I approved of it.

27. It reads in this way: "This Board regrets that the statements made in the House of Representatives on last Saturday morning, to the effect that loans have been granted by it to local authorities under political influence, and with a view to influencing the general election of last December (1911)." Was that the statement which the Board regretted?—Yes.

28. Now, can you tell me what statements had been made in the House of Representatives that the Board took exception to, and by what members of the House?—I cannot recollect the particular members or the particular statements. There was an article or two in the newspapers reporting what the members said and what the statements were.

29. That letter was sent next day, was it not?—It was authorized to be sent on the day on which the article appeared in the newspapers.

30. Do you not think it would have been better to have made yourself acquainted with the exact statements that you objected to before the letter was sent?—It occurred to me that what was reported in the newspapers in the morning—the charges reported—had gone forth to the public, and that if any representation was to be made the sooner it was made the better.

31. You have asked in this letter that “A tribunal be set up as soon as possible to investigate the charges of political influence made against the Board.” This tribunal has been set up. Can you tell me specifically what charges of political influence have been made against the Board?—I could not recollect specifically without referring to the newspapers. The reports in the newspapers were discussed at the meeting of the Board.

32. The whole of the transactions of this Department with reference to loans to local bodies, practically the whole of them have come under your notice?—They come under my notice. I was Chairman of the Board in the absence of the Minister, and I attended every meeting of the Board.

33. Are you satisfied with the general management of this Department up to date?—Yes, I am satisfied. I do not think there is a Department better managed than this.

34. The Board had certain funds for lending out?—Yes.

35. Who decided as to what amount the Board should have for lending out: was it on the application by the Board, or was the money simply supplied by the Government as the amount you had to lend out?—The Act authorized the lending of so-much money, and the Board would inquire whether there was money available.

36. Before they made the loans?—Yes.

37. How was it, then, that a large sum of money was in the hands of the Board for lending before the Board had applications for any of the loans at all?—That would happen in the raising of a loan. A large amount of money would come in before the Board considered the application. When I was Superintendent of the Advances to Settlers Department there was a very large amount of money received in advance for investment.

38. And to-day there is very little money for investment?—Very little indeed, so far as I know at this present moment.

39. Do you think that you should be able to advance now as you were advancing in the early stages?—I think not. I do not think there is a sufficient supply of money.

40. But if you had the supply, do you think the Board should be advancing at that rate?—I think the Board should deal with applications according to the Act, and the Act makes no discrimination.

41. You simply have to lend out the money that is supplied to you?—To applicants of whose applications we approve.

42. *Mr. Craigie.*] Mr. Warburton, did the Minister of Finance sometimes preside at the meetings of the Board?—On a few occasions.

43. Did ever he use any influence with the Board in favour of one local body over another?—No.

44. Were you ever approached by any Minister or member of Parliament, or any one else, in favour of any local body getting money?—No.

45. As far as you know, in the Act or the regulations there is nothing to guide you to discriminate between one local body or between a borough and a county in lending money?—No.

46. And there is nothing in the regulations or the Act to limit the money you can lend to any local body if you have the money?—Not that I recollect.

47. These advances to local bodies under the State-guaranteed Advances Act are on a sound financial basis so long as the amount of interest charged is the same as that paid by the Government. If the Government can borrow money at  $3\frac{1}{2}$  per cent. and lend it at  $3\frac{1}{2}$  per cent. with a sinking fund, the State loses no money over the transaction?—Yes, they lose the administration charges; there is the departmental expenditure.

48. On the whole it is on a sound financial basis compared with the old loans-to-local-bodies system?—They are both on a sound basis; but it is more favourable to the Government as a whole that the local bodies should be liable for the capital instead of the General Government.

49. The General Government had to find the capital under the old Act?—Yes.

50. And under the State-guaranteed Advances Act with the sinking fund it repays back the loan?—Yes, if it remains solvent and can pay its way.

51. *Mr. Myers.*] The Act prescribes that the Minister on behalf of the Superintendent shall raise the necessary moneys, does it not?—Yes.

52. Therefore, so long as an application was in order, you would always rather consider applications according to priority of receipt on their merits?—Yes, I presume we would. I do not know whether they come before the Board in the order of the dates in which they are received, but all the applications, I understand, that are ready for consideration by the Board during the week come before the Board at the next meeting following that condition.

53. And the reason presumably that you passed that resolution limiting the applications to an advance of £5,000 was owing to the large amount which had been applied for?—It was owing to the approval of the lending to local authorities of the large amounts that had been raised and were in hand. The Board at each meeting was informed by the Superintendent of the state of the funds, and when the funds became low the Board had to consider in what way the lending should be restricted.

54. And that is why you restricted the applications to loans of £5,000?—Yes.

55. You are aware I was Minister of Finance in the Mackenzie Ministry?—Yes.

56. Did I ever attend a meeting of your Board?—I do not recollect your attending a meeting of the State-guaranteed Advances Board.

57. As a Civil servant who has had a clean record and a long and honourable career, when you read in the newspaper in the morning that there had been political influence used, you naturally resented any suggestion of the kind?—I cannot say that I resented it actually, but I thought that the charges involved the Board, and that they should not rest on the members of the Board.

58. In other words, until the matter is cleared up you would feel more or less under a cloud?—Certainly. I felt that the public would regard us as involved in the charges whether they were directed against the Board or not, because the loans required the approval of the Board.

59. Then you entirely deny any imputation of political influence or plunging as far as the Board is concerned?—Yes.

60. *Mr. E. Newman.*] Did the Board fix a limit for advances to local bodies?—I think not— not if there were moneys.

61. If a County Council had received an advance up to £5,000, could it receive a further advance if it produced security sufficient for it?—I think not.

62. Then they must have fixed a limit?—The Board fixed a limit of £5,000.

63. When did it fix the limit?—I could not say for certain—I should have to refer to the record.

64. Was it a month ago?—More than a month, I should say.

65. Did you not understand that under the Loans to Local Bodies Act the State had to provide a sinking fund in connection with the money advanced to local bodies?—At one time, at any rate.

66. Until the State-guaranteed Advances Act took its place, was not that so?—I think it was—I am not quite sure.

67. If a local body wanted an advance you provided the money if you had it: as long as you had the money you tried to get it out?—Yes.

68. Were some of these loans to extend over a period of years before they would all be taken up?—Some local bodies asked that their loans might be issued to them in instalments sometimes for periods of years. I do not recollect whether it was actually years in every case.

69. When you were considering such applications extending over a period of years, did it occur to the Board that money might go up in the meantime, and that it was not wise to fix the rate that they were to get it at for the whole period?—It did not occur to me, and I do not think it occurred to the Board.

70. It did not occur to the Board that there was an opening for considerable loss if they undertook to provide money at 3½ per cent. and money went up to 4 per cent.?—No, it did not occur to me. I thought that the Department was very fortunate in getting what I understood to be a promise from the Post Office to supply money at 3½ per cent.

71. Did the Board not fix any proportion for boroughs and counties as compared with the towns?—I do not think so. I do not recollect so.

72. They looked upon it that they simply had to get the money out so long as the security was all right?—There was no authority to discriminate.

73. *Dr. Newman.*] Was any other loan but this one of £40,000-odd to Remuera granted by being sent round to the various members for their signature?—I do not recollect any other in this particular Department.

74. Why was there the hurry?—The minute on the record which I have just read explains that it was omitted to be brought before the Board. This was the granting of money in respect of a loan which had been provisionally approved by the Board, and it should have come up according to the memo. at the meeting which had just closed, and I understood it was one of the transactions to which there was no objection, and one which the Board would have passed and would be sure to confirm, and I signed it.

75. Was the Board approached by the Hon. Mr. Fowlds about a loan for Onehunga?—Not to my knowledge. No one ever approached me or the Board. The Board may have received a letter from Mr. Fowlds, but I do not recollect it.

76. Have you read the opinion of the Solicitor-General on the question of the legality of lending money at 3½ per cent. when money was at a higher rate?—No, I have heard of it, but I have not read it.

77. Do you remember an application for a loan by the Wairoa Harbour Board?—Yes.

78. You remember it was refused?—Yes.

79. It was a loan of £78,000: what circumstances led up to its being accepted?—That the Board was satisfied that the grounds of the previous objection had been removed.

80. What grounds were there for refusing?—The fear that the money would be wasted on a scheme that was not likely to prove successful.

81. Did the Board have any fresh professional advice which made it alter its opinion?—I cannot speak very accurately—it would be better to refer to the record.

82. You were doubtful about lending it at first, and afterwards it was lent?—Yes.

83. What circumstances made the Board change its mind?—I have explained that the grounds of the Board's objection were subsequently removed, and my impression is they were removed by expert information.

84. I want the grounds upon which the refusal was based, and then why it was granted?—After looking at the record my answer must be that I was satisfied, and the Board was satisfied, that the security was good.



85. *Hon. Mr. Allen.*] You said in your evidence that you understood there was a promise to get the money from the Post Office at  $3\frac{1}{2}$  per cent. : is that so?—That was arranged, yes.

86. Who arranged it?—Well, I presume the Superintendent or the Government.

87. Did the Superintendent report to you that you could get all the money you wanted at  $3\frac{1}{2}$  per cent. from the Post Office?—I do not recollect that he reported we could get all we wanted, but I recollect he reported that he could get money from the Post Office at  $3\frac{1}{2}$  per cent.

88. Did he inform you that he could get moneys from the Post Office for commitments for 1913 and 1914, two or three years ahead, at  $3\frac{1}{2}$  per cent.?—He did not say over what period he could get it.

89. Do you think it was right of the Board to commit the country to lending money in 1913 and 1914 when they did not know what they could raise it at?—That appears to me to be a question for the Government—for the Treasury to say at what rate they could supply the money.

90. Did you not agree to lend money the payment of which was to be made in 1913 and 1914?—I believe so—I could not say.

91. At what rate did you believe the Superintendent was going to raise that money?—I do not know.

92. And yet you lend it out at  $3\frac{1}{2}$  per cent., or recommended it?—We had a large amount of money on hand, and the question was whether we should keep it at a loss or lend it out.

93. But when you had this large amount of money on hand, were you going to hold it till 1913?—We had to assume we could continue to borrow the money authorized by the Act.

94. You had to assume that the money would be borrowed at  $3\frac{1}{2}$  per cent.?—We had to assume that we should be able to borrow the money.

95. At  $3\frac{1}{2}$  per cent.?—Yes, at the rate at which we were lending.

96. You had to assume that or else you could not comply with the law?—We could not have approved the loan.

97. So you assumed that in 1914 you could borrow money at  $3\frac{1}{2}$  per cent., so you let the money go?—Yes, we let the money go.

98. Now, after all, do you think that was a right thing to do?—That is the consideration: I do not know whether it was for the Board, but we should lose  $3\frac{1}{2}$  per cent. on the money while we held it, and if we had to raise it at 4 per cent. afterwards we should only lose  $\frac{1}{2}$  per cent.

99. You would not be lending it to the local body at the rate at which you raised it?—No, not if raised at 4 per cent.

100. Would that be legal?—No, I do not think it would.

101. Have you had to refuse loans within the last few months to various County Councils?—Yes.

102. Several of them?—Those which were for larger amounts than £5,000.

103. Many of them?—We have had to refuse loans, but I cannot recollect how many.

104. And you say you made no discrimination in regard to those loans?—Not when the money was available.

105. First come first served, was it?—Practically so.

106. Did you make any discrimination about gasworks?—There was an objection raised to gasworks. Where the money was required to purchase works, at any rate, there was some objection.

107. Was there no discrimination about gasworks where the money was to erect new works?—Where the local body proposed to erect new works, I cannot remember distinctly.

108. Did you decline a loan of £8,500 for Dargaville for new works?—I do not recollect it, but it will be in the return.

109. You granted some other gasworks loans?—Yes, there was a discrimination made as to gasworks, but I forget particularly what it was now. Where there was already gasworks established in the locality and the proposal was to purchase those.

110. I am referring to the erection of new works, and that was refused. Was Eltham granted?—It is difficult for me to recollect.

111. With regard to the limit of £5,000, what is your opinion about it? Was it intended to be used in this direction, that any local body that had at any time received a loan of £5,000 was not to get any more?—It was usual, I think, except in those cases where a loan had been granted the instalments of which had not been all paid up. If a local body, for instance, had already applied for a loan of, say, £20,000, and £5,000 of that had been issued, the £15,000 would still have gone out.

112. That is not my question: if a local body had had £6,000 granted to it and came for some more, could it get any more at any time?—I think not. I do not recollect any after such restriction.

113. Will you tell us what the resolution means?—It means what I have already explained. "Resolved, that in granting loans to local bodies preference be given to those to which loans have not already been granted. Limit to remain £5,000, and rate to be  $3\frac{3}{4}$  per cent."

114. If anybody had had a loan of £5,000 before that, could they have got any more money afterwards?—No, I think not.

115. Are the members of the Board quite agreed about that?—I am not sure. That is my view about it.

116. *The Chairman.*] You said that if a loan had been partially paid up the balance would be paid?—Yes.

117. Supposing a loan had been simply provisionally approved, what view would the Board have taken of that—supposing it was a loan of £20,000 provisionally approved, and the £5,000 limit was imposed?—I should say that would be specially considered by the Board, speaking

for myself; but it strikes me that a loan provisionally approved before the limit was imposed would, if the conditions had been complied with, be granted subject to the rate being raised from  $3\frac{1}{2}$  to  $3\frac{3}{4}$  per cent.

118. In reference to your statement just now that you felt justified in committing the country two years ahead, is there anything in the Act to give that power, or was it ever discussed by the Board?—I do not recollect that it was discussed by the Board. It was assumed that the grant of a loan at  $3\frac{1}{2}$  per cent. would be in accordance with the law.

119. I am not making any point of the rate of interest at all. What I wish to draw from you is whether you considered the Board justified in granting loans outside the year in which the loan they operated upon was for?—Yes, I think the Board considered itself justified by law in granting a loan in instalments extending over a year or two, otherwise it would have been difficult to apply the Act successfully.

120. I understood from your evidence just now that the Board took up the attitude of getting rid of this money as soon as possible because they were losing interest on it?—That was the feeling of the Board—*i.e.*, that the money should be lent as authorized.

121. Then why did they want to commit the next two years of loan-money which was not yet raised?—The difficulty of raising money was not foreseen by the Board.

FREDERICK WILLIAM FLANAGAN sworn and examined. (No. 10.)

1. *The Chairman.*] What are you?—Valuer-General.

2. *Right Hon. Sir J. G. Ward.*] How long have you been in the Public Service of New Zealand?—About thirty-seven years and a half.

3. What are the principal positions you have filled in recent times?—I have filled the positions in recent times of Chief Draughtsman in the Lands and Survey Department, Commissioner of Crown Lands, and now Valuer-General.

4. Are you a member of the State-guaranteed Advances Board?—I am.

5. How long have you been a member of the Board?—Twelve months.

6. Since you have assumed the office of Valuer-General?—No, some time afterwards. I was appointed on the 1st November, 1911, in lieu of the Solicitor-General.

7. Have you been asked at any time by any Minister of the Crown in your capacity to expedite or support a loan on political grounds for any local body in this country?—I have never been spoken to by a Minister of the Crown or a member of Parliament, or any person in any way connected with the granting of loans or any business connected with loans.

8. Have you at any time at a Board meeting had any political representation made for consideration in granting a loan by any one?—No.

9. Has there at any time during your membership of the Board been anything that would warrant the statement of squandering in regard to the issue of loans to local bodies?—No. The question was considered on several occasions as to whether a loan should be granted or not, and the amount of it was under consideration, but the Board held that so long as there was money available, and so long as the statutory requirements had been complied with, they had no option but to grant the loan. There was no discrimination. We did not consider we had any discrimination.

10. In other words, under the Act which authorized £1,000,000 a year to be lent, if you had the money you considered the application, and if the security was right you granted the loans?—That is so.

11. Well, looking at it in the light that you have a duty to administer in accordance with the law, could there be anything in the shape of squandering applied on the part of the Board?—I have only been a member of the Board since the £5,000 limit was introduced in November last—at my second meeting. At that meeting the question of limiting the amounts to £5,000 on account of the scarcity of money was discussed, and on the 15th January a specific resolution was passed limiting the amount to £5,000, because some of the larger local bodies who had borrowed more than £5,000 thought the £5,000 limit applied to them. The resolution made it clear, however, that it applied to local bodies that had not received any loan previously.

12. Was there any squandering under the £5,000 limit?—No.

13. From your knowledge of the members working on the Board, would you think they would be parties to squandering public moneys under the Act?—Most decidedly not.

14. During the time you have been a member of the Board have you seen anything in the direction of waste in connection with the administration of the Board?—No.

15. Do you consider the Board is well managed?—I do. Of course, so far as the Board is concerned, it depends on the Superintendent to place before it all facts and figures and correspondence, and to see that all technicalities and statutory requirements are fully met.

16. As a matter of procedure, before you have finished with a loan there is a certificate by the Solicitor-General to the effect that everything according to law has been complied with?—Yes.

17. That is attached to the loan before it is finally approved?—Yes.

18. *Mr. Craigie.*] Do you know, Mr. Flanagan, that if any local body applied for a loan of £5,000 since the limitation was agreed upon, if they had had a loan of £5,000, £10,000, or £20,000 before, would their application be turned down because they had had money advanced to them before?—I would not agree to any further loan.

19. You would not give them any more?—Not considering the state of the money-market.

20. *Mr. E. Neuman.*] For how long did you reckon the £5,000 restriction was to last—for one year or for all time?—I understood it was to last until the money-market became relieved. It would be inadvisable to limit a loan to £5,000 for backblock requirements. There are backblocks that require up to £10,000 for legitimate work, such as construction of roads and bridges.

52. *Dr. Newman.*] Did it not occur to you as extraordinary, when the Board met in a week, that you should be asked to sign a round-robin?—No, it has happened in other Departments if urgent business has to be dealt with. It would be nothing extraordinary to have it completed like that.

53. Did you sign it without asking any reasons why it was urgent?—Yes. I did not know it was urgent. I take the Superintendent to be the executive officer of the Board, and I trust him to see that statutory requirements are complied with.

54. What is your function at the Board if not to inquire into those things—why are you there?—My function on the Board is not to doubt the Superintendent.

55. That is not the question: why are you on the Board if it is not your duty to look into everything yourself?—I look into everything this far: that after a loan is approved by the Board the documents are brought down, the members of the Board inquire if everything is in order, and if all the statutory requirements have been met. The papers are placed before me with the date of the application, amount of the loan, and everything else required. If the Superintendent assures me that all is right I take it to be so.

56. *Mr. E. Newman.*] With regard to your accepting and signing anything that had been approved by the Superintendent without inquiry yourself, if all the members of the Board did that what would be the result?—When I say that I consent after assurance from the Superintendent, it is not to be assumed that I refer to other than formalities. The Superintendent is the executive officer of the Board. This Remuera loan was provisionally approved before I was a member of the Board. When the time arrives for the final approval of the instalment the Superintendent states that all statutory requirements have been complied with, and that everything is in order. Why should I ask the Superintendent if he has received any intimation from a member of Parliament or anybody else that the loan is to be hurried on? I have nothing to do with that class of correspondence.

57. I suggest it is the duty of every member of the Board to inquire into those things himself, the same as it is the duty of a director of a company to inquire into the business laid before the Board, and not trust to the secretary alone?—The Board does not trust the Superintendent alone. He is trusted on questions as to whether everything is in proper order and formalities observed.

58. *Right Hon. Sir J. G. Ward.*] Mr. Flanagan, while at a meeting of the Board on the 22nd May the loan referred to, which you have just been replying to, was provisionally approved with the exception of £1,000 for fire plant. According to the evidence that is on record, it was to have come up at the meeting on the 6th November, but owing to inadvertence on the part of the clerk it failed to come before the Board. Now, at the meeting on the 13th November at which you were present a loan of £42,090 was submitted for confirmation of the Board's recommendation for final approval. That came up at the meeting on the 13th November at which you were present. Would you satisfy yourself that the law had been complied with in connection with that loan irrespective of what the chief executive officer or Superintendent placed before the Board?—Yes. We ask questions, of course, as to these loans, and all the documents are there.

59. If you had any doubt in regard to a loan being approved by the Board, would you or would you not object to it?—If I thought there was any doubt about it or anything wrong I would object.

60. If you had any doubt about any loan to a local body, would you object to it?—I certainly would.

61. And has the Board since you have been a member passed any loans which did not meet with the approval of the whole of the members of the Board?—No.

62. What date did you join the Board?—I think I attended the first meeting on the 6th November. I was appointed on the 1st November.

63. The resolution limiting the amount of a loan to £5,000 was passed by the Board on the 13th January?—Yes.

64. It states, "Resolved that in granting loans to local bodies preference be given to those to which loans have not already been granted. Limit to remain £5,000, and rate to be 3½ per cent." Was it authorized to reduce the limit to £5,000 previous to that?—On the 13th November, as far as I recollect, an arrangement to that effect was made by the Board, but it was not put into a formal resolution till the 13th January.

65. So that on the 13th November the limit was reduced to £5,000?—Yes.

66. And any local body applying would be so informed?—Yes.

67. *The Chairman.*] In imposing the £5,000 limitation, did it not strike you that it would create great hardship on the local bodies?—It did do so, but money was scarce at the time, and we saw no way out of it. We had taken up the position previously that, so long as there was money available, and the local bodies, County Council or borough, applied for it and had the required security, the loan should be approved.

68. It was in consequence, therefore, of the lavish expenditure during the previous months that caused the limit to be introduced?—Yes, it was in consequence of expenditure, but I would not say "lavish expenditure."

69. In regard to approving of grants for succeeding years, do you think the Board is entitled to grant a loan outside the year in which they are operating?—I would not be inclined to grant any more loans until Parliament takes action in regard to amending the existing Act by regulating the amount of an advance and the rate of interest.

70. But irrespective of the interest at all, or irrespective of the money available, do you think the Board is justified in lending money outside the year in which it is operating?—Personally I do not.

21. When you agreed to these loans on behalf of the Board extending over a number of years, some up to four years, did you think it prudent to fix the price of money at such a low rate as  $3\frac{1}{2}$  per cent.?—I was guided by the Act and regulations thereunder. I might state this: that the Board considered that after money got dearer it was not a proper business proceeding to limit the rate to  $3\frac{1}{2}$  per cent., and we notified the local bodies that we would charge  $3\frac{3}{4}$  per cent. for the loans.

22. Was that after you had previously agreed to lend money at  $3\frac{1}{2}$  per cent.?—Yes. As far as my recollection goes in nearly all cases these local bodies were notified that they would have to pay  $3\frac{3}{4}$  per cent. for it.

23. Would it not have been a prudent thing to arrange that the rate should be the current rate?—There were regulations issued under the New Zealand State-guaranteed Advances Act settling that question.

24. But in some cases you did so—in some cases you notified the local bodies that they had to pay the increased rate?—That was after the £5,000 limitation came into operation and when we could not raise the money at that price.

25. Did you realize that there must be a loss on these transactions?—It is inevitable that there be a loss under the Act until the Act is amended.

26. What loss did you anticipate?—I really could not tell you the loss.

27. But you anticipated there would be a loss?—Yes. If the money was borrowed and not invested the Board would lose interest on it, or if the rate of interest on State loans increased before the instalments of a State Advances loan were paid over there would be a loss.

28. Did it occur to you that there may be any illegality about it?—No, certainly not, because the regulations had been approved by the Solicitor-General. I did not question at all the legality of the regulations issued under the State-guaranteed Advances Act.

29. Did the Board make any distinction at all as between the backblock applications and the city applications?—I have stated at the Board that country districts should have preference where the land was undeveloped, seeing that these districts had not the advantages that the cities had.

30. Was there any minute about that?—No, that is my own opinion. Since I have been a member of the Board every loan has been very minutely discussed.

31. Was the Minister present at those meetings?—No Minister has been present at a meeting of the Board since I have been a member.

32. *Hon. Mr. Allen.*] Did you look upon it that a loan that had been provisionally approved before you went on to the Board had to be finally approved by the Board?—Yes.

33. Without any alteration in the rate of interest?—Yes; I regarded it in that way.

34. So that if a loan had been provisionally approved for months before the resolution was passed to raise the rate to  $3\frac{3}{4}$  per cent. you felt yourself bound to let that go at  $3\frac{1}{2}$  per cent.?—I regarded the Board as morally bound to find the money at the same rate as it was provisionally approved.

35. And so the Board agreed to recommend for final approval a loan to Remuera of £37,045 on the 4th December, 1911?—Yes.

36. And another loan to Remuera on the 7th November, 1911, for £42,040?—Yes.

37. What information was given to you about those Remuera loans?—No information at all. I could not tell you anything in connection with them. I saw no correspondence. The loan had been provisionally approved before I was a member of the Board.

38. You saw no telegram from Sir John Findlay?—No, the matter came up in the ordinary way. It might have been any other part of New Zealand so far as I was concerned.

39. Did the matter come up in the ordinary way?—So far as I am concerned it did. I never regarded it as a peculiar circumstance. The Superintendent brought down an already approved loan, told us everything was correct, and that all the statutory requirements had been complied with, and asked for our approval. I never inquired into anything antecedent to that.

40. You took his word?—Yes, I took everything to be in order.

41. How often did you meet?—Once a week—every Monday.

42. Do you remember the round-robin being sent round to ask you to approve of the Remuera loan?—No, I never signed a round-robin.

43. Are the decisions of the Board unanimous?—They are. But no resolution is passed: there is a general consensus of opinion.

44. Is there any resolution carried?—No resolution is carried: the Board generally agrees.

45. Did you ever see this [letter *re* Remuera loan not brought up at Board meeting produced to witness]?—I had forgotten that.

46. Is that a round-robin? Did you sign it?—Yes, but it had escaped my memory for the time being.

47. Do you think it a wise proceeding when you meet every week to send out round-robins?—It would be under certain circumstances. I think it is done in every Department.

48. Did you ever know it to be done in that Department before?—No, not in my experience on the Board, but I would not attach any significance to that.

49. It committed you to the approval of the loan?—Yes, it did; but, as I have stated already, I regarded anything antecedent to this approval as having been properly carried out. I never doubted that at all.

50. You never knew anything about a telegram being sent by Sir John Findlay to Sir Joseph Ward?—No, I never saw it.

51. You never knew it was marked "urgent"?—No. As a matter of fact any correspondence that took place between the Superintendent and the applicant in regard to this matter did not come before the Board at all. The Superintendent reported to the Board that the statutory requirements had been complied with, and we took his word that everything was in order.

FRIDAY, 18TH OCTOBER, 1912.

ARNOLD WILKINS sworn and examined. (No. 11.)

1. *The Chairman.*] What are you?—Foreman Inspector of Works for the Remuera Road Board.

2. *Hon. Mr. Allen.*] Do you remember in November and December, 1911, when the election was proceeding?—Yes.

3. And you remember about the loan that was wanted for works in the Remuera district from the State-guaranteed Advances Office?—Yes, superficially.

4. Who was Chairman of the Remuera Road Board at the time?—Mr. Cawkwell.

5. And he was, as far as you know, interested in the loan being procured?—Yes, officially.

6. Did he go up to the works and address the men?—Yes.

7. Can you tell us what he said?—On the 13th December, at about 10 o'clock in the morning, he addressed them briefly, and during the time he was speaking it came on to rain, and most of the men got wet through. At the close of his speech he suggested that as all the men were wet it would be as well to let them go home and to pay them for the day.

8. Did he say anything about the loan in his speech?—The only reference to that was that it was to their interests to support the present Government at that time, as if the then Government went out the money advances would be very much modified.

9. When he was speaking to the men was he speaking in favour of any particular candidate?—He did not mention any name.

10. He mentioned the then Government?—Yes.

11. Was Sir John Findlay standing for election at the time?—Yes.

12. Did you know anything about a deputation having gone to Sir John Findlay?—No, sir, absolutely nothing.

13. Did the Board know anything at all about it?—Not to my knowledge.

14. Was the election over at the time Mr. Cawkwell spoke to the men?—My memory is not quite clear on that, but I think it was a day or two before the second ballot.

15. Was it customary to pay the men when they stopped on account of wet weather?—No, the men are paid for the actual time they work.

16. In this instance were the men paid?—Yes.

17. You had to return the pay-sheet?—Yes.

18. And were you authorized by the Chairman to put those names in and to pay the men?—Yes.

19. Although it was not customary to do so?—No.

20. Did the men understand that the Board was going to pay them?—There was no question about it whatever.

21. Were there any men who were not employed on the works at that time paid for that day, do you know?—There were two men whose names were included on the sheet who were away that day.

22. Were they paid?—Yes.

23. Although they were not there?—Yes.

24. What were they doing?—I could not swear what they were doing, but they were borrowed from me by Mr. Cawkwell.

25. You do not know what for?—No.

26. *Mr. Craigie.*] I did not quite understand what your position is?—I am foreman in charge of works for the Remuera Road Board in the construction of the reservoir.

27. And what was Mr. Cawkwell?—He was Chairman of the Board.

28. Have you any knowledge of what the men were paid for—was it an unusual thing for the men to get paid when it was raining?—It was an unusual thing.

29. Do you know of any reason why they did get paid?—As far as I know it was only an act of grace on the part of the Chairman on account of the men getting wet. He said, "You have lost a lot of time now and the men are wet through; you might let them go home and pay them for the day"; and I said "Very well."

30. Did you think there was anything wrong in that?—At the time I did not.

31. Did you think since there was?—No, I cannot say I did. I took it as an act of grace on his part towards the men.

32. *Right Hon. Sir J. G. Ward.*] In reply to the first question put by Mr. Allen you said you had a knowledge superficially of the loan?—Yes.

33. What did you mean by "superficially"?—Practically that I was not interested in it.

34. Did you know the loan was provisionally approved by the State-guaranteed Advances Board nearly seven months before the election?—No, I did not.

35. Was the loan required for purposes of legitimate expenditure in Remuera?—That I do not know.

36. Do you know what it has been expended upon?—No. I do not know any further than that the works constructed by the Board consist of sewerage, reservoir, and waterworks.

37. As far as you know, are they necessary works in the interests of the people there?—Oh, yes.

38. Did Mr. Cawkwell on the occasion referred to by Mr. Allen make any reference to any action of the Government or Sir John Findlay?—Nothing further than it would be to their interests to support the then Government.

39. That was an expression of opinion of his own?—Yes.

40. *Dr. Newman.*] What else did Mr. Cawkwell say on that occasion?—I am not sure that I can repeat very much of it. It was what you might call an ordinary electioneering political

speech, in which he urged the men to consider the importance of their votes, and he emphasized it by telling them that it was to their interests to keep the then Government in power, because if they were thrown out it was probable the money to be lent would be reduced and it would be against their interests.

41. *Mr. Myers.*] How many men did you have under your control at that time?—Practically thirty.

42. Did not the majority of them live outside Remuera?—I really could not say.

43. As a matter of fact, I suppose the majority were not electors of the Parnell electorate?—Well, on the day of the second ballot there were about six who asked for leave to go and vote.

44. So that the whole number who would be likely to be influenced would be confined to six?—There were only six who asked to get leave to vote on the second ballot.

45. Do you, as a matter of fact, believe that there were more than six out of the thirty electors of Parnell?—I have really no idea.

46. *Dr. Newman.*] All those people were electors in the surrounding electorates, were they?—Yes.

47. *The Chairman.*] Was it usual for the Chairman to go and address the men on these works?—No, he never came before.

48. Or since?—No.

49. It was a special occasion?—Evidently.

50. And the whole speech was confined to political questions?—Yes.

51. And the Chairman wound up by advising the men to vote for the then Government?—Yes.

52. And added that very possibly if the then Government was ousted restriction would be placed on the lending Department?—Yes.

53. Implying, of course, that the men would be out of work?—Presumably, yes.

54. Do you know if the loan was then granted?—No; it is a matter I took absolutely no interest in.

HUGH MUNRO WILSON sworn and examined. (No. 12.)

1. *The Chairman.*] What are you?—I am a civil engineer residing in Auckland.

2. *Hon. Mr. Allen.*] Are you connected with the Remuera Road Board, Mr. Wilson?—Yes; I am engineer to the Remuera Road Board.

3. Do you know anything about the deputation that waited on Sir John Findlay just before the election?—No. I know there was a deputation. I think the members of the Board deputized Sir John Findlay with the idea of getting some loan-money sent forward. I do not know anything more than that.

4. Do you remember the men receiving pay for a holiday granted to them on the 13th December?—Yes.

5. Did Mr. Cawkwell report the matter to you?—Yes; he came down after he had been on the mountain and said to me, "I hope you won't be cross with what I have done." I said, "What is it?" He said, "I have given the men on the mountain a holiday. I addressed them this morning, and as it is a wet day I gave them a holiday on pay." I said, "I don't like that—it has to be charged to the work: who is going to pay for the extra expenditure?" and he said, "I will see it is paid all right. It will be all right; it won't be charged to the Board."

6. He said it would not be charged to the Board?—Yes.

7. Did he say who would pay for it?—It may have been in a joking way, but he said Sir John Findlay would pay for it.

8. Were there two men not on the works paid for that day?—There were two men I believe who were not on the works who were paid as well.

9. Who paid them?—It has been charged to the Board so far.

10. And with regard to those two men, did he make any suggestion as to who would pay them?—No; I do not remember.

11. Did he say anything about the fighting fund?—No, not to me.

12. And what were those two men doing—they were not working?—No.

13. But they were paid?—Yes.

14. What were they doing?—They were actually canvassing.

15. For whom?—For Sir John Findlay.

16. *Mr. Craigie.*] How many men were on that work when they got a holiday?—Mr. Wilkins has the time-sheet.

17. Give us an approximate idea?—I should say, twenty-five.

18. And they got wet listening to an address by the Chairman: what time of the day was that?—That must have been 10 o'clock in the morning, because he came down to me just about lunch-time—about 12 o'clock. It was a showery day.

19. And owing to that he gave them a half-holiday?—Yes.

20. Owing to that?—I do not know. Of course, on wet days we put the men off sometimes, but they do not get paid. They are paid so-much an hour.

21. And were those men paid by the Board ultimately?—Yes, so far. I understood it was to be kept separate and paid for by Mr. Cawkwell; but, as a matter of fact, it has been paid by the Board.

22. *Mr. Myers.*] I suppose, as a matter of fact, working-men generally take a great interest in the elections?—Oh, yes.

23. And would you think it anything unusual for them to desire to get off on election day?—This was not election day. It was a day or so before the election that this occurred.

24. Sir John Findlay was the Liberal candidate?—Yes.

25. Liberalism generally, I suppose, would be popular amongst the working-men?—Yes.

26. So that it was not unusual for working-men to take a keen interest in the elections?—No.

27. You never thought there was anything unusual in the men taking an interest in the forthcoming contest?—No, I did not take much interest at all in the thing. I did not belong to the Parnell constituency. I was simply concerned about the reservoir, as I had to build it at about my estimate, and I did not like this idea of charging the holiday to the Board. That is what I was concerned with; I was annoyed about it.

28. Only as an engineer you would be, and that was the only thing you would take exception to?—Yes, that is the only thing I took exception to.

29. *Right Hon. Sir J. G. Ward.*] What time did Mr. Cawkwell address the men?—It must have been about 10 o'clock. He was down at my office about 12 o'clock or half past the same day.

30. So that they did not get a whole holiday?—He addressed them about 10 o'clock, and I suppose it would take a certain time to address them, and then to give them a holiday for the rest of the day. They really got eight hours and a half each. They worked for an hour or two.

31. Do you say that Mr. Cawkwell had done that at the request of Sir John Findlay?—You could not take any other inference out of it. I considered that was his object. It was not out of any kindness towards the men.

32. Do you suggest that Mr. Cawkwell's addressing the men and giving them a holiday was done at the request of Sir John Findlay?—No, quite on his own.

33. Have you ever known men to go off on account of excessive rain?—Yes, often; but we do not pay them for wet days.

34. Not under any conditions?—Not under any conditions. They get so-much per hour.

35. At whose request did you come here to give evidence?—At the request of this Committee.

36. Were you communicated with by anybody before coming here?—I just got a telegram.

37. Had any one spoken to you before you got the telegram about coming here?—No; I was surprised when I got the telegram on the Wednesday morning. I received a telegram from Mr. Dickson prior to this asking me to write full particulars of this incident.

38. Did you take an active part in connection with the last election?—No, I never do.

39. *Hon. Mr. Allen.*] You know Mr. Cawkwell, of course, well?—Yes.

40. Did you see him yesterday?—I saw him on Wednesday morning.

41. Did you know he had been summoned to give evidence?—Yes; I happened to ring up the Waitemata County Council Office, and the Chairman of the county, Mr. Cochrane, said, "You are going to Wellington." I said "Yes," and he said Mr. Cawkwell was going as well.

42. Do you know why he did not come?—No.

43. Was he ill when you saw him?—No; he did not appear to be.

44. Did he look as if he had influenza?—He seemed to be in his ordinary health.

4 and 5 Palmerston Buildings, Auckland, 30th October, 1912.

J. B. Hine, Esq., M.P., Chairman, Public Accounts Committee.

DEAR SIR,—

The statement made by Mr. C. A. Cawkwell that I was "turned down" by the Waitemata County Council is untrue. I resigned through having other more important work in hand. I was never asked to resign, and on severing my connection I received a very fine illuminated address, in a frame, signed by the Chairman and all the members of the county. Mr. Cawkwell knows this perfectly well, because he was at the time Clerk to the county. His statement with reference to his instructions to Mr. Wilkins, Foreman of Works, is absolutely false. He came to me after leaving Wilkins and told me what he had instructed Wilkins to do.

I beg to remain, &c.,

H. MUNRO WILSON, Engineer.

CHARLES SOMERS WILSON sworn and examined. (No. 13.)

1. *The Chairman.*] What are you?—Clerk to the Remuera Road Board.

2. *Hon. Mr. Allen.*] Do you remember some men who were paid for a holiday by the Board about the 13th December?—I know the men were paid on the 15th December, but, of course, I merely received that pay-sheet from the foreman. I knew nothing at all what they were paid for—merely that they were paid the wages they had earned for work done.

3. Did you as the Clerk to the Board receive this telegram: "£42,090 water-supply loan finally approved, payment of £10,000 will be made when debentures completed and returned," dated 10th November, 1911?—Yes, I received that.

4. You know nothing more about the matter than that you paid the men?—Yes, I paid the men.

5. Has the money been refunded to the Board?—No.

6. Was there any talk about the money being refunded?—I never heard anything about it.

7. *Right Hon. Sir J. G. Ward.*] In regard to that telegram which Mr. Allen asked you to look at, whom is it from?—It was sent by the Advances Board.

8. Had you communicated with the Advances Board before that?—Oh, yes.

9. Is that telegram in reply to one sent by you on behalf of the Remuera Road Board?—I was in communication with them about this £10,000 previously. It was pending at the time, and the telegram was to say that payment had been approved of.

10. This telegram just read is in reply to representations from yourself to the Advances Board?—Yes, an application for a £10,000 loan.

11. That is a reply to a request conveyed by you to the Board?—That is so.

12. Do you know that the whole loan concerning which an advance of £10,000 was asked for was provisionally approved in May, nearly seven months before the election?—Yes, that is so.

13. Was there any political pressure brought to bear by your Board upon the Government or the State-guaranteed Advances Board to get that loan which was provisionally approved?—I have no official record of that kind—merely the application.

14. Direct to the Advances Board?—Yes. I have no official record of anything further.

15. As far as you know the application came from your Board direct to the Advances Board?—Yes.

16. And that telegram you read is in reply to an application sent to the Board in regard to the loan?—Yes, as far as I know.

17. *Dr. Newman.*] What amount of money is now on deposit with the bank of that loan?—£15,000 of the £84,000 loan.

18. Where is the rest of the money?—The £84,000 is not all drawn yet. I have drawn about £53,000 altogether.

19. Does the £53,000 include the £15,000 on deposit at the bank?—Yes.

20. *The Chairman.*] There is a minute from your book to this effect: "11th December, 1911. A telegram was received from the New Zealand State-guaranteed Advances Office *re* drainage loan of £37,045 having been forwarded for Minister's approval, and it was resolved that same be received." Was that in reply to any communication from your Board?—That was in connection with the telegram which I have just read.

21. I understood that telegram referred to the £10,000 advance under the £42,000 loan?—No, under the £37,000 loan. There were two applications—one £10,000 for a water loan and road-construction, and also £10,000 for the drainage. The drainage is £40,000 and the road-construction and waterworks £44,000, but they were reduced down to £42,090 and £37,045.

22. The £37,045 is the second loan?—No, it was all in one loan of £84,000, but in the first instance it was divided between road-construction, waterworks, and drainage. It was reduced because there was not sufficient security.

23. £37,045 was the drainage loan, which was a separate loan really?—Yes.

24. On the 25th November you sent a letter to the Department informing them that you had sent a map of the Remuera Road Board District?—Yes.

25. You did not send any message after that?—I think the map was in connection with the drainage, not waterworks.

26. Why was a telegram sent to you to say that the drainage loan had been sent to the Minister for approval—is it usual to notify you that a loan had been sent forward for the Minister's approval?—Yes.

27. *Right Hon. Sir J. G. Ward.*] I understood you to say that the telegram read to you by Mr. Allen was in reply to representations made by you to the Advances Board?—Yes, as far as I remember.

Remuera Road Board Office, Remuera, 26th October, 1912.

The Chairman of Public Accounts, Wellington.

DEAR SIR,—

Before signing evidence given by me before the Public Accounts Committee I beg to make the following statement, which I am prepared to make on my oath before a Justice of the Peace—viz., that without any intention of deviating from the correct facts I have evidently got mixed up with the waterworks and road-construction and the drainage loans. This is palpably evident from copies of correspondence and telegrams which I unfortunately handed to the Minister of Education, and I therefore had nothing to go by to remind me of the circumstances. I hereby certify that payment of £10,000 referred to in telegram of 10th November, 1911, was for the waterworks and road-construction; that my letter of 15th November refers to this, also my letter of 12th December, 1911, to the Advance Office. A telegram to Advances, Government Buildings, Wellington, was omitted to be included in correspondence, &c. I attach same herewith. I have no further correspondence *re* an advance of £10,000, and cannot remember how application originated. In giving my evidence I was of opinion that the telegram was in reply to representations made by me, as I was not aware of any other representation being made as far as I can remember now. The minute from Road Board book of 11th December, 1911, "That telegram was received from New Zealand State-guaranteed Advances Office *re* drainage loan, £37,045, having been forwarded for Minister's approval": In my letter of 25th November I enclosed a second map of the No. 2 drainage-area district, and trusting it would be sufficiently lucid to meet with approval, I urged that loan be proceeded with without delay. The part of my evidence which I unwittingly went wrong in was in reply to the Chairman, "Was that in reply to any communication from your Board?" I should have replied, "As far as I know I think it was," as it most certainly had no connection with telegrams I had read: that without doubt referred to the £42,090 loan. The two applications for £10,000 for waterworks and road-construction loan, and £10,000 for drainage were made early in the year 1912, £15,000 of which was placed as a fixed deposit in bank for a year. Previous to these two loans, £8,000 was advanced for the drainage loan early in the year in connection with telegram mentioned in minute, 11th December, 1911, and my application, 16th January, 1912, enclosing eight debentures, &c. I must here express my sincere sorrow that my evidence should have gone so far astray, but I most conscientiously affirm that I had not the slightest intention of misleading the Committee.

I have, &c.,

CHAS. S. WILSON, Clerk

ALEXANDER SCHOLLES sworn and examined. (No. 14.)

1. *The Chairman.*] What are you?—Chairman of the Waitomo County Council.

2. *Right Hon. Sir J. G. Ward.*] Has that County Council received any money from the State-guaranteed Advances Department?—Yes.



3. What amount?—£27,000-odd.
4. Is that the amount of the loan applied for?—No; we applied for more, but were refused.
5. How much more did you apply for?—£5,000.
6. What were the purposes for which the £27,000 loan was obtained?—Principally metalling and opening up new roads.
7. Has the whole amount been spent?—No.
8. How much of it has been spent?—Roughly, about half.
9. Have you received the whole of the money from the State-guaranteed Advances Department yet?—Not quite. I think we have some to come yet.
10. Did the Waitomo County Council apply direct for a loan to the State-guaranteed Advances Department?—Yes.
11. Was there any political influence of any kind used to obtain the loan?—None whatever, sir.
12. What district are you in—Taumarunui?—Yes, Taumarunui electorate.
13. Who was the member for the district at the time?—Mr. Jennings.
14. He was the then Government supporter, I understand?—Yes.
15. Did you make any representations of a political nature to any Minister of the Crown in connection with obtaining your loan?—No, we did not consult any Minister of the Crown or even the member of Parliament for the district in connection with the loan.
16. Has that loan been of service to your county?—Oh, yes, it was of great importance to the county to have this loan.
17. Did you know anything of the working of the old Loans to Local Bodies Act?—Yes, I have had considerable experience. I have been in the County Council since its inception.
18. Was this money required for roads in your county?—Absolutely. The district was blocked without it.
19. Could you have got the money under the old Loans to Local Bodies Act?—No; we were limited to £5,000, and, of course, that was absolutely useless to us. There were no roads made till the district was formed into a county.
20. Did you increase settlement when the new county was formed?—Yes, it is all new country, the roads not having been metalled.
21. And under the old Loans to Local Bodies Act you could not have got the moneys necessary for roads for the district?—No.
22. Had you tried to get the money under the Loans to Local Bodies Act?—Yes. There was always a difference of opinion. One big district would not allow the other part to raise money because it might absorb all the borrowing-power of the county. If a loan of £5,000 was wanted, only one district could get it, and that was useless practically. The old Act was of no use to us.
23. Under the old system you could not have obtained what was necessary by way of loans?—No.
24. Could you have got the £27,000 that you obtained from the State-guaranteed Advances Department by private loan at the time that you obtained it from the Department?—No, we could not have got it at the time.
25. Failing the State-guaranteed Advances Board having advanced you £27,000 for the purposes of the district, your alternative would have been to have applied to the Government of the country for grants upon the consolidated estimates for works?—We should have had to apply for grants. That is the only way we could have got the roads metalled.
26. So that if you were unable to obtain the money privately and you could not get it under the Loans to Local Bodies Act, unless you got it from the State-guaranteed Advances Department you would have either had to get grants from the State or remain in the primitive state you were before?—Yes, that is so.
27. *Mr. Craigie.*] Did you try to borrow the money from syndicates or private people?—Yes, we tried, but there were difficulties in regard to the security, I think, in the shape of Native lands. The conditions are much better now.
28. And your getting that money from the State-guaranteed Advances Department has been a boon to all the people of the district?—Yes, it has benefited the whole district.
29. And made roads?—Yes.
30. *Mr. Myers.*] You stated that of your own knowledge there was no political influence used, and that you never even consulted the member of the district. Has it ever been suggested to you by any other person that it is necessary to use any political influence to obtain loans under this Act?—No, it has never been suggested to me, and I know it is not necessary. The people who have to pay the interest on the loan are the ratepayers. It never even struck me to ask the member for the district. The only people I wished to consult were the ratepayers.
31. You know very well that so long as the formalities are complied with that is all that is necessary to obtain the money?—That is so.

JOSEPH GEORGE WARD SWORN and examined. (No. 15.)

1. *The Chairman.*] What is your full name?—Joseph George Ward.
2. And where do you reside?—Wellington.
3. Do you wish to make a statement?—Yes, I want to make a statement. I want to state that in 1909 I prepared a scheme and gave instructions to the Law Officers to have an amendment of the State-guaranteed Advances Act made to provide money for advances being made to local bodies up to the extent of £1,000,000 a year. I introduced that legislation, and it passed through Parliament in 1909. My reasons for asking Parliament to change the system were due to the fact, which I publicly stated in the House at the time, that I found under the old system of advancing to bodies under the Loans to Local Bodies Act that public bodies throughout this

country could not obtain the money necessary for them to carry out their works. I had been applied to repeatedly in my official position for amounts for municipal bodies, County Councils, Road Boards, River Boards, Drainage Boards, Harbour Boards—in fact, every form of local body provided in this country—for advances beyond the limitation existing for the respective bodies under the old law, and I found that it was necessary for me to do something. I was confronted with this difficulty: that if I expanded the conditions under the loans to local bodies, under which the country at that time to my knowledge had lost—irrevocably lost—over £2,000,000 sterling of the capital advanced to local bodies, the expanding of the then system meant putting an enormous increase by way of further direct loss upon the country. After very full consideration I decided that it was not possible to extend the old system by which the country sustained the whole loss of the capital lent to local bodies, and that if I attempted an expansion of it that I could not do it to anything like the extent that the actual necessities of local bodies of this country required; and I finally decided to introduce the new system and to repeal the old Loans to Local Bodies Act, extending it under Part II to enable any current undertaking to be finally provided for. Now, prior to coming to the decision of submitting the scheme that I did to the House, I was interviewed by deputations, by Chairmen, and by Mayors of local bodies both in Wellington and in different portions of New Zealand prior to my going to England, who urged that I should try and make an arrangement by which they could obtain the money required for them in England; and the great majority—not all—of those who interviewed me told me that they were not able to obtain the money they required in this country; and those that said there was a possibility of obtaining it declared that the rate of interest they would be called upon to pay was such that they could not accept the responsibility. Now, I quote the representative of the Spreydon Road Board, who gave a typical illustration of what was taking place at that time, and, in addition to which, some of the leading financial men outside the Government of this country were very anxious that these local bodies should have a system by which their institutions were relieved of granting dead loans for the time to local bodies on account of the inability of those local bodies to obtain their loans. Now, when I went to England I saw two of the leading members of the London Stock Exchange, and I placed the position of the local bodies in New Zealand before them, and I asked them if it would be possible, if the Government introduced legislation enabling the local bodies to group themselves into one organization, for loans to be granted to the individual bodies of that organization; and as a result of two interviews which I had I was satisfied that the proposal was not feasible. They declared, among other things, that for what they called small loans for local bodies, they could only be obtained at a heavy discount and by heavy charges being imposed. Among other things, I recollect quite well both of those gentlemen telling me that in great commercial undertakings in England it was customary at that time for rates of interest to those requiring money for debenture stock of every kind to be at 5½ and 6 per cent.; and as I had the idea of grouping the bodies with a view of getting the money direct, I went so far as to suggest that I would ask Parliament to guarantee the loan; but as the outcome of the representations I came to the conclusion it was not feasible. Upon my return I went into this system of State-guaranteed advances, which is the subject of discussion at the moment. Now, I have taken the trouble to look up what has taken place in the House upon this matter. It was intended from the start that the State-guaranteed Advances Act should apply to boroughs as well as counties and various other public bodies, and in going through the records of Parliament I cannot find a division or suggestion of any member of the House that the system of advancing under the State-guaranteed Advances Act should not apply to boroughs. I believe the House distinctly agreed—and I will quote from it presently—that municipalities were included; but I cannot find a division or statement to the contrary by any member of Parliament in connection with the proposal; and that information, of course, is available to every gentleman to obtain just as easy as it has been for me.

*Mr. Lee:* It would not matter what was debated. It is in the Act now.

*Witness:* I want to deal with the aspect that has been suggested in connection with the statement that County Councils have suffered.

4. *Hon. Mr. Allen.*] They are suffering now, are they not?—Perhaps you will allow me to finish and make my statement as to what the position was when I introduced this Bill, and why it was introduced. I am stating what the position was at that time; I am not exaggerating the position at all. I want to take the opportunity of saying this while upon this point, Mr. Chairman: that, supposing the State-guaranteed Advances Board at the start had decided not to advance a shilling to a borough in this country, then not one penny-piece more would have been advanced in the first and second years to a County Council or Road Board than was advanced, for the reason that every application from every County Council and every Road Board was granted in full, providing the security was right, and not one of them was refused.

5. Up to the 30th November?—Up to the time the decision was arrived at to reduce the amount to all local bodies, including boroughs, to £5,000. But I am taking the first and second years, and up to that period not one of them was refused. There was a short period in the first year, and not one of them so far as County Councils were concerned would have obtained anything more than was granted, because no application that came in was declined in favour of a borough, and where refusals took place it would be on the ground that there was not the proper security or else the conditions had not been complied with. Now, I want to put on record here in connection with this matter a statement made in the House by Mr. Allen in connection with this legislation. It was on the second reading of the State-guaranteed Advances Bill, on the 29th October, 1909 (*Hansard* 147, page 735). Mr. Allen said, “However, I would like the right honourable gentleman to explain to us the additional works for which local bodies can borrow under this Bill.” “The Right Hon. Sir J. G. Ward: Town districts cannot get a loan under the existing law, or to only a limited amount.” “Mr. Allen: Yes, certainly they can—under the Loans to Local Bodies Act. As I have said, I question whether this Bill will be of any advantage to the local bodies; on the contrary, I believe it will be to their distinct disadvantage. For instance, under clause 68 the actual rate of interest they have to pay means the rate fixed

by the Board as being the rate actually produced to the lender by the money actually lent; and that is the reason why I ask the right honourable gentleman, in regard to the rate of interest, whether he was borrowing the money at par or at a discount, because if it is at a discount the local bodies will have to pay for that discount. Under the existing law the local bodies can borrow for thirty-two years at 4 per cent. without having any sinking fund to pay, or they can borrow for forty-one years at  $3\frac{1}{2}$  per cent. without any sinking fund to pay. Under this Bill as it is proposed to be put through, not only will they have to pay the rate of interest the loan actually costs us, but they will also have to pay a sinking fund of 1 per cent. So they will be paying more for the use of the money than they do under the existing law; and the right honourable gentleman admitted it, because he stated in the course of his remarks that he had made up his mind that the Dominion should not in the future make up any loss in respect to local bodies' loans. Hitherto we have been deliberately making a loss as part of the policy of the Parliament of the country in order to enable these local bodies to carry out their necessary works. And it has been a good policy, too. That policy is being departed from, and I regret it, because it is a step that is not in the interests of the local bodies." Now, I want to say that in replying upon that occasion I said, "When I was introducing the Bill I called attention to the fact that, in addition to the sinking fund, there was provision made in this Bill for the securities to be handed over to the Public Trustee, so as to ensure the sinking fund being strengthened. Now, if honourable members will look at clause 29 of the Bill they will find that provision is there made for reinvestment of the amount of the sinking fund which the Public Trustee obtains from this Department. After that is reinvested by the New Zealand State-guaranteed Advances Department, then the securities for those advances have to be handed over to the Public Trustee, so as to be sure that the sinking fund is a solid and undoubted one. The moneys which are received by the Public Trustee by way of sinking fund may be reinvested through the State-guaranteed Department, and when this is done the actual securities are held by him. That position is made clear in the Bill, and there is no doubt the whole position will be strengthened in this way. Then I want to call attention to the fact that some honourable members do not appear to understand what is contained in the Bill as regards small loans, which were referred to by the honourable member for Hutt. Under clause 71 honourable members will find that provision is made whereby 'any local authority within the meaning of the aforesaid Part II—which, if that Part were fully in operation, might lawfully apply to and obtain from the Minister a loan thereunder—may apply therefor to the Superintendent, who, with the approval of the Board, may grant the same on the instalment system under this Part of this Act, subject to the like limitations of amount as are prescribed by that Part in the case of loans granted by the Minister.' He gets it upon the instalment system, and he gets small amounts just as he does now. And, in addition to that, he has extended rights which are provided in this Bill. In other words, in addition to those small amounts, he may obtain further loans under this Bill, so that his position in that respect is rather strengthened than otherwise. There is another matter I wish to refer to, as it was spoken of, and then I shall pass on to a general criticism of the speeches of some honourable members. Clause 25 was referred to. Now, honourable members will find that what is provided there is the placing of the funds under the control of the Controller and Auditor-General. That is what it is for. The clause reads, '(1.) All moneys in the Advances Account, or payable into that account by any person whomsoever, and also all moneys owing by any mortgagor or borrower under this Act, whether the same are accrued due or not, are hereby declared to be the property of the Crown, and recoverable accordingly as from debtors to the Crown. (2.) All such moneys are hereby declared to be public moneys within the meaning of the Public Revenues Act, 1908.'" That has a bearing upon the statement made that money has been lent and put upon deposit in banks. That money is under the control of the Controller and Auditor-General, and has to be expended for purposes for which it is intended by the Board, and it is the property of the Crown until expended. Then, again, I say, "The difference between the old measure and the new one is that under the former the sum total of borrowing was limited to the extent of £6,000,000 in all, and nothing beyond that total amount could be borrowed. That limitation is now removed. In the ordinary course, however, the amount has to be reported upon each year by this State-guaranteed Department, and so Parliament itself can without any difficulty control the amount for future borrowing should it consider it necessary to do so. The amount authorized to be borrowed in one year under the Advances to Settlers Act is £1,500,000 sterling. I also want to say a word about another suggestion made by some honourable members. I do not think that they really understood what would be the effect of the proposal when they suggest that the amount of £3,000 provided in this Bill should be reduced—I think the leader of the Opposition said to £1,500."

*Mr. Lee:* It seems to me that this is not the question that is before the Committee. What have we to do with whether it was expedient to pass this legislation? The law has been passed, and there is the Act of Parliament before us, and I should have thought the scope of the inquiry was not as to whether the reasons of the debate for or against the Bill were sound or otherwise. Having the law before us, it seems to me that the investigation is, has it been properly administered by the Board? I do not wish to curtail the honourable gentleman, but I think he should endeavour to direct his evidence as far as he possibly can to the question before the Committee, and not, as I take it, to support the proposition that it was a proper Bill to introduce at the time.

*The Chairman:* I would like to remind you, Sir Joseph, that the order of reference is that we should inquire into all the transactions as to whether they were right or not; but in regard to bringing in criticism or argument of other members of Parliament, I do not think that is within the scope.

*Mr. Hanan:* What I take it Sir Joseph is establishing is whether the conditions which operated before this legislation was passed were such as to necessitate the passing of the measure, hence the intention of the Legislature as evidenced by the speeches made; and essentially what the new conditions are to-day which have developed.

*The Chairman:* We are not inquiring into that. I rule that Sir Joseph must confine himself to the order of reference.

*Witness:* Then I will not say any more on that point. I dissent from your ruling, and I will discuss this point in the House. The issue put before the House and the country and before this Committee is a very definite one.

*The Chairman:* I will read the order of reference: "It is ordered that the Public Accounts Committee be directed to inquire fully into all loans paid or applied for or provisionally or finally approved for local authorities under the New Zealand State-guaranteed Advances Act since its inception. The Committee to report on the losses made, if any, since the Act came into operation, the commitments, and the available means and unexhausted loan authorities as at the 31st March, 1912, and the 16th September, 1912. The Committee to be open to the Press. Also that the letter of the Superintendent of the New Zealand State-guaranteed Advances Department of the 30th September, 1912, to the Minister of Finance be referred to the said Committee. The Committee to report within ten days."

*Mr. Hanan:* Do you rule that you cannot, in discussing this question, deal with the questions that operated before the Act came into operation, with the conditions that have operated since it came into operation, and with the new conditions now in vogue?

*Witness:* Mr. Chairman, it was agreed at the start of this Committee that the Government made no charges against any one; nor have I. I asked whether we should have a full investigation, and in the early stage of the proceedings Mr. Allen agreed that what was published in the Press should be accepted.

*Hon. Mr. Allen:* No, I do not think I ever said so.

*Witness:* This is what was agreed to: "Mr. Allen: All I wish to say in regard to what Sir Joseph Ward has said is that I do not know that those things are in the order of reference, but any statement that is made, whether made in the House—and I do not know whether those are the only things—we can deal with, but I want the statements proved first of all. I do not want a hunting expedition into generalities, but let us have the statement inquired into in accordance with the order of reference. . . . I am quite satisfied to take either the report of the *Dominion*, *Times*, or *Post* of the debate which took place on Friday night, when Sir Joseph was not present." The letter of the Superintendent and the reports in these papers are matters that are before this Committee. Now, in the House, speaking to the point of order, the statement was publicly made that money was squandered, that there was waste, that the advances were used for political purposes, and when I brought the matter up in the House again the Minister in charge of the Department, Mr. Allen, said that he made no charge against the Board, and also no charge against the Minister.

*Hon. Mr. Allen:* I do not remember saying that.

*Witness:* Well, leave the Minister out.

*The Chairman:* But you must remember that I emphatically stated that what was before the Committee was the order of reference from the House and the Superintendent's letter, and I must control it to that extent. It is immaterial what the Hon. Mr. Allen said.

*Mr. Hanan:* What do you hold the order of reference covers?

*The Chairman:* An inquiry into the State-guaranteed Advances Department since its inception; but no dates before the inception, and nothing to do with what took place in the House before the institution of the Board.

*Witness:* Then if the suggestion is made that we are inquiring into the statement that the State-guaranteed Advances Board has shown preference to boroughs—and I pointed out in the House when introducing the legislation that boroughs were not excluded—I cannot quote what I said?

*The Chairman:* You are able to quote it.

*Witness:* But you stopped me.

*Mr. Lee:* I thought the honourable gentleman had got a little wide of the mark when he got on to this point, and I think he will see it.

*Witness:* I do not want to take up the time of the Committee unnecessarily, and I do not want to quote more than I should.

*The Chairman:* I think you should confine yourself to any short quotation to emphasize any statement to the Committee; but to go outside and quote what other members have said, I rule out of order.

*Witness:* I can quote what I said myself, because I can show I pointed out to the House everything that has been said about the loans on the introduction of the Bill.

*The Chairman:* You have already done that.

*Mr. Myers:* It is quite obvious that Sir Joseph Ward is reading a lot of irrelevant matter, but he has not had time to pick out the specific portions of his speech that deal with that aspect of the question—namely, advancing money to boroughs.

*The Chairman:* But it does not come within the scope of the order of reference. I rule that anything in regard to the introduction of the Bill is out of order, and I rule that he must confine himself to the operation of the New Zealand State-guaranteed Advances Act since its inception.

*Witness:* Then I am not to quote anything of what I said in the House?

*The Chairman:* I do not object to your making short quotations.

*Witness:* I then go on to say, "There are a number of them that would like to obtain a larger amount than the law now allows, and, unlike the advances under the existing Loans to Local Bodies Act, this proposal would allow the Department to borrow, if necessary, up to a million a year for the local public bodies throughout the country, provided the securities are right and the requirements are legitimate. For legitimate purposes the amount may be considerably beyond that sum."

*The Chairman:* I must rule you out. We have nothing to do with the limitations.

*Witness:* Then you object to my saying that every member of the House knew that local bodies could not get the money they required under the old local bodies system?

*The Chairman:* Yes; we have nothing to do with what individual members did.

*Witness:* I also wanted to point out the need of giving local bodies money under the Act. I will accept the ruling, but I will have to see the matter is made clear elsewhere. I do not think it is fair, although I accept it. Now I want to say a word or two regarding the moneys provided for the State-guaranteed Advances Department since its inception, and if members will take the trouble to look at one of the returns submitted by Mr. Poynton, they will find details of the money raised from the Post Office amounting to £1,772,000, and the great bulk was raised at 3½ per cent. Now, I want to say here that as Minister of Finance I had provided the necessary amount of money required for the State-guaranteed Advances Department, and the Board had to advance within those moneys for the current period of the year that the moneys were payable; and I want to say that I recognized from the start the difficulty in connection with a local body that required its loan extending over a period of more than one year—that was one, two, three, or four years, as the case may be—and, as a matter of fact, I discussed that with the whole of the members of the Board at the second or third meeting I was at. I have never shut my eyes to the fact that there is a certain amount of difficulty in providing for money ahead of the current financial year, but I have never in my experience found the least difficulty in arranging for sums of money ahead; and one of the things that has surprised me during this investigation is any doubt being expressed as to the possibility of providing for commitments for this year, which, according to the Superintendent, were under £300,000, and for the following year, 1913, were under £200,000. The Minister of Finance stated in connection with the matter that he was in difficulties about it, and he asked where he was to get the money from. Now, I want to say, Mr. Chairman, that after a long experience in connection with financial matters in this country, I have never found it possible with different matters to limit or have the expenditure within the year which it was provided for always to be carried out within that year, nor has any other man who has been Finance Minister in New Zealand. The Post Office had been able to find all the money required by this Board up to a point without any difficulty, and the only difficulty I had as Minister of Finance was to find sufficient investments for the amount that the Post Office had available for it; and the present Minister of Finance will find on record upon more than one occasion where the Post Office has complained to me of not being able to invest the large sums of money that they had available. That Department was not allowed to invest in mortgages. There was a limitation as to the way in which it could be invested, but at the present moment for this year the Minister of Finance has funds in hand that will enable him to provide, if he wishes to do it, for the whole of the commitments of this Department for this year.

6. *Hon. Mr. Allen:* Funds in hand?—Yes, according to the statement you placed before the House only the day before yesterday. And the assumption that the Post Office, and the Post Office only, is the place where you can get the money for commitments for this year is one with which I disagree.

7. At 3½ per cent.?—According to the statement of revenue placed by the Minister of Finance before Parliament this year, he has got a balance in the consolidated revenue of about £900,000, of which he has transferred £50,000 to the Public Works Fund. That is only for a portion of the year, and to talk of the absence of funds to make any provision for anything unusual, well, it is to my mind a little difficult to understand. In my time I have had plenty of difficulties to go through in connection with the financial operations of this country, and I have always recognized that you may have to go outside the Post Office for this Department or any other Department if for any cause there was a shortage in the source from which you had previously been drawing, so that as far as the financial operations are concerned I think they require to be looked at from a very broad, impartial standpoint, and I do not think myself that the difficulties are such that would not from time to time arise with work in connection with the great Department of Finance that the New Zealand Department undeniably is. Now I want to say a word about political influence. If any one will refer to that minute-book from the beginning to the end of the operations of the State-guaranteed Advances Board, he will find that there are loans applied for by districts all over the country represented by men on both sides in politics, and there never has been a single discrimination in connection with the dealings with those loans by the Board at any time, and certainly not within my knowledge. Now, I attended the meetings of that Board in its earlier periods, as I did the meetings of the Advances to Settlers Board until I saw the whole thing in working operation, and I did so because I introduced both schemes, and I wanted to see them going in thorough working-order; but I did not attempt to attend afterwards, because any man who is a busy Minister cannot, as a matter of procedure in this country, give up the necessary time to attend these important Board meetings and carry on the ordinary work of his office. Any Minister who has had any experience will find that is so; and, moreover, I have believed from the start that if you have men of integrity and men of experience upon a Board, that upon the whole it is not a bad thing to allow them to carry out the duties of a Board of that kind without interference from the political head. The only condition that I ever suggested at any meetings of this Board was that any decision they arrived at should be unanimous in advancing money, and that if any member of the Board took exception to a loan it should be refused or held over and inquired into by the Board in the ordinary way; but I have never at any time—and I take this opportunity while I am sworn here of saying so—I have never asked either the Superintendent of the Board or any member of the Board or any public lending Board to help to further a loan for any one or stop a loan applied for by an individual or local body in this country. That has been borne out by the members of that Board; and I want to say that while I recognize that an attempt has been made to draw Sir John Findlay into the political arena in connection with the Remuera loan, I want to say what the position is so far as I know, and from the evidence given here by Sir John Findlay, and I think it is right to say here that I propose to ask the Committee to recall Sir John Findlay here, and I want Mr. Cawkwell here too, in consequence of the evidence given this morning. I think also Mr. Poynton should be recalled in reference to the statement made by one of the witnesses, and on which I shall question him, as to whether

he has a knowledge of them, because I have heard these things for the first time. I want to say in regard to the Remuera loan that if I remember rightly it was applied for in May. The whole loan, I think, was applied for on the 12th May, 1911. That loan, according to the Chairman, was provisionally approved by the Board, and I want to say that when that loan was applied for I was not in New Zealand, and Sir John Findlay was not in New Zealand. Now, the point that I am principally concerned with is as to whether influence has ever been brought to bear upon the Board to authorize a loan to any public body in this country on the score of political influence. Sir John Findlay was out of the country when the loan was provisionally approved, and I was also out of the country, and there cannot be any suggestion that either Sir John Findlay or myself, and no suggestion is made of any other Minister, having attempted to exercise any political influence to induce the State-guaranteed Advances Board to make a loan, either small or large, to the Remuera Road Board or any other local body. Now, regarding the point where the matter comes in of the deputation that waited upon Sir John Findlay, and whose telegram was sent to me on the 2nd November, 1911, and which was read, I want to point out that at that time Sir John Findlay was a Minister of the Crown. He has said in his evidence that the deputation waited upon him not to ask that any pressure should be made to grant a loan or to get the Board to authorize a loan for the Remuera Road Board, but, as he states in his telegram, "A deputation interviewed me this morning in connection with the application of the Remuera Road Board for a loan totalling £84,000. I understand that the Department has raised some objection with regard to the security, which, I think, has been answered by the Remuera Board. If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand, and that immediately contemplated. The position is aggravated by the fact that the men engaged in the work have recently been on strike, and, the strike having now been settled, they desire to return to work. The Board meets them by explaining that they have not the means to carry on because the Government will not advance the money to enable them to pay for the work and other outgoings. I hope you will be able to have at least £10,000 advanced to relieve the tension of the present position. The deputation consisted of the strike leaders and the members of the Remuera Road Board. Kindly let me have a reply as early as you can, which I may use.—J. G. FINDLAY." On receipt of that telegram I sent it on to Mr. Poynton, marked "Urgent, for remarks.—J.G.W." Mr. Poynton in turn sent a draft of a telegram to me to which I made an addition, and to which I want to refer. The telegram as sent to me by Mr. Poynton read, "As special rate struck for water-supply loan is only sufficient security for £42,000, instead of £44,000, applied for on present valuation, this amount will be available for expenditure after being finally approved on Monday next. Debentures will be posted on Monday. Plan of district required, in case of drainage loans of £40,000 not yet forwarded by Road Board. Was wired for yesterday." Now, I added to that in my own handwriting, "Cannot advance £10,000, but as debentures for amount of loan authorized will be forwarded on Monday, that should be quite satisfactory." I cannot recall the circumstances; but with a very considerable knowledge of what I would do under the circumstances now, I want to state what I believe was the position at the time. The State-guaranteed Advances Board could not make an advance of £10,000, or £1,000, or £500, on account of a loan until the local body had completed the debentures; and in that telegram they are told the debentures are going forward to them for completion. The application for £10,000 asked for, as Sir John Findlay has stated, did not discriminate in connection with the point I am now raising. That £10,000 could only have been advanced by the Treasury. I could have advanced it if I had chosen against the total amount of the loan, and to be refunded when the State-guaranteed Advances Board loan was ready for completion. I declined to make the advance of £10,000, though it was made clear in the telegram that it was to enable the strikers to go back to work. As a matter of fact I declined it, and no one can honestly suggest there was political influence there when I refused the request. There is the fact that I refused to do the only thing which was going to be of any use in the matter of giving them employment in dealing with the reply to Sir John Findlay. Now, I want to say, Mr. Chairman, that I have never heard until this matter came before this Committee as to the procedure followed in this case in getting authorizations of the individual representatives of the Board for confirmation at a subsequent meeting until, as I say, it came before this Committee; but I want to say this: that the Advances Board having intimated in that telegram which was read to-day to the Clerk of the Board, apart from the telegram I sent to Sir John Findlay, that the debentures were going forward on Monday, it seems that the Board was bound in the ordinary course of things to have kept faith with the statement they had made; and in the mode of obtaining the individual authorities in the way they were obtained, it is not wrong as a general principle, so long as it is afterwards confirmed by the Board as a whole. I want to say that it is not unusual to have authority in connection with an important matter so given even by the Government before I was a Minister of the Crown in this country. A letter, or even a telegram, has frequently been sent to members of the Government to get their consent to important matters in connection with the affairs of the country between meetings of Cabinet.

*The Chairman.*] I do not think you are justified in making reference to a matter like that.

*Witness:* That is nonsense. I have done it myself, and other administrations have done it. There is no suggestion about it of my disclosing information. If the Prime Minister is away from the seat of Government, or even if Ministers are in Wellington, and an important matter crops up that requires immediate attention, it has been a common thing to tell Ministers individually the position and ask his individual opinion, and then afterwards to get it confirmed at a Cabinet meeting. I could show it on record after record that it has taken place with every Administration for the last forty years, and there is nothing unusual or improper. It means as an alternative that if the members happen to be scattered and individual opinions are not obtained matters cannot be attended to. It is done by local bodies and directors of institutions. It is quite a common thing, and I do not know why the Chairman should take exception to what I am stating. Sir, I want to say in connection with another matter—and it is only necessary to do so on account of it having been referred to before the Committee—that I have



never at any time in my experience with the Superintendent or members of the Board discussed with them any matter from a political standpoint concerning anybody, and there is evidence in the minute-book here that, even in cases of persons who did not see eye to eye with the Government, loans were made without any discrimination by that Board. I ought to say that I did not ask the Superintendent of the Board to send round a letter to expedite a matter of any kind whatever, and I did not even know it had been done. There could, therefore, not be any suggestion or idea of political influence on the part of those members of the Board, and I think it is only fair to those men who are not here to protect themselves—one of whom was in a responsible position at the time—that I should make such a statement. Now, Mr. Chairman, I want to say a word or two in regard to the form of approval signed by the Minister, and I am satisfied the present Minister does not want an improper construction put upon these matters. I want to say that it must be remembered that at the meeting of this Board the whole of the files dealing with individual loans are before the Board, and any member of the Board can go through them from beginning to end. When authority is given by the Board for a provisionally granted loan, it is distinctly a preliminary to a loan being entertained for final approval, and if you look at the records in the minute-book you will find instances of loans being declined straight out without provisional approval being given. I want to say here that every member of the Board has an opportunity of going through the whole file in connection with every application, and as some allocation has to take place that information has to be prepared in the State-guaranteed Advances Office and is not prepared by the members of the Board, nor could they be expected to do so. If they had to do so they would have to meet every day in the week, which would be impossible. I do not know, throughout the time I attended the Board—and this is beyond question—I do not know of a single instance where there was a doubt about the security of any member of the Board suggesting that in such a case a loan should be advanced. If the value of the security has not been questioned and everything is in accordance with the law, I do not know where the suggestion can come in of waste; I do not know where the suggestion can come in of squandering of any sort or kind. The House authorized a law to advance to all classes of local bodies. Those advances have been made by the Board without exception. By removing the limit that existed before the members of the Board, with the Act before them and with authority to lend up to £1,000,000 after the first year, which was £500,000, they could not be expected to discriminate as between one class of local bodies and another. Now, one of the reasons that the Board advanced to boroughs was due to the Public Health Act, and I think it is only fair I should make this statement that under the Public Health Act there was a drastic amendment made in regard to sanitary arrangements and waterworks, and it was necessary that they should be able to raise the necessary moneys to carry out sanitation and water-supply. There is a return to be furnished as to what the proportion of those loans was for water or for drainage, and it will be found that the great bulk of those loans to boroughs were for one of those purposes. It is a question whether it is not of very vital importance to this country that those boroughs which required to have moneys for those purposes should not have the opportunity of being assisted as a matter of general principle. I am strongly in favour of the weaker bodies having precedence if necessary, but I am not in favour of stopping other local bodies from having the opportunity of obtaining money at a lower rate of interest. Under this State-guaranteed Advances Board, Mr. Chairman, it may not be known, but it is a fact, that loans down as low as £50 have been granted to a local body. I think it is only right to mention that, and it is on record in the minute-book. As far as I am concerned, I want to say while upon my oath here that I have not at any time been cognisant of any Board lending money in this country, the State-guaranteed Advances Board or any of the other State Boards, being used for political purposes, and I am confident in saying that no Minister had attended these Boards for the purpose of having the Boards used for political purposes. I have never attended a meeting of the Board to help forward any loan of any kind for a local body or individual throughout the whole time I have had experience as a member of the Government, and moreover it will be found that no such thing as the question of colour has ever arisen in connection with an individual or concern, or that loans have been advanced to people of any colour in politics without any discrimination. It was only natural that idea was from want of knowledge or experience likely to arise, but experience has shown it has not occurred. I do not say that a lending Board may not make mistakes, but if all the members of these Boards were put upon their oaths before this Committee they would be bound to admit that no Minister of the Crown has ever used his position in that way for political purposes. I am not certain whether I have covered the whole of the points that have come up in the discussion, but I have no objection to reply to any questions by any member of the Committee. In regard to commitments, if a local body is told it must take the whole of the money as soon as it is passed by the Board, then it is going to be a heavy loss upon the local body. I intimated in the Budget in 1911 that there was a loss made from the non-investment of money, and that I proposed to ask the House to legislate upon it. I told the Board at the second meeting that I was prepared to do so, but I asked it should stand over for a couple of years because no one could tell what the amount would be. I also mentioned to the Board that I had no objection to the consolidated revenue giving a contribution to the working-expenses of the Department and towards losses. I think I said I was prepared to give up to £10,000 a year. I mentioned the matter in the Budget, saying that a loss was being made of the 10s. per cent., the only charge made to the local body by the State-guaranteed Advances Board which covered the whole period of the loan. I mentioned in my Budget to Parliament that I contemplated asking for authority to charge one-tenth per cent. to local bodies, which I said I believed would cover the loss of interest on the non-investment of funds and also working-expenses. I think it fair I should make that statement, as I do want to emphasize this particularly, that under the old loans-to-local-bodies system we lost the whole amount of the capital we lent local bodies, and under the new system we did not lose the capital at all. Under the new system the local body and not the country had to provide the sinking fund. Timaru is

paying about £1,600 a year towards the extinction of the loan which has been referred to. Now, under the old system, if it had been possible for Timaru to have got that loan we would have lost the whole of the principal, and we would have got no sinking fund from the local body at all. I recognized that by advancing to local bodies under the Loans to Local Bodies Act we lost all our capital, and the House stopped that at my request. I simply want to emphasize another point upon the score of political influence, and it is not referred to from an egotistical point of view. I represented a portion of the country who knew I was a Minister of the Crown, who knew I was on the State-guaranteed Advances Board, and in the principal borough of my electorate application for a loan was made and refused. I never made application after the refusal—I was not in the country, or, at all events, absent from Wellington when the loan came up for consideration, but no representation was made by me of any sort or kind to the Board. Now, in regard to the application from Invercargill for a loan of £32,000, after the limit was reduced to £5,000, that was applied for close up to the election. It is perfectly well known to most people in this country that I have personally considerable interests in the town of Invercargill. Now, that loan was dealt with by the Board on the 8th November, just before the elections, and if the suggestion of political influence on that Board could be justified at all, it is pretty certain that as I know the whole of the members of the Invercargill Borough Council, and if political influence could be brought to bear, that they would have asked me to exercise some influence upon that Board, and that if political influence was being exercised that I would have attempted to exercise it. The fact that the loan was declined by the Board at such a time stands against even a suggestion of the kind. At the same time there was a loan of £71,000 granted to a County Council in a district which at that time was represented by a man who was in strong opposition to the Government. That was advanced by the Board in the ordinary way, and it does not require any stretch of imagination upon our part to see that if there was political influence being exercised upon that Board that it would have been easy in a matter of that kind to stop the loan if there was anything in the suggestion at all. But the whole experience of the working of these Boards proves to the contrary, and I think it is remarkable that in view of what has taken place a Minister of the Crown should endeavour to make out that political influence has been exercised in connection with an important lending Department like this, and that men, whatever their political views are, and who have not shown any disposition to use political influence on that Board that they should have for the time being the unwarrantable stigma attached to them.

8. *Mr. Lee.*] I should like you to refer to the question of the reduction of the limit to £5,000?—In regard to the reduction to £5,000 that took place in November, a circular was sent to the local bodies in November advising them that the rate of interest would be  $3\frac{3}{4}$  per cent., and the amount of a loan limited to £5,000. That was perfectly well known. The principal reason for it is that the Post Office intimated that they could not furnish funds to the extent they had been furnishing, and asked for a higher rate of interest.

9. *Hon. Mr. Allen.*] Where is that?—It is in the evidence.

10. The Post Office said they could not produce it at  $3\frac{1}{2}$  per cent?—*Mr. Poynton* in his evidence said they could not furnish the funds. I am almost confident that *Mr. Poynton* has put on record in his evidence that they could not produce funds at the same rate. At all events, there is one thing certain, that the cause of that was that the Department had not the funds available to meet what, I think, *Mr. Poynton* said were the large increased applications for funds, and for that reason they reduced the limit.

*Hon. Mr. Allen:* Here is the letter: "8th November, 1911.—Investment of Post Office Savings-bank Funds.—Memorandum for the Hon. the Postmaster-General.—Referring to the attached letter from the Secretary to the Treasury, I beg to point out that the Secretary to the Treasury asked this Department some time ago what would be the probable average balance available for investment through the Treasury. The information was fully forwarded, and so far as I know the Post Office has not failed to provide the sum anticipated. The whole trouble is that  $3\frac{1}{2}$  per cent. is not a profitable rate to the Post Office. I agree with *Mr. Poynton* that future loans obtained from the Post Office should bear a higher rate of interest than at present. As we at present pay 3 per cent. and  $3\frac{1}{2}$  per cent. on the deposits made in the savings-banks, it is necessary that some margin should be provided if we are to pay that rate of interest and provide for working-expenses as well. In the past we had a certain proportion of money invested in securities bearing a higher rate than that usually paid by the Treasury; but, for some reason, the Treasury has gradually managed to withdraw the bulk of these securities and substituted  $3\frac{1}{2}$ -per-cents. in their place. It is quite true that the Savings-bank is to a large extent crippled by the large sum, approximately £2,250,000, invested in 3-per-cent. Consols, but this scarcely affects the main point—namely, that the ruling rate of interest on loans is at present higher than  $3\frac{1}{2}$  per cent. If all future loans made by the Post Office bear a rate of  $3\frac{3}{4}$  per cent. or 4 per cent. the position will be fully met, and I would recommend that the Treasury be instructed accordingly. If this is done, and there is no delay on the part of the Treasury in finding investments, there will be no objection to the Post Office not considering any investments offered from outside. As the case stands at present, however, it is absolutely necessary that we should have at least a proportion of our money invested at as high a rate as possible consistent with safety.—D. ROBERTSON."

*Witness:* I also think *Mr. Poynton* said that the reason for the reduction to £5,000 was due to the large applications for money they were receiving, and that there was not enough to go round, as the applications were coming in for such large amounts or so fast that the amount available was not sufficient to go round. It has to be remembered that even if the Post Office could provide £3,500,000 in one year the Advances Board was limited under the Act to advance £1,000,000. If the applications were in excess of the £1,000,000, that, of course, rightly at the time would be a reason for reducing the limit. But the fact remains, if the political aspect was considered in any way, that the effect of reducing the amount was distinctly detrimental to the Government of the day by the reduction and also



by the increased rate imposed on the reduction. I do not want to take up the time of the Committee further, Mr. Chairman. Until the statement was made in the House about political influence I never previously heard of such a suggestion. I consider the Board were dealing with everybody in the same way without any distinction. I have never known a loan dealt with as the result of political influence of any kind.

11. *Mr. Hanan.*] In election year, Sir Joseph, were loans granted about election time to districts represented by the then members of the Opposition as well as to districts represented by members of the then Government?—I was not attending the Board meetings, so I can only say by reference to the minute-book. On the 24th October, at the Board's meeting on that date, the minute book shows:—

*Return showing Loans provisionally approved, finally approved, &c., between 20th October, 1911, and 15th December, 1911.*

Date.	Name of Local Body.	Provisionally approved.	Finally approved.
		£	£
24/10/11	Arch Hill Road Board .. .. .	3,500	..
"	Waimarino County Council .. .. .	1,250	..
"	Karaka Road Board .. .. .	6,000	..
"	Featherston County Council .. .. .	2,000	..
"	Oakura Road Board .. .. .	60	..
"	Otane Town Board .. .. .	1,500	..
"	New Brighton Borough Council .. .. .	4,500	..
"	Waimate Borough Council .. .. .	850	..
"	One-tree Hill Road Board .. .. .	20,000	..
"	Christchurch Drainage Board .. .. .	200	..
"	Waipukurau Town Board .. .. .	929	..
"	Waimarino County Council .. .. .	500	..
"	Frankton Town Board .. .. .	5,000	..
"	Matamata County Council .. .. .	..	150
"	Drury Road Board .. .. .	..	500
"	Upper Wangaehu Road Board .. .. .	..	300
30/10/11	Rangiaohia Road Board .. .. .	..	2,000
"	Cook County Council .. .. .	..	1,800
"	" .. .. .	..	1,800
"	Wanganui Borough Council .. .. .	..	11,500
6/11/11	Waikouaiti Borough Council .. .. .	9,000	..
"	Otahuhu Road Board .. .. .	1,500	..
"	Raglan County Council .. .. .	3,000	..
"	Hawera County Council .. .. .	600	..
"	Waverley Town Board .. .. .	3,000	..
"	Manaia Town Board .. .. .	..	2,000
"	Pelorus Road Board .. .. .	..	2,950
"	Waitotara County Council .. .. .	..	5,300
"	Waikohu County Council .. .. .	..	1,250
"	Waipawa Borough Council .. .. .	..	3,900
13/11/11	Dargaville Borough Council .. .. .	900	..
"	" .. .. .	600	..
"	New Lynn Town Board .. .. .	..	100
"	Gisborne Borough Council .. .. .	..	5,215
"	Titirangi Road Board .. .. .	..	750
"	Waihemu County Council .. .. .	..	250
"	Remuera Road Board .. .. .	..	42,090
"	Pukekohe Town Board .. .. .	..	1,165
20/11/11	Taihape Borough Council .. .. .	4,000	..
"	Waimarino County Council .. .. .	200	..
"	Hobson County Council .. .. .	3,000	..
"	Taranaki County Council .. .. .	300	..
"	Eketahuna Borough Council .. .. .	170	..
"	Hawera County Council .. .. .	..	600
"	" .. .. .	..	600
"	Mangatarata Road Board .. .. .	..	3,000
"	Waipukurau Town Board .. .. .	..	925
"	Waimate West County Council .. .. .	..	375
"	Wanganui East Borough Council .. .. .	..	12,000
"	Oroua County Council .. .. .	..	1,800
"	Havelock Town Board .. .. .	..	370
27/11/11	Rodney County Council .. .. .	500	..
"	Wanganui East Borough Council .. .. .	..	11,500
"	Dargaville Borough Council .. .. .	..	20,000

Return showing Loans provisionally approved, finally approved, &c., between 20th October, 1911, and 15th December, 1911—continued.

Date.	Name of Local Body.	Provisionally approved.	Finally approved.
		£	£
27/11/11	Waimate Borough Council .. .. .	..	3,000
"	Kaponga Town Board .. .. .	..	5,000
4/12/11	Moa Road Board .. .. .	150	..
"	Rangitikei County Council .. .. .	2,000	..
"	Te Rapa Drainage Board .. .. .	1,200	..
"	Weber County Council .. .. .	3,000	..
"	Remuera Road Board .. .. .	..	37,045
"	Kawhia County Council .. .. .	2,000	..
11/12/11	Rangitikei County Council .. .. .	1,100	..
"	Mount Roskill Road Board .. .. .	1,500	..
"	Masterton County Council .. .. .	..	350
13/11/11	Hutt County Council .. .. .	..	300
11/12/11	Masterton County Council .. .. .	..	100
"	" .. .. .	..	200
"	Pohangina County Council .. .. .	..	85
"	Rangitikei County Council .. .. .	..	350
"	" .. .. .	..	430
"	Rangitata Island River Board .. .. .	..	1,000
"	Taieri County Council .. .. .	..	250
		82,009	182,300

*Loans declined.*

Name of Local Bodies.	Amount.	Date.
	£	
Patea Borough Council .. .. .	5,000	24/12/11
Waitemata County Council .. .. .	80,000	6/11/11
Waverley Town Board .. .. .	1,200	"
Stratford County Council .. .. .	14,000	13/11/11
Dargaville Borough Council .. .. .	8,500	"
Invercargill Borough Council .. .. .	32,000	11/12/11
St. Aubyn Town Board.. .. .	7,500	"
	148,200	

With regard to the Remuera loan, it was approved at the Board's meeting on the 13th November, and it was submitted to the Minister only after it came up at the Board meeting for determination and after a decision was arrived at by the Board. The minute-book says, "Recommended by the Board for the final approval of the Minister." That was on the 13th November. When it went round to the individual members of the Board it was afterwards sent to the Minister for final approval.

12. You did not approve the loan at all till after the election was over?—No. On the 13th November it came from the Board for the Minister's final approval.

13. *Hon. Mr. Allen.*] What is the date of the round-robin?—That is the 7th November.

14. What is the date of the Minister's approval?—The same date, 7th November—approved by Sir James Carroll.

15. Was that before the Board finally approved?—Yes, but the individual members of the Board had approved, and it came before the next meeting of the Board for confirmation.

16. *Mr. Hanan.*] You know the local bodies you have mentioned and the districts—that is to say, from which applications for loans were considered about election times?—Yes, I know most of them.

17. Some of these local bodies were situated in districts represented by Government as well as Opposition members?—Yes.

18. Did you hear the Minister of Finance, Mr. Allen, in his speech in the House mention the name of any candidate standing at the last election with the exception of Sir John Findlay?—No, I was not in the House.

19. The loan to the local body in the district for which he was a candidate was granted?—Yes.

20. Therefore his name was singled out and the names of members supporting the then Opposition party were not disclosed as representing districts which received loans during election times?—There was only Sir John Findlay's name mentioned in the Press in connection with Mr. Allen's speech that I know of

21. Should other names have been mentioned?—Many. Of my own knowledge I say there has never been any political consideration in connection with the Board, and I have always gone on the principle of not mentioning anybody who is doing business with any State Department.

22. The suggestion that loans were granted at election times conveyed the idea that political influence was being used?—I left the House that night after midnight, and I was not present when the debate took place, and when I read the statement in the Press I felt that an injustice was being done to me personally as the then head of the Government, because I had never exercised political influence on any lending Board. It is quite evident that the Board thought an injustice had been done to them also. None of the members had spoken to me nor I to them except at this Committee, and they apparently came to the same conclusion as I did.

23. Have you read the papers in New Zealand outside Wellington?—I have read the strictures in the papers about the matter which conveyed the direct impression that the whole thing was a political machine used for political purposes and for engineering elections. It is absolutely untrue as far as I am concerned and as far as any member of the Government is concerned—it has never been done.

24. You read the leaders in the Press containing comments right throughout New Zealand?—Yes.

25. Are they all on the same lines?—Practically all on the same line of criticism.

26. Based upon what?—Based upon the discussion that took place early in the morning and telegraphed out.

27. What statements?—Statements made by the Prime Minister and by Mr. Allen to the effect that the Board was used for political purposes.

28. *Hon. Mr. Allen.*] Did I make any such statement?—Well, to the effect that loans were being paid at election times. The statement was made that there had been squandering and waste of money worse than in the Vogelian days.

29. *Mr. Hanan.*] We must accept Mr. Allen's statement of what he did say. Then the criticism that appeared in these papers is not founded on a statement of fact?—No, it is not.

30. *Hon. Mr. Allen.*] What is the difference between "granted" and "paid"?—It suggests that this Board had been used for political purposes at election time. Now, as a matter of fact, it has never been used for political purposes at election or any other time to my knowledge. Certainly no member of the Board was ever asked by me as a member of the Government to show favouritism in connection with the work of the Board. At that meeting which has been referred to by Mr. Hanan before the election, that business that is recorded there for consideration of the Board is ordinary business that goes into the office, and is recorded in its sequence as it arrives for consideration of the Board.

31. *Mr. Hanan.*] About election time, applications coming from districts represented by Government candidates were refused?—That is so.

32. Now, you have some idea of the location of electorates in New Zealand. Which constitutes the major—are they in the town or country?—In the country.

33. How would you locate them numerically, town and country?—Some of the country seats have towns in them, but if you eliminate the smaller class of town in the country seats, then one would be pretty right in saying that there are only sixteen towns outside of that class.

34. Then there are sixty-four country electorates that may have a town in them?—Yes, approximately.

35. Then, for political support, the system, if a Minister wanted to gain political support in that way, would be to consider those country districts that have the majority of the towns or boroughs?—If this system were worked with a view to political engineering or political assistance, then there can be very little doubt that the refusal of loans to all the larger towns would bear out what you say, and by devoting the loans to the country seats would be more advantageous from a political point of view if it were to be used, which I would regret to see. It would be more advantageous from that standpoint to confine the loans to the country.

36. If the money had been kept in the hands of the Department with a view to meeting contingent loans applied for by local bodies in country districts, what would have been the position?—The Department would have sustained a very much greater loss than £23,000 due to losses upon moneys not invested, and it would have been very bad business. In the case of the first loan of £1,500,000 by the Advances Department, it took a considerable time to get that loan out, and during that time the Department had to bear the loss of interest on any money they could not invest. I have always tried to have any credit balances lent from one Department to another, but it is very difficult to do it.

37. It was not until recently, when applications for loans came in from country districts, that this position has been disclosed?—There are always difficulties in connection with financial matters, but the difficulty of the investment of moneys from the State-guaranteed Advances Department was double-edged. The Post Office had a large quantity of money for investments, but I could not find investment for it. Taking £400,000 from the Post Office and handing it over to the State-guaranteed Advances Board meant that the State-guaranteed Advances Department was in the position of having to pay interest upon that amount before they could get it out. Now, I authorized the Secretary of the Treasury at one period, and I had done so before, to go round to all the banks and see whether they could take a deposit from us, and the banks were full of money and declined.

38. Referring to the losses, how do the losses compare with the losses under the old Act?—Under the old Act there was the definite loss from the point of view of the country, because the whole amount lent to the local bodies was not paid by them at all; so that under the old Act, according to the evidence before us, the loss was at least £2,300,000.

39. Under the State-guaranteed Advances Act there are no losses?—The whole loan has all to be repaid. Any loss that takes place is due to uninvested capital or cost of administration, for which the Department at present pays 10s. per cent. in one amount for the whole loan, or, in the event of a loan being raised at a discount, that the country would pay for it; but the loss in any case is very trifling as compared with what it was under the old system.

40. You heard that evidence given to-day regarding the holiday at Remuera?—Yes. I never heard anything about it before.

41. Was this the first time any allegation has been made in regard to the Department?—I never heard anything in the shape of political influence in regard to the Department until reference was made to it in the House, which is the cause of this inquiry.

42. *Hon. Mr. Allen.*] With regard to losses, first of all you say the losses so far have only been on account of uninvested moneys that have been borrowed. Will you tell us whether you think there is any possibility of there being other losses in respect of commitments at  $3\frac{1}{2}$  per cent. of the money to be provided which we may not be able to borrow at  $3\frac{1}{2}$  per cent.?—That is upon the total amount of commitments that exist at present?

43. Yes?—It is something under £500,000 for the two years.

44. On the 16th September it was £651,310, according to the return furnished?—Yes; according to the return the commitments are £651,310; but I understood Mr. Poynton to say some of those had lapsed.

45. Well, are the bulk of those at  $3\frac{1}{2}$  per cent.?—Well, some are at  $3\frac{3}{4}$  per cent. I do not know the exact amount, but I should think the bulk are at  $3\frac{1}{2}$  per cent.

46. If we cannot borrow at  $3\frac{1}{2}$  per cent., then we make a loss?—You lose the difference between  $3\frac{1}{2}$  per cent. and whatever you borrow at. I should look upon it as a small contribution to the local bodies even if you had to do that. Personally I would undertake to get the money at  $3\frac{1}{2}$  per cent. if I was Minister of Finance.

47. Would you tell me where you would get it at  $3\frac{1}{2}$  per cent.?—Well, I know exactly what I would do; probably you would not do it.

48. I would be very glad if you would advise—will you give the advice?—I should not charge any more than  $3\frac{1}{2}$  per cent. for it so far as the local bodies are concerned if I had to do it.

49. Would you raise a loan at a discount?—I do not know whether it is quite my province to say what I should do, but as far as the local bodies are concerned I would lend it for commitments at  $3\frac{1}{2}$  per cent.

50. Can you get any money now except from the Post Office at  $3\frac{1}{2}$  per cent. par?—Not by going to the open market.

51. And if we have to go to the open market we shall make further losses?—Well, I should say when you go to the London market it would depend upon what you do when you get there.

52. If we have to go to the London market, say, within six months?—If I was Minister of Finance I would not go to the London market.

53. Will you tell me where you could get money at  $3\frac{1}{2}$  per cent.?—If I had a surplus such as you are going to have before the end of the year, which at present looks like one and a quarter millions, I should take a portion of it at  $3\frac{1}{2}$  per cent.

54. Get it out of the Consolidated Fund?—I should, judging by the money you have now: I should not hesitate. The Consolidated Fund is in a very strong position, and has been all through.

55. Then, your only answer is that you could get it out of the Consolidated Fund?—I do not know whether it is quite my business to say where I should get it, but I should not charge more than  $3\frac{1}{2}$  per cent. for it as far as the local bodies are concerned.

56. The borrower has not the only say. Has the borrower the only say as to the price at which he is going to get his money?—I should conform to the Act so far as the local bodies are concerned. I should look upon it as my duty to see that a reasonable contribution, even indirectly, was given to these local bodies as far as interest was concerned for commitments.

57. A reasonable contribution from the State. You knew there was going to be a loss when you started this scheme, did you not?—I quoted it from my speech in Parliament.

58. Did you make any provision for the loss?—I informed the House exactly what I was doing. It is on record.

59. Did you make any provision for the loss?—I think that is simply putting a question to me when I am out of office, Mr. Chairman, that I should call distinctly not of any importance from my standpoint.

60. I ask you again, did you make any provision for that loss?—I did what the honourable gentleman in the House was deadily opposed to: I saved a loss to the country of about £250,000 per annum direct to the local bodies, and you took an opposite view. That is on record.

61. That is not an answer to my question?—If I carried out what the present Minister of Finance wanted, we should be losing a quarter of a million of money additional instead of £22,000 or £23,000, which is the loss from the non-investment of money under the existing system which covers two or three years.

62. Have you no answer to give to my question—did you make any provision for the loss on the new system?—I stated exactly what I proposed to do to the House, and it is all on record.

63. You refuse to answer?—I have already answered.

64. No, I think not. Now, with regard to the £5,000 limit, will you tell us when that was imposed?—I think it was the 13th November. If the Superintendent says it was the 13th November I do not question it.

65. Who was in office on the 13th November?—I was in office.

66. Whilst you were in office the amount the local bodies could borrow under this scheme was reduced to a maximum of £5,000?—That is so.

67. Has the present Government reduced it?—Not so far as I know.

68. Then if anybody says this Government has reduced it they will be saying what is incorrect?—So far as I know, that is the case.

69. Did you know that they were lending moneys ahead to be paid in subsequent years?—Certainly, it is on record here, where loans were issued payable over four years.

70. Did you take any steps to find out whether it was legal or not?—The question as far as I was concerned never arose. I heard the opinion you read here. I do not know whether you sent it on to the Board, but I rather gather you did not, which I think you ought to have done.

71. Did you take any steps to find out whether it was legal or illegal? So far as I knew, the Board was conducting its business legally. That special point never came before me personally.

72. Do you in the light of what has occurred think it was the right course for the Board to have borrowed and lent so far ahead at  $3\frac{1}{2}$  per cent. and so much?—I think the Board was justified in lending as it did to local bodies ahead, for this reason: that if it did not do that where they could not expend the money extending over a period of years, it would have required them to take the whole amount in one sum immediately after the decision of the Board, and they would have obtained the whole amount, anyhow, at  $3\frac{1}{2}$  per cent.

73. Now, in your evidence you said that I said I had plenty of funds available in hand. Can you tell me what the statement was and where it occurs?—I stated that you informed the House a few days ago that you had a balance of some £900,000-odd over and above expenditure.

74. Where?—In the consolidated revenue.

75. Did I ever state that there were funds available in hand for loans to local authorities?—I said you could get authority to have any portion of that transferred to any Department if you wished.

76. You have a return there up to the 16th September: what is the bank balance there?—£7,000.

77. And there is another credit, "Amount temporarily invested"?—£20,000.

78. The total credits are £27,750?—Yes, that is right.

79. Then, on the debit side, "Temporarily transferred to another Department, £30,000"?—That is right.

80. Deducting my credits from my debits, on what side do I stand?—Debit £2,250.

81. Actual debit?—Yes, a debit.

82. Does that mean funds in hand?—I have never stated that the Local Authorities Branch had funds in hand. It has always been supplied with funds as it required them. You are confusing the two things.

83. Now, what do those amounts to the credit of the Consolidated Fund consist of—do they consist of cash in hand and advances in the hands of the Department?—The general statement you made in the House the other day, speaking from memory, was that you had a credit of £900,000-odd.

84. Did I not state at the same time that the Imprest advances amounted to something like £700,000?—You included this under expenditure, I understood.

85. No, I did not?—I asked the question in the House whether the expenditure was approximate, and you said it was, on the ground that you did not know what amount was in the hands of the imprestees.

86. What are the amounts put into the hands of imprestees for?—They are money for wages chiefly.

87. Which are just about due for payment?—Yes.

88. Did I not state that the cash balance was under £200,000?—I do not know that you did. I have not got it here at the moment. If you say you did I will not contradict you.

89. Have I not to transfer to the Public Works Fund during the year £750,000?—You said you had transferred £50,000.

90. I still have to transfer £700,000?—Yes.

91. Where am I going to get the money for the local authorities—out of the Consolidated Fund?—Are you going to suggest that you are not going to have a credit balance over the amounts transferred?

92. I do not know yet—do you suggest it?—Yes.

93. What power have I for authority to transfer to the Local Authorities Branch?—You could get it.

94. How could I?—Very easily.

95. Shall I have anything to transfer to the Public Works Fund next year if I do?—Certainly you will.

96. What grounds have you for saying that?—Upon the grounds that the ordinary revenue for the last several years has been increasing every year, leaving a balance at the end of the year after the transfer has been made which could be used for other purposes.

97. Then you suggest that I am to speculate upon the increased revenue and transfer money from the Consolidated Fund to the Local Authorities Branch?—I suggest that any Minister of Finance carrying on the affairs of the Finance Department of this country has got to estimate ahead—he cannot avoid it; and if he has possible obligations existing and he is afraid that he cannot raise them from the Post Office or upon the London money-market he ought to legislate and take the necessary authority to at least find them, and if he has not got them he has to exercise his best capacity as Finance Minister to meet it.

98. Can you ever recollect in your administration during October or November the Consolidated Fund being so strong that you could afford to do without Treasury bills in anticipation of revenue?—I think it is very likely that is so. I am not sure that it has been the case always, but I think, upon the whole, it is.

99. It is necessary during those months to raise money on Treasury bills to strengthen the Consolidated Fund?—Before you have got your revenue in.

100. Then, do you think it is possible for me to transfer anything from the Consolidated Fund to the Local Authorities Branch in October or November?—I think you ought to be able to do it.

101. How—by issuing more Treasury bills?—No.

102. Well, if I am not to issue Treasury bills, what am I to do to find money for the local bodies?—I should be deadly opposed to issuing Treasury bills to lend to any Department.

103. And as I understand you to say you do not recollect any instance in which the Consolidated Fund has been able to get through October and November without the issue of Treasury bills?—Irrespective of that there has been a large balance carried forward at the end of the year for many years past.

104. I am talking about October and November?—I am taking the end of the years. That is equal to showing liabilities at the end of June. That I would describe as a trick.

*The Chairman*: I must ask you to answer the question put, Sir Joseph, or refuse to answer it.

*Witness*: I can answer the question in whichever way I like—that is my business. You cannot force me to answer the question in the way you desire.

*Mr. Hanan*: Surely Sir Joseph had a right to answer the question as he chooses.

*Witness*: You have no right to suggest to me how I should answer a question. It is a downright piece of impertinence.

*Hon. Mr. Allen*: I move, That the words be taken down—"A downright piece of impertinence."

*The Chairman*: I think if you look back in your cooler moments, Sir Joseph, you will realize that you should withdraw the words. Mr. Allen wanted to know what would occur in October and November, and you wanted to state what would be the liability at the end of the year. I drew attention to the fact that it was not a fair way to answer the question, and you said you had a perfect right to refer to any matter you liked.

*Witness*: I was referring to the position of this country at the end of the financial year. Mr. Allen asked me in regard to the two months, and I said that was equal to showing the liabilities at the end of June. You cannot ascertain the position at that time.

*Hon. Mr. Allen*: I move, That the words be taken down.

*Mr. Hanan*: Surely you are going to take with that the previous statement?

*Hon. Mr. Allen*: Take any words you like.

*Witness*: I have my rights as a representative of the people, and it is not for me to withdraw. I always obey the Chairman, but the Chairman has no right to tell me how I am to answer a question. (The resolution was then put and carried.)

*Witness*: Very well, I retire from the Committee. You can do what you like. It must be reported to the House.

*Hon. Mr. Allen*: I move, That the words be reported to the House.

*Witness*: I am not going to sit on a Committee that does that sort of thing at the instigation of the Minister. The Chairman did the same sort of thing before to-day. I have acted fairly throughout. (Sir Joseph Ward then left the Committee-room.)

*The Chairman*: I do not think it becomes a member to leave the Committee-room after making such remarks.

*Mr. Myers* suggested that the matter should not be discussed further, and the Committee decided to report the matter to the House.

#### TUESDAY, 22ND OCTOBER, 1912.

(Minutes of meeting of 18th October read.)

*Right Hon. Sir J. G. Ward*: That is not a correct record of the minutes.

*The Chairman*: Which part do you take exception to?

*Right Hon. Sir J. G. Ward*: In that part where the words are used by me and where it does not quote the words used by the Chairman to me, where he asked me to answer straight or refuse to give an answer.

*The Chairman*: I take it it devolves upon the Committee to say whether the minutes are a true record or not. I do not think it requires any ruling on my part.

*Hon. Mr. Allen*: Let me look at the minutes.

(The clerk read the minutes again.)

*Mr. Myers*: I think in justice to Sir Joseph Ward there should be a more complete report, and I trust the Minister will see his way clear to at once agree to that.

*Hon. Mr. Allen*: What do you want?

*Mr. Myers*: What Sir Joseph Ward asked for, that the remarks of the Chairman should be included. The object is that there should be a fair and accurate report. I see no reason why the Minister should object to that.

*Right Hon. Sir J. G. Ward*: The words used were made before I made that statement.

*Mr. Craigie*: The Chairman said to Sir Joseph Ward, "Answer the questions as put or refuse to answer."

*Hon. Mr. Allen*: If you want the words put in we can get the exact words. We cannot put into the Chairman's mouth words that he did not say.

*The Chairman*: I wish to say that I said, "I must ask you to answer the question or refuse to answer."

*Hon. Mr. Allen*: I have no objection to those words going in. I think what the Chairman said was, "Answer the question or refuse to answer."

*Right Hon. Sir J. G. Ward*: I can only say that the Press have reported it as I say, in addition to which I heard the remarks myself, and I am perfectly sure that members of the Committee heard the remark.

*The Chairman:* I must draw attention to this fact, that all the clerk was instructed to do was to note down the words used by Sir Joseph Ward. He was not instructed to take down any words used by myself, and therefore the clerk has done his duty by recording the words used.

*Mr. Myers:* I think we all regret the unfortunate incident of the use of the words, and when the Chairman used the words might I ask did the Chairman do so with the intention that they should be used in any offensive manner?

*The Chairman:* I must rule that you have no right to raise such a question at all at this discussion.

*Hon. Mr. Allen:* I think it is quite wrong.

*Mr. Myers:* Well, Mr. Chairman, I think——

*The Chairman:* I must ask you to resume your seat.

*Right Hon. Sir J. G. Ward:* I move that the words "answer straight or refuse to answer" be recorded in the minutes.

*The Chairman:* I must rule the motion out of order, because it is——

*Right Hon. Sir J. G. Ward:* If not I will put on record that the minutes are not correct.

*The Chairman:* I must ask you to resume your chair.

*Right Hon. Sir J. G. Ward:* I want to enter my protest, and I want it to be recorded, that those words used by the Chairman to me and reported in the Press, "Answer straight or refuse to answer the question," are not recorded in the minutes to-day, and that the minutes are an incorrect record of these proceedings.

*Dr. Newman:* I think the best course would be that, as we cannot remember the exact words, the matter should be postponed until the next meeting to see if we can get the exact words.

*Hon. Mr. Allen:* It would go on record that the Press so reported it. The *Evening Post* is here, and that was accepted by Mr. Myers and others as a very accurate report. This is what the *Evening Post* says: "The Chairman (Mr. Hine) rose: I must ask you to answer the question, Sir Joseph, or refuse to answer it." That is what was said as far as I recollect. What is recorded in the minutes—"Answer the question, Sir Joseph, or refuse to answer it"—and the type-written report corresponds with the minutes. The *Dominion* report is, "Mr. Hine: I must ask you to answer the question or refuse to answer it." The *New Zealand Times* does have the word "Mr. Hine asked him to answer the question straight." Two of the papers do not use the word "straight," one apparently does, and the minutes do not, and the shorthand-writer does not.

*Mr. Myers:* I say with the greatest respect, supposing there is a difference of opinion——

*The Chairman:* I have already ruled that you cannot discuss this matter. I cannot allow it, and I ruled so.

*Mr. Myers:* I am doing so to try and throw oil on the troubled waters.

*The Chairman:* I cannot accept it, and I have a right to object to Sir Joseph Ward's motion also. I cannot have anything inserted in the minutes which is not a correct record of what I said.

*Mr. Myers:* I accept your ruling; but supposing you say there is a difference of opinion, that you did not mean——

*The Chairman:* Mr. Myers, I have already ruled that you are not to raise that question here at this juncture.

*Mr. Craigie:* But, Mr. Chairman, I think the minutes want something added on to them. You said to Sir Joseph Ward, "Will you please answer the question put to you"——

*The Chairman:* Mr. Craigie, I must rule you out of order. The clerk was not instructed, and it is not usual, to put evidence in the minutes, but only what the Committee instructed should go down, and, therefore the clerk put down what he was instructed to do. I do not think any good will come from any further discussion on it.

*Right Hon. Sir J. G. Ward:* Then, how does the clerk put in the words used by me in the minutes?

*The Chairman:* I cannot allow that either. I can only allow to go in the minutes the words the Committee instructed the clerk to put down.

*Mr. Craigie:* I cannot vote for or against minutes if I think they are not right.

*The Chairman:* That is quite fair.

*Mr. Craigie:* Will the clerk read the minutes again where they refer to that portion?

(Minutes read.)

*Mr. Craigie:* What I object to is that your remark to Sir Joseph Ward is not in the minutes.

*The Chairman:* Mr. Craigie, you must recognize that this is only a record of what was instructed to be put down.

*Right Hon. Sir J. G. Ward:* The minutes are supposed to be put down without instructions.

*The Chairman:* It is quite a correct record.

*Right Hon. Sir J. G. Ward:* No, it is not.

*The Chairman:* The clerk took down the words instructed by the Committee.

*Mr. Craigie:* You asked Sir Joseph Ward to answer the question put to him or refuse to do so. I cannot remember your using the word "straight" at all.

*Mr. Pearce:* It seems to me it is competent for the Committee to add something to the minutes without discussing them, if the Committee is willing to add that portion.

*Hon. Mr. Allen:* I do not think there is any harm in putting in the words "or refuse to answer."

*The Chairman:* There is no objection to those words being put in.

*Mr. Pearce:* I move that those words be added to the minutes.

*Right Hon. Sir J. G. Ward:* I wish to record my protest against the minutes being still inaccurate, Mr. Chairman.

(The minutes were then read and confirmed, Sir J. G. Ward dissenting.)

*The Chairman:* As directed by the Committee, I reported Sir Joseph Ward's statement to the Chairman or challenge to the Chairman last Friday, and after discussion the House decided that the matter should be referred back to the Committee for reconsideration.

*Right Hon. Sir J. G. Ward:* Is it usual when deliberating to have strangers present?

*Hon. Mr. Allen:* Not when deliberating.

*Right Hon. Sir J. G. Ward:* If the Committee had not, I have no objection.

*The Chairman:* I will read the order:—

*Ordered,* "That the Public Accounts Committee be directed to inquire fully into all loans paid or applied for or provisionally or finally approved for local authorities under the New Zealand State-guaranteed Advances Act since its inception. The Committee to report on the losses made, if any, since the Act came into operation, the commitments, and the available means and unexhausted loan authorities as at the 31st March, 1912, and the 16th September, 1912. The Committee to be open to the Press. Also that the letter of the Superintendent of the New Zealand State-guaranteed Advances Department of the 30th September, 1912, to the Minister of Finance be referred to the said Committee. The Committee to report within ten days."

Well, gentlemen, that places the position, to my mind, in this way: that the Committee has the opportunity of considering its decision, but previous to any discussion taking place for the reconsideration of the matter I think it is my duty, in the face of what the Speaker has said, that the words used were unparliamentary, to ask Sir Joseph Ward to withdraw the statement "It is a downright piece of impertinence," and I do so.

*Mr. Craigie:* Mr. Chairman—

*The Chairman:* There is no comment on this. I ask Sir Joseph Ward to withdraw the statement.

*Right Hon. Sir J. G. Ward:* I thought the report was before us for consideration. I rise in protest to say—

*The Chairman:* I cannot allow any comment, Sir Joseph.

*Hon. Mr. Allen:* He may wish to speak—

*The Chairman:* Sir Joseph Ward and all the members of the Committee know that when the Speaker is called upon to decide a point in the House there is no comment allowed and no explanation allowed. The member who has transgressed is called upon to withdraw the words stated, and I consider, in my position as Chairman, putting aside all personal element—

*Right Hon. Sir J. G. Ward:* I rise to a point of order. Is the report of the House before the Committee?

*The Chairman:* I rule you cannot raise a point of order. I am in the same position as the Speaker, and I want those words withdrawn.

*Right Hon. Sir J. G. Ward:* I want to know whether the report of the House is before the Committee for reconsideration.

*The Chairman:* I have already ruled, but in deference to you I say that the report of the House is not before us—only that the words are to be withdrawn.

*Right Hon. Sir J. G. Ward:* So that the report of the House not being before us is of no consequence to us.

*The Chairman:* Not in comparison with a misdemeanour of a member of the House in Committee.

*Right Hon. Sir J. G. Ward:* I want to say at once that I refuse to withdraw the words. This matter has been sent here for consideration. I should only consider the withdrawal of them provided the Chairman withdrew the offensive remark he made to me, which was uncalled-for and contrary to fact.

*The Chairman:* I regret very much that Sir Joseph Ward has seen fit to still persist in refusing to withdraw the words. I now place the matter before the Committee for reconsideration of the position as laid down and as referred to the House. I will read the report again: "I have been directed to report that at a meeting of the Public Accounts Committee the Right Hon. Sir Joseph Ward on being asked by the Chairman to answer a question used the words 'that it was a downright piece of impertinence.'" On being asked to withdraw the words Sir Joseph Ward refused to do so, and the words were ordered to be taken down, and to be reported to the House. The matter is now before the Committee for further consideration.

*Right Hon. Sir J. G. Ward:* I wish to call the attention of the Committee to the fact that the Speaker in the House, in reply to a question from me, ruled that this matter could not come up before this Committee after it was reported from the House. The report has come before the Committee, and the Chairman has refused to allow that to be considered before giving me the opportunity to withdraw.

*The Chairman:* I ask you to conform to the rules of the House. If my rulings are wrong you have your remedy by referring the point to the Speaker of the House. The matter before the Committee now is that the previous report be now considered, and I ask for a resolution.

*Hon. Mr. Allen:* Mr. Chairman, I am very sorry indeed that this matter has got to this stage in which it is now, and I think Sir Joseph Ward, when he calmly considers it, will see that in the interests of good government and in the interests of the Committee as well as the House, that the really right course for him to pursue, and the most dignified course, whatever may have been the irritation that caused him to use the words, is to generously withdraw them. I am very sorry he has not done so. Of course, the rule of the chair must be obeyed. If the Chairman has committed any indiscretion, there is a straight course to pursue: his rulings can be ques-



tioned and his actions can be questioned in the proper way by a motion. We cannot impose indignities upon the Chairman, nor do we want to impose any indignities upon any ordinary member. I think the words used were used in the heat of the moment, and now I ask Sir Joseph to consider not only his own position but the position of others of us here, and the position of the Committee, and urge on him as strongly as I can, personally, to withdraw the words. If he has got any grievance, after the words are withdrawn, and we are placed in the position in which we may consider his grievance, let us have it out and let us consider it. I am prepared to consider any grievance he has in a non-party and non-political way, and give him my assurance on that. I am doing this in a kindly spirit. I do not want to move any resolution. Obviously it is my duty to move a resolution—we cannot remain where we are now—and might I ask him in fairness, speaking in a friendly way and not in any political spirit, to reconsider the position and put us in the position in which, if he has got any grievance, we can rectify that grievance. The Chairman's ruling must be upheld.

*Right Hon. Sir J. G. Ward:* Mr. Chairman, I can only thank Mr. Allen, which I do, for his suggestion to me, but I regret I cannot accept it. I cannot accept it for the reason that I have looked upon the Chairman's statement to me as particularly offensive and uncalled-for, because I had answered the question. As a matter of fact, I would prefer to receive the censure of the House rather than withdraw the statement which I made, believing I was justified in making. I looked upon it as political bias against me, and I regret to say that is confirmed to-day, and that nothing more arbitrary or more exceptional in the attitude of a Chairman, even I think in any parliamentary Committee in the world, has ever known or ever seen. The House directed a report to come here for consideration, and the Chairman, with all the powers centred in a Chairman, declined to allow a member of Parliament to refer to the report, and still I am asked under such circumstances to withdraw the words. I say I have no feeling against Mr. Hine, but I can only say that the action is such that one can only compare it to a martinet, that the whole report of Parliament is set aside before I can refer to it. I can only express very great regret that I cannot withdraw the expression I used before.

*Mr. Lee:* I was not at the meeting. What was the offensive remark, Sir Joseph, made to you by Mr. Hine that you took exception to that led up to the remark which you made yourself?

*Right Hon. Sir J. G. Ward:* I was upon my oath giving evidence before the Committee. Mr. Allen was questioning me, and I was answering his questions. No appeal was made by Mr. Allen to the Chairman as to whether I was answering those questions to his satisfaction or otherwise. The Chairman of his own accord told me to answer the question or refuse to answer it. He repeated it again by asking me to answer it straight.

*The Chairman:* That is not putting it fair.

*Mr. Lee:* What remark did he make at which you took offence?

*Right Hon. Sir J. G. Ward:* He dictated to me as to how I should answer the question.

*Mr. Lee:* What was the expression you took exception to?

*Right Hon. Sir J. G. Ward:* He told me to answer or refuse to answer, and I say that is an improper thing to say to a witness. I was giving my evidence upon oath, my answers were being recorded, and whatever answers I gave were there to speak for themselves. I said nothing offensive to Mr. Allen or to any member of the Committee. The Chairman must have had some reason for telling me to answer the question or refuse to answer it.

*Mr. Lee:* What am I to understand leads you to believe that you were justified in using the expression?

*Right Hon. Sir J. G. Ward:* What I hold is this: that before we got to the point of this matter being reported to the House, the Chairman, as a matter of fairness to a brother member of the Committee, should have withdrawn, and I would have readily withdrawn and apologized; but he has allowed an offensive statement to go on record, and he then asks me to withdraw the reply I made to the offensive statement. If I had lost my self-respect I might withdraw, but I have not lost my self-respect, and I would prefer to receive the censure of the House instead of withdrawing the remark.

*Hon. Mr. Allen:* I move that the Committee adjourn for half an hour, and I do so in the hope that we may bring about a settlement, that Sir Joseph Ward may consult with his own friends, and I hope they will consult with him.

(Motion to adjourn agreed to.)

On resuming,—

*The Chairman:* The Committee has resumed. The question before the Committee is the consideration of the report referred back to the Committee, and I will ask some member to put it in order by moving some resolution in the matter.

*Hon. Mr. Allen:* I would like to ask Sir Joseph, before I move any resolution, whether on reconsideration he can see his way to withdraw the words, which I think he will admit on calm consideration ought to be withdrawn.

*Right Hon. Sir J. G. Ward:* Mr. Chairman, I can only say, in reply to Mr. Allen, that I am exceedingly sorry that I cannot see my way to do as suggested. I want to say that I have no personal feeling of any sort or kind against Mr. Hine. I felt at the time that the statement was very offensive to me as a public man. He thinks it is all right, and I cannot, and, of course, will not, press him to make it possible for me to do what I would be willing to do.

*Hon. Mr. Allen:* Under the circumstances I am afraid there is nothing else for me to do but to move that the Committee report to the House that Sir Joseph Ward refused to withdraw the words, "It is a downright piece of impertinence."

*The Chairman:* I will state the question moved by Mr. Allen: "That the Public Accounts Committee reports to the House that Sir Joseph Ward refused to withdraw the words complained of in the report as presented to the House on Monday, 21st October."

*Right Hon. Sir J. G. Ward:* I want to say here, Mr. Chairman, that I do not propose to take any part in the discussion or vote upon it.

*Mr. Pearce:* I would like to support the resolution, and I would ask Sir Joseph Ward if, as the oldest Parliamentarian in the House, he does not recognize the fact that it would be impossible to carry on—

*The Chairman:* I do not think it is fair to Sir Joseph Ward after he has intimated that he will not take any part in the discussion or vote, nor can I allow any discussion on the matter.

*Mr. Pearce:* I was only drawing his attention to the position that as an old Parliamentarian he must recognize that it would be impossible to carry on the business of the country if such statements were allowed to be made accusing the Chairman of impertinence. If the Chairman did anything which was not correct, and if the words were withdrawn, it would be competent for the Committee to consider the action of the Chairman; but surely it would be impossible to carry on the Parliament of the country if any member or any member of a Committee is allowed to accuse the Chairman or Speaker of impertinence. That seems to be the position, and if the expression was withdrawn, and there was anything else to be dealt with the matter could be gone into. I was not, of course, at the meeting.

*Mr. Hanan:* I think it is the desire of the House that this difficulty should be settled out of Court—in other words, should be settled by this Committee. That is the feeling of the majority of fair-minded men in the House. Now, what is the position? We have one member of the Committee alleging that something was said that gave rise to a feeling of irritation on his part and resentment. Now, we have got to consider in going back to the House, or even making any recommendation to the House, what was it that gave rise to this remark being addressed by Sir Joseph Ward to the Chairman. Were the circumstances such that a man—an ordinary man with ordinary feelings—would resent a statement being made to him as to the way his answer was requested; also as to what was the tone in which that statement was directed towards Sir Joseph Ward. Now, we know this: that very often a statement or a request may be unobjectionable in its form, but very objectionable in the tone and method—

*Hon. Mr. Allen:* I hope Mr. Hanan is not going to get himself into the same difficulty.

*Mr. Hanan:* I am very sorry the Minister is so keenly looking to make trouble.

*Hon. Mr. Allen:* That is very unfair.

*Mr. Hanan:* I have said nothing that any Judge or Court in the land would take exception to. It is only a very excitable individual like the Minister of Finance who would make the remark he has done. I think that the Chairman ought to recognize this on calm consideration, that it is not usual for a chairman to take upon himself to dictate—

*Hon. Mr. Allen:* I must object.

*The Chairman:* Mr. Hanan, kindly resume your seat. I must ask you to keep off, at any rate, such debatable ground as to say that the Chairman dictates. I must ask you to withdraw the word "dictates."

*Mr. Hanan:* What statement do you take exception to?

*The Chairman:* You said the Chairman dictates.

*Mr. Hanan:* I said "a" chairman.

*The Chairman:* I admit that.

*Mr. Hanan:* Am I not justified in referring to the conduct of "a" chairman?

*The Chairman:* Yes, you can.

*Mr. Hanan:* I say, Mr. Chairman and gentlemen, that when you are bringing to account a member who acts in a way that exception is taken to, that you have also a right to consider the circumstances which gave rise to that comment being made, whether it comes from the Chairman or anybody else, and I therefore say that what is desirable is that the Chairman and Sir Joseph Ward should meet one another.

*The Chairman:* I must ask you to resume your seat. The Chairman's action is not under discussion, and I must ask you to leave any action of the Chairman out of your remarks. The action of the Chairman is not under discussion.

*Mr. Hanan:* Is not the Chairman's ruling under discussion?

*The Chairman:* No; the report of the House that the words be referred to the Committee is under consideration.

*Mr. Hanan:* I submit now that if it is to go to the House that we should have had a full and explicit statement of the evidence taken down and of the statements made that deal with this incident. What went before the House was an extract. That did not give full particulars. You have only got to read the report of the *Dominion* or *Evening Post* to show that the extract furnished the House last night was incomplete in many respects. Now, what was the report?

*The Chairman:* I would remind you that what was reported to the House was the unanimous wish of this Committee, and upon which you voted, and it was referred to the House.

*Mr. Hanan:* And surely if it is to go back to the House we will send it back to the House with a full statement of the evidence, in order that the House may come to a conclusion. Does the Chairman say that that extract furnished to the House was a full and complete statement?

*The Chairman:* Yes, I do.

*Mr. Hanan:* Then, according to your statement, the extract was an invention on the part of the reporter. There were certain statements in the *Dominion*, *Evening Post*, and *New Zealand Times* which do not appear in the extract furnished to the House, which have an important bearing on this matter. It seems to me that if you are going to report this to the House you want a full, clear, and explicit statement of what did take place, and there should be no important omissions. There are two in this matter. There is the Chairman's ruling, the Chairman's action, and whether the Chairman did right or wrong; whether he dictated, or the way he made his reference was in a manner that would irritate. Many a chairman recognizes on calm consider-

ation that he does perhaps address a remark to a member or to a witness in a tone that is calculated to give rise to irritation and cause loss of temper. I do not think our present Chairman will admit that he is in every respect a perfect Chairman. Then, what is the position here? Let us get down to bed-rock. The difficulty in a Committee of this kind is to get rid of party feeling. We have to some extent a party on both sides—a party feeling manifested, and we have a party gentleman in the chair.

*The Chairman:* I am giving you all latitude.

*Hon. Mr. Allen:* I must really ask Mr. Hanan to desist. You are only stirring up strife.

*Mr. Hanan:* I am pointing out the position.

*The Chairman:* Yes, Mr. Hanan, I am giving you all the latitude, and far more latitude than a strict chairman would do, but I must rule you out in referring to party matters.

*Mr. Hanan:* Mr. Chairman, I desire to refer to the attitude of the witness in this matter. We can settle this matter between ourselves. It is not desired that it should be brought back to the House again.

*The Chairman:* Your time is up, Mr. Hanan.

*Hon. Mr. Allen:* I only want to say that there is one question and one question only before us, and that is the use of unquestionably improper words to the Chairman of the Committee—words which would be improper in the House. That is the only issue before us. It does not matter what was said before: we can deal with that afterwards. The one thing we have now to deal with is the use of obviously improper words which cannot be allowed, or we never could maintain order on a Committee or in the House. If they cannot be withdrawn I am very sorry it cannot be done. I have tried my best to endeavour to get round the difficulty, but unfortunately I have not succeeded, and the Committee has not succeeded. If the Committee could deal with it without referring it back to the House again I should be very glad to adopt that course.

*Mr. Myers:* I fully enter into the spirit which has actuated Mr. Allen in acting as he has done, and I think I am expressing the opinion of every member present when I say that we all deplore the position which has been created. Now, it appears to me that it is to a large extent, as frequently happens, due to a misunderstanding; and I hope the Chairman will allow me to say, and I do so with the greatest respect, that I believe Sir Joseph Ward made use of the expression he did—which there is no doubt is unparliamentary—for the simple reason that he felt it was a personal affront to himself. I will go further and say that I do not believe the Chairman desired or meant for a moment any personal affront to Sir Joseph Ward, and under the circumstances, if I may be permitted to say so, it seems to me that we should adopt the suggestion made by Mr. Allen, and deal with this matter at once and get rid of it.

*Hon. Mr. Allen:* I shall be only too glad if you can.

*Mr. Myers:* You asked for a suggestion. It appears to me, sir, that if there is a misunderstanding, why cannot it be cleared up. If the Chairman did not mean it as a personal affront to Sir Joseph Ward—

*Hon. Mr. Allen:* It is wrong to assume he did.

*Mr. Myers:* Well, I believe Sir Joseph Ward does. I say with the greatest respect, with the full responsibility of one public man to another, that I do not believe you meant it as a personal affront, sir, to Sir Joseph Ward. Sir Joseph Ward thinks you did. If you were to express yourself, as I believe you are a fair-minded man and desiring to do the right thing, that it was not your intention—

*The Chairman:* I must ask you to drop that line of argument. It is unfair to the Chairman and unfair to the Committee. The question before the Committee is that the words which have been refused to be withdrawn shall be referred to the House.

*Mr. Myers:* I believed that this matter was going to be cleared up in this way. There is apparently some misunderstanding, and as reasonable men why cannot we—

*Hon. Mr. Allen:* No, I cannot see any misunderstanding.

*Mr. Myers:* Surely every man in this room deplores the present position, and if there is a misunderstanding, if anybody else can offer a suggestion, I am sure I am only too happy to sit down and let them do so. I followed the matter very carefully, and no man knows better than Sir Joseph Ward himself that he used an unparliamentary expression.

*Hon. Mr. Allen:* And therefore it should be withdrawn.

*Mr. Myers:* He feels that it was a personal affront intended by the Chairman. Now, I stand up here and say that I do not think the Chairman for a moment desired—

*Mr. Hanan:* Then why cannot the Chairman say so?

*The Chairman:* I must ask you again to desist from referring to the Chairman's action.

*Mr. Myers:* I have nothing more to say, then.

*Mr. Craigie:* We are sent here by the House, and I am sure every member in the House wishes the Committee to settle this matter. They do not want to hear anything more about it in the House. It is a deplorable thing, and if we can settle it we are doing good work for the House and every one concerned.

*Hon. Mr. Allen:* Have you any suggestion to make?

*Mr. Craigie:* Well, I think Mr. Myers was on the right road. Of course, if the Chairman will not allow me to say what I want to say I will sit down; but I heard the evidence, and I looked upon Sir Joseph Ward as almost on his trial, and there was no doubt party feeling in the House and also party feeling in this room. Sir Joseph Ward was Minister of Finance—

*The Chairman:* I must ask you not to take that strain. The question before the Committee is that those words shall be referred back to the House. You will resume your seat for a moment. Sir Joseph Ward is a member of the Committee, and I do not think it is proper to say that he is on his trial when he is sitting at the Committee. You are going beyond all points of precedence when you take up that argument.

*Mr. Hanan:* Surely he can state the case.

*The Chairman:* You can speak to the question, Mr. Craigie.

*Mr. Craigie:* I was leading up to it. I was going to make a suggestion. We had a very heavy week last week and sat all that day, and I do not think when you sit up all day and night that your temper is the very best. I think you will admit that. I have been under a good many chairmen, and had a good deal of experience as a chairman myself, and I wish to say candidly to Mr. Hine that he had with the very best intention sometimes spoken in a very abrupt manner.

*The Chairman:* I must ask you to resume your chair. I am not going to have the Chairman's action criticized or attacked.

*Hon. Mr. Allen:* Except in a constitutional way.

*The Chairman:* Yes, of course. Every member of the Committee has a constitutional way of bringing any matter before the Speaker if I give a wrong ruling.

*Mr. Craigie:* I was going to make a suggestion to you, Mr. Hine.

*The Chairman:* I do not want any suggestions in that way; it is lowering the dignity of the Committee.

*Mr. Hanan:* Are you not curtailing free discussion?

*The Chairman:* I shall not allow any reflections on the Chair.

*Mr. Hanan:* It is not my intention to do so. I would object to any reflections cast upon the Chair, and I would uphold any member in a similar position, but he can criticize.

*Mr. Craigie:* Well, will you allow me to make my suggestions?

*The Chairman:* Not in that direction.

*Mr. Craigie:* I wish to say that you can see the position Sir Joseph Ward is in in connection with the whole affair, and I think if I make the suggestion that you say, perhaps that you did not wish to—

*The Chairman:* I must ask you to resume your seat, and if you cannot make any other suggestion than that I should accept some responsibility in the matter when it is a question that the report be referred back to the House, then I must rule you out. Does any other member wish to speak before I put the resolution?

*Mr. Pearce:* I would like to say a word or two, and would ask, is it not possible that the words be withdrawn? I do not think there is any one on this Committee but must recognize that the words are unparliamentary. I do not think there is any doubt in the mind of any member of the Committee, whether it is a question of party or not, that that is the correct procedure to take in this case. I was not present when the incident occurred, but if there was anything objectionable before the words were used, the Committee would be prepared to meet Sir Joseph Ward. We would then be allowed to discuss it. I think it is quite competent for this Committee to refer anything the Chairman does here to the Speaker of the House. That can be done, and that is the proper course to take; but it seems to me that if any member of the Committee can refer to the Chairman or any speaker with impertinence, there must be chaos, and it seems that the only way is to withdraw the words. I hope Sir Joseph Ward will consider the matter and take that course. I think it is the only course under the circumstances, and I wish he would do so.

*Mr. Hanan:* Are we not going to have a full statement of the evidence of the proceedings in regard to this incident?

*The Chairman:* That will be the subject of a subsequent resolution. I will put the resolution: "That the Public Accounts Committee reports to the House that Sir Joseph Ward refused to withdraw the words complained of in the report as presented to the House on Monday, 21st October."

*Right Hon. Sir J. G. Ward:* I think, Mr. Chairman, as a matter of fairness to the Committee as a whole, that an amendment ought to be included in that, and I will move an amendment myself. I have no objection to that report going to the House, but I move that the following words be added: "It being ruled by the Chairman that I should do so before consideration of the report from the House."

*The Chairman:* I cannot accept the amendment. I gave the Committee an opportunity of referring to the matter if my ruling was incorrect, and the Committee did not take the opportunity at that time of reporting my ruling to the House, and I must rule the amendment out.

*Mr. Hanan:* Have you ruled that we cannot discuss the report?

*The Chairman:* We are discussing the report now.

(The motion was then put and carried.)

*Hon. Mr. Allen:* I should like to ask what position the Committee is going to take up with regard to further evidence. I understand witnesses have been called.

*Mr. Hanan:* I move that a full statement of the evidence in respect of this incident be furnished to the House, and all the evidence bearing on this incident.

*The Chairman:* I should like to draw attention to the fact that what has been prepared is only an extract, but what I wish to emphasize is that there have been no excisions, but there has been an attempt made, possibly unwittingly, to suggest that there has been something kept out of this report. The question is that a full report of the incident as far as available be submitted with the report to the House.

*Hon. Mr. Allen:* I know what it is going to lead to; it is going to lead to a very large discussion in the House. There is only one plain issue before us—that is, as to obeying the ruling of the Chair and using the words to the Chair. I will not object, but I think we are going further than we as a Committee can go in reporting this matter.

*Right Hon. Sir J. G. Ward:* I think the particular question put to me and my answer to it would be sufficient.

*The Chairman:* I will prepare a statement and submit it to Sir Joseph Ward and Mr. Hanan.

*Right Hon. Sir J. G. Ward:* I do not want it.

*The Chairman:* The question upon which the trouble arose is attached to the evidence, and that is sufficient. The resolution is that the evidence so far as available relating to this incident be attached to the report.

*Mr. Hanan:* Surely you should have the question upon which the remark is based.

*Hon. Mr. Allen:* I am going to ask that the Chairman rules that the report relating to this incident be presented separately.

*Mr. Hanan:* If you took the decision of a Judge of the Supreme Court and then took the evidence and dealt with it, where would you end?

*Mr. Lee:* Supposing a witness got up in Court and told the Judge that he was a biased person and had no right to sit on the Bench, would any inquiry be allowed as to the previous portion of the trial that had taken place to justify that expression?

*Right Hon. Sir J. G. Ward:* I would like to ask Mr. Lee a question upon that point. Is it not provided in the Courts of this country that any one can make a protest against a Judge hearing a case if he thinks fit to do so, and gives his reasons for it? As a lawyer you will admit that a man can object to a Judge or Magistrate hearing a case.

*Mr. Lee:* I will say that he cannot characterize the conduct of the Judge.

*The Chairman:* This is getting rather wide of the mark. I rule that this evidence cannot be attached to the report.

WEDNESDAY, 23RD OCTOBER, 1912.

*The Chairman:* Before proceeding to business to-day I wish to read the following letter received from the Valuer-General:—

“SIR,— “Valuation Department, Wellington, 18th October, 1912.  
“During my examination yesterday before the Public Accounts Committee in relation to the administration of the State-guaranteed Advances Act, I admitted while under examination by the Hon. Mr. Allen that I had signed a document which he designated a ‘round-robin.’ The term ‘round-robin’ is liable to be interpreted in its generally accepted literal sense, which conveys the impression that the signatures to the document are so arranged thereon as to make it impossible to know who signed it first. The document in question was not a round-robin: it shows no evidence of suspicion, caution, or fear. It is an ordinary document containing a prefatory statement by the Superintendent of the State Advances Department, to which are subscribed, one underneath the other, the signatures of members of the Board. I would respectfully request that I be permitted to appear before the Committee and state that the document in question is not a round-robin, or that in the alternative this letter be included amongst the proceedings of the Committee.  
“I have, &c.,  
“F. W. FLANAGAN, Valuer-General.”

“J. B. Hine, Esq., M.P., Chairman, Public Accounts Committee, Parliament Buildings.”

CHARLES AUGUSTUS CAWKWELL sworn and examined. (No. 16.)

1. *The Chairman.*] What are you?—I am Clerk to the Waitemata County Council.
2. *Right Hon. Sir J. G. Ward.*] Mr. Cawkwell, were you Chairman of the Remuera Road Board in 1911?—Yes, sir, I was.
3. Was there an application made to the State-guaranteed Advances Department for a loan?—Yes.
4. Do you recollect what the amount of it was?—The amount was £85,000. I asked for £40,000-odd for drainage, £24,000 for roads and street-construction, £1,000 for waterworks, £1,000 for a fire plant.
5. What was the date of the application for the loan?—The application was made some time in March or April. Provisional approval was received on the 22nd May, 1911. Of course, the application would be prior to that. We had some correspondence in regard to the merits of the thing.
6. Was any political influence exercised by you or by the Department in connection with the application for the loan?—Absolutely none. There was no occasion for it. At the time the Government passed this statute I was Treasurer for three or four local bodies, and I understood the money was available or said to be available. I knew the trouble of the local bodies, and I saw that we could carry out certain works at the rate of interest charged, and I applied for the loan. There was no occasion for political influence. We simply made application to the Superintendent of the Advances Department and received a reply. I emphatically swear that there was no political influence.
7. Either by the member of the district or any Minister?—No; the whole of the papers were drawn up by myself.
8. Was that loan necessary for your Road Board?—Yes, absolutely necessary. When I took charge we had a population of some three thousand persons. The trouble began when the tramway was extended to Remuera, because inside of three years that population doubled, and it is now six thousand. We had a reservoir to hold 120,000 gallons. The previous summer the water in the reservoir was down to a foot, and it meant either a water famine for six thousand people or a reservoir to hold 1,000,000 gallons. We had to get this money somewhere. We had to get the consent of the ratepayers to strike a general rate, and we had to get cheap money to finance it. Then, again, in regard to drainage, we had an epidemic of diphtheria and typhoid, and we had six thousand people without drainage.
9. Could you have obtained the money anywhere else at that time?—No, my experience is that it was impossible. I had obtained waterworks for Northcote Borough by borrowing from the Savings-bank at 6 per cent., including a sinking fund of 1 per cent., and that made it impossible to go on.

10. I understand you to say that you could not have obtained the money at that time?—No.

11. What would have been the effect on the people in your district if you had not been able to obtain the money for water and drainage purposes?—The effect would have been a serious one—loss of life. That is the opinion of the District Health Officer. The system had been to drain the sewage into gullies, and these were a foot deep with stinking sewage. They had to be removed, and we were urged by the Health Department to do something, and we did it. That has been the salvation of Remuera.

12. When you were summoned to attend here by the Chairman of this Committee, you advised him that you were not able to come on account of illness?—Yes.

13. Were you ill?—Yes. When I received the wire from Mr. Hine I was suffering from influenza, and my eyes were running with water. I also had had a touch of bronchitis. I received the wire from Mr. Hine about 10 o'clock on the 18th October. I conferred with the Chairman of the Board, and I wired to Mr. Hine asking him to put the date off, and I received a wire to say that it was postponed till a later date. On account of the state I was in I did not care to risk crossing the slip on the line.

14. Had you any reason for desiring to remain away from the Committee?—None at all, sir. When I read the reports in the papers I desired to come.

15. Do you know Mr. Wilson, engineer for some local bodies?—Yes.

16. What local bodies is he engineer for?—He has been turned out of most of them. I think he is in the Remuera Board now. He was with me in the Waitemata County Council once.

17. Did you take part in the last general election?—Yes, at the eleventh hour I took part in it.

18. Were you a member of Sir John Findlay's committee?—No, I was not. I was presumed to be, but I never attended a committee meeting.

19. I understand you addressed the men who were working in Remuera?—Yes.

20. And you gave them a holiday?—Yes, that is so; I gave them a holiday.

21. What was your reason for giving them a holiday?—At that time I did not know I was falling into a trap. I received a communication from the waterworks foreman—a man named Wilson—to go up and address these men. I did not know what the men belonged to, and after three or four consultations I went up about 10 or 11 o'clock in the morning. I addressed them on different things, and during that time it came down to rain in torrents. They were lined up round the pit, and when I had finished we walked up to the top. Wilkins then said, "What about working to-day?" and I said, "It is not very humane to keep them there wet to the skin—give them a holiday." I never interfered with the foreman at all.

22. Did you make any statement to the men when addressing them that you proposed to give them a holiday on pay?—No, nothing of the kind.

23. Did you tell the men that at any time?—No. In the course of my remarks I made no reference to a holiday. When the men were standing there wet to the skin I thought, of course, that they were men and not dogs, and it was the most humane thing to do to give them a holiday. It was about 12 or half past then.

24. Did you tell Mr. Wilson, the engineer, at his office, in reply to a question as to who was to pay for the men, that you assumed Sir John Findlay would pay?—I had no authority from Sir John Findlay to say so, and I give an emphatic denial to any statement that I had any conversation with Wilson on that point. I have been at loggerheads with Wilson for probably twelve months past. Several matters took place on the Board between us, and I tabled a motion to put him off the Board, and he has left no stone unturned to damage me for it.

25. Did you have any authority from Sir John Findlay or any one on his behalf to pay the men at Remuera?—Absolutely not.

26. Did you know of two men at your works who were engaged to do canvassing at that election?—I do not know of their names, and I knew nothing of the matter until I read it in the Press as the outcome of this inquiry.

27. As a matter of fact, have you paid any of those men their wages outside of the Board?—No, sir, I have not.

28. By whom were their wages for the day referred to paid?—I understand they were paid by the Remuera Road Board.

29. Was there any delay in connection with the payment of the men?—I do not know. My recollection of the matter is this: on the Friday afterwards this same man came to me again and said, "What about the payment for the men?" and I said, "That is not a matter I am concerned with." He said, "Wilkins is going to pay them." I said, "I do not know whether that is right," and he came back to me with a story and said, "If I am asked the question, all I can say is that I have paid them; it is an act of grace to pay them, because the men were wet to the skin." The waterworks foreman said that.

30. I understand there was a strike of the workers engaged by the Remuera Road Board?—There was a strike of the general labourers of Auckland, and sympathy extended amongst the men to our works, and the Federation of Labour called out our men as well.

31. Did you apply to the State-guaranteed Advances Board for an advance of £10,000?—Might I explain the position? These works were absolutely a matter of urgency. We feared that if we had another hot summer the result would be disastrous. I had arranged with the Bank of New Zealand for an overdraft, and I have all the correspondence here. With the State-guaranteed Advances Department there was delay in getting the money. Mr. Poynton, who was the Superintendent, was particular over red-tape, and he wanted all sorts of preliminaries fixed up. In order to get on with the work I hypotheated a loan out of the General Account, and we were paying the men out of the General Account when the strike came. The strike came as a godsend, because in any case we should have had to dismiss the men. We had not obtained the money from the Government. The legal steps were being taken with the Department, and I

pointed this out to the strike leaders, and I said we could not employ any more men until such time as we have funds to do so. They said, "It is most unfortunate, and what can we do?" I said the only hope we had of re-employing the men is to get first an advance on this loan from the Department. At that time we had had no advance from the Government, and the representative of the men said, "Hadn't we better see the Ministers in town?" The only Minister in town was Sir John Findlay, and we waited on him. He apparently did not know that we had negotiated for a loan, but he wanted to know the facts, and we told him that unless we obtained an advance of £10,000—something to go on with—we could not start work. He then wired down to Wellington, but I do not know to whom, and a reply was sent that the matter would receive consideration. After that a reply was got from Mr. Poynton, as follows: "1/11/11, Wilson, Clerk to Road Board, Remuera.—Rate for £40,000 loan only sufficient security for £37,045, and for £44,000 loan only £42,090. Please forward plan for Remuera Road District No. 2 Drainage Area.—ADVANCES." On the assurance that we would get an advance we reinstated some of the men, and on the 20th December, I understand from the Clerk of the Board, we received £10,000, the first payment made to the Remuera Road Board, and that was three days after the second ballot.

32. So that no portion of the money was paid until after the general election was over?—No portion of the money, so far as I am aware.

33. How did you finance the wages of the men from the time of the interview you had with Sir John Findlay and the receipt of portion of the loan on the 20th December?—The only finance was the General Account. Those were the instructions of the Clerk. That was the only fund that we could take it from.

34. When you addressed the men on the occasion referred to, did you recommend them to support the Government candidate?—My recollection was this: to support generally the Government. I must tell you that this State-guaranteed Advances Act was, to my mind, a measure giving the greatest good to the greatest number, and enabled us to prosecute works that we could not undertake in the past, and I was impressed with it. I considered it was an advantage to have the Government still in power in order to get cheap money, as we had other works coming on. In the case of the Waitemata County, we had approval there for £66,000.

35. Were you connected with the Waitemata County Council?—Yes. The county members, with one exception, were hostile to the Government.

36. The approval for the £66,000 for the Waitemata County Council was received, when?—On the 4th September.

37. And do I understand you to say that the members of the Waitemata County Council, with one exception, were all supporters of the Massey Government?—Yes.

38. Was there any difficulty experienced in obtaining that loan?—None whatever. That was done by myself in the same way as in the case of the Remuera application.

39. You put the applications in for both bodies, the Remuera Road Board and the Waitemata County Council?—Yes.

40. And the procedure followed by you in each case was the same?—Precisely the same. No one was more surprised than myself with the ease with which the thing went through. There was no fuss raised, and no refusals except in connection with the Remuera loan, where they knocked off £1,000 for fire plant.

41. Was there any attempt at political influence exercised by the Waitemata County Council?—No, absolutely none.

42. Although all the members of the Waitemata County Council, which Council received a loan, were all supporters of Mr. Massey's Government?—Yes.

43. *Mr. Craigie.*] You said you applied in March or April for this £80,000?—Yes, but I am not sure of the exact date.

44. When did you get the provisional approval from the Superintendent of the Advances Board?—On the 22nd May, 1911, for £84,000.

45. Did you take from that that you were going to get the money for certain from the Department?—Oh, yes, we understood that.

46. Did you begin to let contracts to carry out these works? No. On the 1st August I addressed a meeting of the ratepayers, and this loan was voted for. A poll was taken on Wednesday, the 9th August. Then we had to pass several orders in regard to security, and that took up the time till September. As soon as the loan was granted we made preparations to go on.

47. After your getting all the procedure ready the loan was granted?—The provisional approval we received in May we took as a commitment. The Government have always kept their word, and when the loan was provisionally approved they paid the money.

48. Well, after you had taken the legal steps, did you start operations in letting contracts?—Yes, when we had the loan approved.

49. Before you got the money?—Yes.

50. As far as politics went, whether Sir John Findlay was returned or Mr. Dickson, you did not expect it would make any difference so far as the loan to you was concerned?—Absolutely none whatever.

51. Who was the member for the district at that time?—Mr. Frank Lawry.

52. Did you approach him to use his political influence in any way?—No, it would not have been any use if I did.

53. It did not matter how the election went, it would not have altered the promise you had from the State-guaranteed Advances Department?—No.

54. *Mr. Lee.*] You and Mr. Wilson are not on the best of terms?—No, we are not.

55. You say he has been turned out of several billets?—Well, they have dropped him: put it that way.

56. You used the words "turned out"?—Well, I withdraw that word and say "dropped him."

57. Who has dropped him?—The Waitemata County Council dropped him, and I wished to drop him at Remuera, on account of inactivity.

58. I will deal with Waitemata: in what way did you drop him?—In connection with Waitemata, he was asked to resign, and he resigned at the end of the year.

59. You know Wilkins?—Yes, I know about him as a foreman. I know who is Wilkins's right-hand man.

60. Is he a credible man in what he states?—As far as I know. I know nothing whatever about him beyond the fact that he was brought to us as foreman and put on. I can say nothing against him, or nothing about him. He seems a very decent and honourable man.

61. He asked you to address the men?—A messenger came to say that "Mr. Wilkins thinks you should certainly come up and address the men working on the reservoir-pit."

62. That is the first you heard of addressing the men?—Yes.

63. I suppose it seems strange to you that you should be asked to go up and address the men?—Yes, it did at the time, but I see it all now.

64. Did the messenger convey to you on what topics you were to address the men?—No, simply to go up and address the men.

65. You had no idea what subjects you were to address them on?—No. They took me up there in a cart, and I had no lines of argument to follow out.

66. Mr. Wilkins was not particularly well known to you?—I knew him as foreman of the works.

67. And then without any idea as to what abstract question you were going to address the men on, you went up for the purpose of making some address?—Yes, making some address. Of course, it was on behalf of the Government to provide us with money.

68. You thought it would be in that direction?—Yes.

69. What led you to think that was what you were wanted to address the men on?—Because it is a measure I admired.

70. You say you were asked to address the men on no subject whatever: what led you to believe it was on that subject particularly—it might have been to prevent them striking?—Oh, no. Mr. Wilkins knew I was a partisan of Sir John Findlay's at the time, and I suppose his idea was to get me up there to speak on behalf of Sir John Findlay.

71. You came to the conclusion that you were going to address the men on behalf of Sir John Findlay before you left?—Well, the idea was to simply rely on the Government side. As far as I recollect I do not think I referred to Sir John Findlay at all.

72. I am not speaking of the time when you were up addressing the men, but of the time when the message was conveyed to you and you intended to address the men. What subject did you intend to address them on?—Not any particular subject.

73. On politics?—On the financial standpoint.

74. You went up and addressed those men?—Yes.

75. Can you fix the time definitely in any way as to when you concluded your address?—No, I cannot. It is a long time ago, but I think it must have been 11 or 12 o'clock.

76. You said just now that it was 12 or 12.30 o'clock?—Yes, it was between 11 and 12. It was during the morning.

77. Might you have concluded the address as early as 10.30 o'clock?—I do not think so. I was late leaving the house that morning.

78. Then you say you put before the men, I understand, the beneficial effects of this particular statute under which the local bodies were able to borrow money?—Yes. I said that the Government may not be a perfect one, but they had given us these facilities to carry on the public works and to employ a lot of men, and I admired them in that respect.

79. And you suggested to these men, I take it, to support the then Government?—Well, the inference was there from my remarks.

80. That was the point of your speech, was it not?—I did not acclaim any particular candidate—I spoke generally.

81. Was not the burden of your speech to induce those men to support the then Government?—Yes, it was. That was my object in going up there.

82. Conversely, did you suggest to the men that if they did not support the then Government, the next Government would repeal or do away with this measure?—Yes, I did. I said Mr. Massey had always stated he was against borrowing, and he would cut down the advances to local bodies, which I did not think in a young country would be beneficial to works. The primary works in a young country must be the basis of population and settlement.

83. That is your surmise of the policy?—Yes. I might say that Mr. Massey is a friend of mine. I did not attack him, but his policy.

84. That being so, did you think it would influence these men if some of this loan-money was supplied shortly before the election took place?—No, it would have no influence whatever, because I carried out the works on the General Fund. The cessation was for about a fortnight, and the election took place some weeks after. The working-man does not care where the money comes from.

85. But for that £10,000 coming before the election the works would have ceased?—Yes, if the Government had not assured us as soon as legal steps were satisfactory that they would give us the money, the natural consequence would have been that we should have had to comply with the law. If we had not that money or we had no more balance of overdraft, we should have had to stop work. That was put pretty clearly to the strike leaders.

86. That is why you urged the lending Department to send you £10,000 on account?—No, the reason I urged the Department to do that was to have the work prosecuted in the interests of public health. I anticipated a dry summer. The thing uppermost in my mind was the importance of the work being carried on.



87. I will read you Sir John Findlay's telegram. It says, "A deputation interviewed me this morning in connection with the application of the Remuera Road Board for a loan totalling £84,000. I understand that the Department has raised some objection with regard to the security, which I think has been answered by the Remuera Board. If the whole loan cannot be authorized at present, £10,000 is urgently needed to carry on the work in hand, and that immediately contemplated. The position is aggravated by the fact that the men engaged in the work have recently been on strike, and the strike having now been settled, they desire to return to work." Now, the £10,000 was urgently needed to carry on the work—is that correct?—Yes, that is correct.

88. And if the £10,000 was not received?—£1,000 would have been sufficient to carry on.

89. If some of the money was not received, there was a possibility of the Board not being able to allow the men to return to work. That is so, is it not?—Yes, that is so.

90. Under those circumstances, did you not think that the advancing of the money before the election?—It was not advanced before the election.

91. That the obtaining of some of this money before the election and placing these men on the works would have some influence at election time?—No. I should like to say that if the money had not been advanced before the election they would have gone on. The assurance we had that this money was coming—it was held back till after the second ballot—enabled me to take the risk on the General Account. We held back payments to contractors.

92. Do I gather from you that there was no necessity for this telegram, and that you could have carried on?—There was a necessity for the telegram: that was the reason of our going to the Minister.

93. In November there was urgent necessity for the money?—Yes, we were dealing with the General Account and holding back payments to contractors.

94. And if the Advances Board had not complied with that urgent request the works would probably have been stopped until you had some of the money?—Yes, or some assurance that we would get the money. That was not known to outsiders.

95. The telegram further states, "Kindly let me have a reply as early as you can, which I may use"?—Yes.

96. Sir John Findlay says he wished a reply so that he could assure the men that the application to the Government was *bona fide*?—What men?

97. There was a deputation from the local body and the strikers that had waited on Sir John Findlay, and he wanted a reply that he could show to this deputation that had met him?—I did not think he wanted to be pestered with us. He did not seem to mix with the electors, and did not want to talk with supporters. He said, "What do you come here for? If there is a murder or a death you blame the Government." He was rather short with it. I said, "We came to you as a Minister of the Crown." I said, "If the whole of the men in Auckland are to go out again they say we are victimizing the men, and it is for you to give us some assistance." He took the thing as an ordinary matter, and got rid of it as quickly as possible.

98. In view of your address to the men and of the receipt or assurance of money from the Government before the election, you do not think that would in any way have a bearing upon the election at all?—On the particular electorate of Parnell, or the election of the Government?

99. Yes, on Parnell?—No, I do not think so. The bulk of the men lived in the Grey Lynn electorate.

100. *Mr. Myers.*] How many men did you address, Mr. Cawkwell?—I have not satisfied myself on that point, but judging from what I remember there must have been about thirty.

101. It is stated that there were about six of them electors in the Parnell electorate?—I was informed that.

102. How many do you consider of the number of men that you addressed were electors of Parnell?—I did not know who they were at first, but when I was up there I was told there were only about six men in the electorate, and I said, "That does not matter at all; I will give them an address."

103. So that as a matter of fact you were really addressing them only because of this message?—Yes.

104. You have had a great deal to do in connection with the administration of local bodies?—Yes, every form of administration of local bodies.

105. You have taken a great interest in social and political questions?—Yes.

106. And your experience in connection with this measure is that it has enabled you to provide drainage and water for the inhabitants of Remuera?—Yes.

107. At a much earlier period than you otherwise would have been able to, because you were able to get this money from the Government at  $3\frac{1}{2}$  per cent. instead of paying 5 per cent.?—Yes. If I went on the local market I knew I could not get that money. Mr. Parr went to Melbourne for £100,000, and he has not got that yet, and he is taking the money at call. I knew they could not get on with these works, and here was a Liberal Government that gave us a measure which provided the greatest good for the greatest number possible with County Councils in order to get loans, and I appreciated that.

108. As drainage and water affects the health and life of a community, the expenditure of money for those specific purposes is just as important as any other?—Much more important than backblock votes in many cases. That the Government should use money for metalling backblocks is absolutely of no use.

109. *Dr. Newman.*] What amount of overdraft did you arrange for with the bank?—I think, £3,000 or £4,000.

110. Was it exhausted at the time you interviewed Sir John Findlay?—It was getting near it. In fact, it was exhausted, because we had not paid our debts.

111. Had you the full overdraft?—No, we had not drawn it, although the liability was there.
112. Were you on this deputation that waited on Sir John Findlay?—Yes.
113. Was it an authorized deputation by the Board?—Yes.
114. By resolution of the Board?—Yes. I was going to explain that. It arose this way: we met in one of our members' offices, a Mr. Pilkins, solicitor, with the strike leaders. I reviewed the finances and pointed out the difficulties. I asked how we were going to get the money, and the suggestion was made, "Was the Minister in town?"
115. Was there a resolution to the effect by the Board to ask Sir John Findlay?—Yes, it was resolved to do so.
116. It was not held in the Board-room?—No, the Clerk was not there.
117. Do you say no Ministerial influence was used in regard to this loan?—Yes, I swear emphatically and absolutely.
118. Well, what was the object in going to Sir John Findlay?—To get him to hurry up the Advances Department, who we considered were putting a lot of red-tape obstacles in our way.
119. Then you had to apply to a Cabinet Minister?—Yes, I went to him.
120. Does that not contradict your statement that you did not appeal to a Minister?—I do not see that.
121. You said there was no Ministerial influence, and you did not ask for Ministerial influence?—I was asked, did I use any Ministerial influence to obtain the provisional approval of the loan.
122. No, you were asked if you had any Ministerial influence at your back. Did you ever address the men before politically?—I think I have—yes, in Waitemata.
123. Will you tell us more about this address—what was the object of it—it is an extraordinary thing for a Chairman to do?—The object was to induce these men to vote for the Government.
124. And you considered your address was useful?—I do not know.
125. You meant it to be useful?—Yes, certainly I meant it to be useful.
126. Do you think if there had been no interview with Sir John Findlay that this promise of the money would have come so soon?—Well, with a man like Mr. Poynton, I did not think the money would come a day sooner till he was satisfied that all the legal preliminaries were carried out to the letter, and when he got the wire he started to hang things up till he got a plan.
127. What was the object of the deputation?—The object of the deputation was to get the Minister to write to the Government in regard to the urgency of making an advance to enable the works to go on.
128. It was to hurry up things?—Yes. There was no particular feature imparted into the matter at all to my mind. It was simply a business transaction.
129. Though you went to address the men on behalf of the Government?—That was not at the time. I addressed the men weeks after this. This was probably a month or six weeks before.
130. The interview with Sir John Findlay was not two months before?—I think, about the 4th November, and I addressed the men on the 13th or 14th December.
131. Before the second ballot?—Yes.
132. Do you know the provisions of the Corrupt Practices Act?—No.
133. Never looked at them?—No.
134. At the time of this interview did you know that Sir John Findlay was going to be a candidate?—When the loan was provisionally approved?
135. No; the loan was provisionally approved in May, but when the deputation waited on Sir John Findlay were you aware he was a candidate?—Yes, he was in Auckland for the purpose. It was common knowledge, and it was in the newspapers.
136. Do you think it is the correct method of procedure that the Chairman of a public body should deliberately use his position and influence in favour of one candidate?—I went there as a private elector.
137. Were you at that moment Chairman of the Board?—Yes, I was.
138. And the men knew you were Chairman of the Board?—I do not know. Some of them must have.
139. They knew you were a member of the Board?—I do not know what was in their minds. I did not know the men from crows, and I do not know if they knew me.
140. At the time of the interview you were a member of the Board?—Yes.
141. *Hon. Mr. Allen.*] Do you remember the date of the deputation to Sir John Findlay?—No, I have not gone into the matter. I think it was some time about the beginning of November. It would be the date that Sir John Findlay sent the wire away.
142. And you knew he was a candidate at the time?—Oh, yes.
143. Do you remember the date on which you addressed the men at the reservoir?—I cannot be precise, but I think it was three days before the second ballot. It was either the Monday or Tuesday before the second ballot.
144. And you gave the men a holiday, did you?—Yes. The man said to me, "These poor fellows are wet through; what would you do?" I said, "I would give them a holiday."
145. Could the foreman give them a holiday?—Yes, the foreman often gives the men a holiday on wet days.
146. Has the foreman authority to give the men a holiday on pay?—It has been done by local bodies. The foreman is put in a position to pass pretty well what he likes.
147. Has the foreman at these works at Remuera ever given the men a holiday on full pay?—Not on these particular works that I know of.
148. Is it the custom to give the men a holiday on full pay at Remuera?—Not unless there is a special reason, such as a wet day. We have paid men for holidays.

149. Can you give me any other instance except this one in which the men were given on account of the wet or any other reason a holiday on full pay?—These particular men?

150. The men on that work?—They had not had one before that I know of.

151. Is it the custom to pay the men by the hour on the Remuera works?—By the day. Some of the casual hands are paid by the hour.

152. Are those men paid by the hour?—I do not know. Wilkins used to put in his pay-sheet.

153. Does the time-sheet represent the hours worked?—Yes. Casual hands go and come. A man may work a couple of hours and get the sack.

154. I want to know whether the men are paid according to the hours they work?—If they are looked upon as permanent hands they generally get paid by the day.

155. Were these permanent hands?—They were considered by me to be such.

156. Were these permanent hands?—The permanent work was finished. This man Wilkins was a good foreman, and I believe the men are still there.

157. Are they paid by the day whether they work there or not?—I presume the men are paid by the day. If they are casuals they are paid by the hour; that is the custom.

158. Were a good many of these men casual labourers?—I do not know their status. I understood they were permanent till the work was finished.

159. It has been given in evidence that the bulk of these men were paid by the hour: will you deny that?—No. The matter was left to Wilkins.

160. Did you discuss with Wilkins the payment of these men at all?—No, not at all.

161. If he swears you did will you say he was telling an untruth?—I think he has made a mistake. I do not think the man is an untruthful man.

162. If Wilkins also said that you said to him, "You give them a holiday," is he telling an untruth?—Yes. Mr. Wilkins is a man I had experience of and would not tell a lie, but Wilson is a man who is absolutely malicious.

163. If Wilkins said you instructed him that the men were to be paid, is he telling an untruth?—I say his memory has failed him.

164. You do not think your memory has failed you?—No, I do not. I have a pretty keen recollection. He came to me and asked me about pay, and I said it was nothing to do with me. He said, "Wilkins will pay them, and if he pays them it will be an act of grace." Dickson asked if that was so on the Board.

165. Does the Remuera Road Board give authority to the foreman of works to give the men a holiday on full pay?—They confirmed the account subsequently. There has been no specific instruction in that direction, but I know the men are allowed to use their own discretion.

166. Can you tell me of an instance in which it has been done except this one?—Yes; I have known, speaking generally, of holidays on which the men have been paid.

167. Have you known of an instance in which the foreman at Remuera gave the men a holiday on full pay?—They have been paid for holidays. I know the permanent staff have been paid.

168. Do you know of an instance in which the foreman of works gave the men a holiday on full pay in respect of any work at Remuera?—I cannot give you an instance, but I know it has been done. I would have to hunt up the records.

169. Will you hunt up the records and give us an instance when you go back?—Yes.

170. This was a political address you gave to the men?—Yes.

171. You went back to see Mr. Wilson that same morning, did you not?—No.

172. If he says you did see him he is telling an untruth?—Yes. I was at loggerheads with him for a long time.

173. If he swears that you came back and discussed the matter and told him you had given the men a holiday, that is untrue?—Yes.

174. Then Wilson would be telling a lie?—Yes, that is so.

175. And he has sworn on oath that you did come back?—That is all I say say—to deny it.

176. At the time that you addressed these men three days before the second ballot, had you any answer from the Advances Board with regard to the loan?—I would have to refer to the file.

177. Had you a few days before you addressed these men any answer from the Advances Board with regard to the loan?—We had that assurance sent to Sir John Findlay. It was made known to us.

178. What was the assurance Sir John Findlay made known to you?—That the matter would be expedited and an advance made.

179. Do you think that would have any effect upon any of the men?—In that particular electorate?

180. Yes, or any electorate—any of the men that were there?—I do not know whether the men were aware of the reply. This thing was all done between ourselves. We asked him to shake them up, and we got a reply back, and we went on with the work. I do not think it was mooted that Sir John Findlay had done this or that.

181. You said "it was made known to us": who are the "us"?—It was made known to the Clerk of the Board and to us.

182. Any one else?—I do not know.

183. Did you afterwards inform the men?—No, I did not.

184. Did you not let some one else inform the men?—No. These things, of course, get about. The Clerk may have told some one.

185. I want to know whether you think the men were informed?—I do not know of it, honestly.

186. It is rather innocent, is it not?—I will swear this, that I did not inform the men. It was treated as a business transaction. I lead a strenuous life, and I have a lot of other things to look after, and I did not take any notice of it.

187. Do you think any one else informed the men?—I do not know. Not to my knowledge.

188. But you knew when you addressed the men of this answer?—Yes.

189. And you did not tell them?—No, I did not.

190. But you knew?—Yes. In addressing the men I said that the next Government, owing to the announced policy, would probably cut off the loans and give no more advances.

191. Cut off a loan already issued to them?—No; we anticipated more money to carry on the works.

192. Cut off what loan?—The chance of getting any more money. We expected to get more money for other things.

193. *Mr. Lee.*] An additional application?—Yes; we expected to go on. We wanted to have more schemes.

194. *Hon. Mr. Allen.*] You were very greedy?—The others did not ask for the money.

195. Did you not think £84,000 was enough for Remuera?—For the present, yes.

196. Sir John Findlay's reply came on what date?—I do not know.

197. Is this the telegram from Sir J. G. Ward to Sir John Findlay [handed to witness]?—Yes, dated 2nd November.

198. And the election was when?—On the 7th December, and the second ballot on the 14th December.

199. And you addressed these men three or four days before the second ballot?—Yes.

200. And you knew perfectly well the loan was assured at that time?—Yes, but I did not say so.

201. Now I want to get back to the provisional approval of this loan, which you say was on the 22nd May, 1911?—Yes.

202. Now, you gave evidence just now, did you not, in this direction: that you considered the provisional approval of a loan was practically the granting of a loan—that a loan was assured when once it was provisionally approved?—I did not think the Government would break faith after leading us to suppose we would get it. I do not think this Government would do so.

203. You got a copy of the regulations under which the loans were granted, did you not?—Yes.

204. Will you read Regulation 6?—Yes. "No such provisional approval by the Board shall be deemed to constitute any agreement between the Board or Superintendent and the local authority, or shall affect in any manner the right of the Board to refuse to grant the loan, or its right to impose any conditions on the grant thereof." I was aware of that.

205. How can you in the face of that say that provisional approval was a direct committal?—Because the Governments I have dealt with have kept honourable throughout, and have not done anything dirty like that.

206. Would it be dirty to carry out the regulation that is issued?—It would be dirty to lead us into expending a large amount of money in entering into contracts and getting plans out and then go back on us at the finish. It has not been done, and I do not think any Government would do it.

207. Do you think the regulation is of no value?—I think it is only in case of financial panic—only as a safety-valve.

208. When you read the regulation you did not think it of any importance?—I did not think it worth while considering it.

209. Do you not think if the Department sends you regulations that they have carefully considered them beforehand, and that it ought to be considered by you?—I often put in things that are more honoured in the breach than in the observance.

210. I am not asking you what you do. Do you think the Department puts a regulation in like that for fun?—I think it is put in for a safety-valve. Taking this Government to-day, I do not think they would go back on their provisional approval.

211. You think that regulation of no value?—I do not think it is except in case of financial panic, and you would be justified then in carrying it out.

212. When you applied for this loan you said to the Board you wanted the money paid to you in what proportion?—We simply applied for the amount *in toto*.

213. Have you not a memo. of what you applied for?—I have seen the form. They wanted the money paid in instalments. I have filled up the form, and the money was spread over a period of four years. It was wanted in instalments suitable to what the requirements were.

214. You are not aware that at that time they said they wanted £10,000 before January, 1912?—Is that the £10,000 we asked Sir John Findlay about?

215. Another £10,000?—I do not know what was put in the application.

216. What is in this form on the file?—£8,000 on the 1st January, 1912. That will be right if it is there.

217. I want to know what they required before that—what did the people want who put this application in—what is on the form?—I presume they wanted it to carry on the work. We anticipated that all those legal steps we had to take would carry us into December.

218. At that time you did not anticipate that you would want much money before January, 1912, did you? How much is in the form as wanted before January?—I asked for £8,000 for drainage before January, 1912.

219. The form states £5,000, does it not—you wanted that?—Yes.

220. What date is that?—15th March, 1911. That is assuming all the regulations are complied with as soon as we could get it. We wanted the money to go on with.

221. But beyond that £5,000 in March, 1911, you at that time did not anticipate you would want anything till January, 1912?—Apparently not; but we have not got the £5,000. We did not get anything. I did not say we wanted £10,000 from the Government in November; we wanted something. £2,000 might have carried us over, and that was to be cut up.

222. Now you say you did not want the £10,000 in January although you applied for it?—It would not have made any difference if it was £1,000 or £10,000—we wanted something to tide us over.

223. You asked for the £10,000, and you had some idea that Sir John Findlay, being a Minister of the Crown, would be able to help you to get the £10,000?—No, no connection with that at all. We simply wanted Sir John Findlay to shake them up in Wellington.

224. What is the difference between shaking them up and giving you a helping hand?—We considered there was unnecessary delay on the part of the Superintendent of the Advances Department. We did not consider for one moment that he was a busy man, but that he was keeping us back. Then he wanted a plan and information. We thought it might hang up for another three months.

225. Let the Committee know what the delay on the part of the Board was specifically?—Well, the delay was that we did not get the money.

226. What was the nature of the delay?—I could not say; Mr. Poynton knows best.

227. From your point of view, what caused the delay: have you any knowledge?—In my opinion I have considered since that I was rather impetuous. I put it down to red-tapeism and wanting all sorts of things answered.

228. Have you any correspondence from the Board which indicates the cause of the delay?—None that I am aware of.

229. Do you know any of those men working on the reservoir work?—No, I do not know one of them.

230. You do not know Mr. Young?—No.

231. And never knew him?—No, never knew him.

232. Do you know a Mr. Robert Cromwell?—Yes.

233. Who is he?—He is a man in charge of the scoria-pit three or four miles away.

234. Was he taking part in the election?—Yes.

235. How?—He was Mr. Dickson's right-hand man in the election. He got paid for election day, but I think he worked very keenly for him.

236. Had he anything to do with the Remuera Road Board?—Yes, he was an employee of the Board.

237. Did you ever say anything to him about the elections?—Yes, I did.

238. What did you say?—I said a lot.

239. Did you discuss his position as an employee of the Board taking a part in the elections?—No, I did not. Might I explain it? This man Cromwell is an employee of the Board's. One of the members of the Road Board, a Mr. Bond, who is a temperance advocate and cold-water advocate, came to me frothing at the mouth and complained of this man Cromwell. He said, "This man Cromwell is going round from house to house in front of me with a ticket in one pocket for temperance and Sam Dickson, and a ticket in the other pocket for beer, and I want you to sack him." I told him that we could not sack him. I looked upon Mr. Cromwell as one of my adherents in local matters too; and then some one else came to me about it, a Mr. Pilkins. I then rang up and told Mr. Cromwell I wanted to see him. He came to my house and I said, "In regard to what you are doing in political matters, it is nothing whatever to do with me, but you are rubbing up against old Bond, so be a little cautious what you do." I said, "It in no way affects your position, and you must not take offence; what you do politically does not affect me and does not alter your status; but in your own interests be a little cautious." I said, "I do not want you to stop, but do not rub up against these men."

240. And this was an employee of the Board?—Yes.

241. What were you?—Chairman of the Board.

242. Would not that employee of the Board think twice before he went electioneering again?—He did go.

243. I do not know whether you would think he would think twice of it?—I think he was hotter than ever.

244. He took no notice of your warning?—I think he dropped the temperance business. I heard no more about it. He was a very rabid supporter of Mr. Dickson.

245. He did not take a part in supporting Mr. Dickson afterwards?—I do not know.

246. Then it did affect his action?—They were two distinct actions.

247. Do you think it right as Chairman of the Board to interfere with the man?—I did not interfere.

*Mr. Hanan:* Is this relevant?

*The Chairman:* I uphold your objection: I do not think it is relevant.

*Witness:* I have a very wide influence in two or three elections there, and I did not use it in connection with this particular loan.

248. *Hon. Mr. Allen* (to witness).] If you have such a wide influence in these elections how was it the address did not affect them and influence them?—There was only a handful of men. Only six of them, I am told, lived in the district, and those six men I am told were Dickson's men. The foreman came and told me that the six men are Dickson's supporters.

249. What was your object—to convert them?—To convert them on behalf of the Government who gave us this liberal advance to find work for the prosperity of the people.

250. Your object was to convert Dickson's men to the Government?—Yes.

251. *Mr. Craigie.*] At the time you addressed these men, had you any doubt or anxiety or fear in your mind that if Sir John Findlay did not get returned for that electorate you would not get the advance as promised by the Department?—Absolutely not. I am sure that if Dr. Findlay had gone down we would have still got that money. We hope to get a lot of money yet. It depends on Mr. Allen. I think we will get it, too.

252. *Right Hon. Sir J. G. Ward.*] You referred to a letter in the course of your evidence, Mr. Cawkwell, that the Clerk of the Remuera Road Board had written in October. Would you kindly read that letter?—Yes. It states, "I would deem it a favour if you would kindly inform me at the earliest opportunity whether papers in connection with application for loan of £84,000 are in order, and if debentures have been issued for same, as the Board are anxiously awaiting a reply, being desirous of expediting the various works."

253. So that prior to the deputation interviewing Sir John Findlay, who was then a Minister of the Crown, asking him to expedite the loan or to apply for £10,000, the Board had made direct representations to the State Advances Department?—Yes.

254. Did you receive a reply from the State-guaranteed Advances Department to that letter?—Well, I do not recall it. We had a lot of correspondence.

255. Are those the papers you have here now that you had when you waited on Sir John Findlay?—Yes. We sent down the papers on the 23rd September to the Advances Department all in order, and one month later we wrote and said we were anxiously waiting a reply as we wished to expedite the various works. Then we received no satisfaction, and we went to Sir John Findlay, and then we received a wire stating that they wanted a plan. In computing the loan we omitted to put in an extra 10 per cent. for interest and sinking fund, so that cut the loans down.

256. The reply Sir John Findlay received from me in reply to the wire he sent to me as a result of the deputation was not handed to the Press?—Not by me.

257. Was it published in the Press in Auckland?—Honestly, I do not remember. I did not give it to the Press.

258. If Sir John Findlay says he did not give it to the Press, then no one did?—Then I suppose it would be in the office.

259. As far as your knowledge goes it was not published?—Not as far as I am aware. As far as the Clerk is concerned, he is a very reticent old fellow, and would not give any information to the Press without authority, and he never asked me for any authority. It was not given by him.

260. Was Sir John Findlay in New Zealand at the time of the application for the loan by the Remuera Road Board to the State-guaranteed Advances Board?—According to the Press report, he was thirteen thousand miles away.

261. Have you at any time communicated with any Minister of the Crown in connection with the Remuera loan?—No.

262. And, excepting the official interview that you had with Sir John Findlay by way of a deputation asking that the money should be expedited, and asking for an advance of £10,000, there have been no representations of any sort or kind made by you or anybody from your Board?—Absolutely none. The application was sent by me in an official way and replied to officially. Sir John Findlay was the only man spoken to in connection with the matter.

263. There was some employee of the Remuera Road Board working at that election in the interests of Mr. Dickson?—Several of them.

264. And no exception was taken to it?—I think practically the whole staff did.

265. I understand that the temperance advocate who was frothing at the mouth was a supporter of Mr. Dickson?—No. I think he worked for Sir John Findlay, and eventually he worked for Mr. Mack.

266. Is it within your knowledge that members of local bodies in your part of the country take an active part in connection with elections?—Yes, we cannot hold them back.

267. Have you seen any objection to a man taking an active part in politics because he happened to be on a different side in politics?—No, never.

268. Or taking an active part in elections on a different side to the Chairman?—No.

269. Is there any difference between men receiving a holiday or portion of a holiday, as in your case at Remuera, and men in public positions throughout the country receiving a holiday to go to elections?—None whatever. In fact, in local bodies we never interfere with men politically.

270. There was no interference upon either side in connection with your employees?—No, absolutely none. I have got quite a clear conscience on the matter.

271. *Hon. Mr. Allen.*] Except in the case of Mr. Cromwell's?—No. I said to Mr. Cromwell, "Understand in no way do I desire to influence you to depart from supporting any candidate, but as a friend." He was one of my adherents.

272. *Dr. Newman.*] You say you never used any political influence with the men?—No.

273. Never?—Never.

274. When you went up to address them that morning was not that using political influence?—I see your point.

275. Did you not go up with the object of influencing them politically?—That is a psychological question. I was not able to know whether my words fell on barren ground or not.

276. What was your object in interviewing these men?—To point out the good qualities of the Government.

277. Was it not to help Sir John Findlay, who was a candidate for that district?—Yes, I thought the influence would go that way.

278. Then you have used your position for influencing elections?—If you put it that way, I did on this occasion, on behalf of the Government. I did not mention Sir John Findlay's name or Mr. Dickson's name. It was a general statement in regard to the Government, and not for Sir John Findlay.

279. *Right Hon. Sir J. G. Ward.*] What I was asking for was any pressure brought to bear on any of those men to influence their votes personally as an employee?—No, I would not use my position like that.

280. *Mr. Hanan.*] Were you speaking to the people in your capacity as Chairman of that Board or as a citizen of New Zealand?—It was recognized that I was out for Sir John Findlay and the Government, and I went up there speaking as a citizen of New Zealand.

281. You did not speak in your capacity as Chairman?—No, and I spoke generally too.

282. *Hon. Mr. Allen.*] Had you any knowledge at all of the electioneering fighting fund?—None whatever. That is where Sir John Findlay made a mistake: he did not have any.

283. You did not say anything to Mr. Wilson about a fighting fund?—No, absolutely no.

284. You did not subscribe to it?—No, not a single sixpence.

285. But you led Mr. Wilkins or Mr. Wilson to think that you yourself would bear a portion of the wages of the men for that day?—Most decidedly not.

286. You intended that the Board should pay?—I did not intend anything. He came and said he had paid them.

287. *The Chairman.*] In regard to the question just now put by Mr. Hanan, you said that you went there in your capacity as a private citizen. Do you think it is customary in New Zealand for individuals to go and address a body of men working together?—It is done in the railway-works if you can get the men to knock off.

288. On pay?—Yes; it all depends on the particular foreman in charge or the contractor.

289. You do not think there is anything wrong in knocking men off and giving them a political address while paying them public money?—No, it has been done before, and will be done again.

290. By a private citizen?—Yes, if the foreman is graceful enough to let them knock off.

17 Empire Buildings, Swanson Street, Auckland, 30th October, 1912.

*Inquiry under State-guaranteed Advances Act.*

SIR,—

I have the honour to enclose herewith an affidavit as to the state of the finances of the Remuera Road Board prior to the last general election of Parliament. You will see from the Treasurer's statements annexed to the order papers supplied at the Board's meetings that the position was quite in contradiction of the statements made to the Committee by Mr. Dickson. I trust that you may accept same and remove the stigma cast on me by Mr. Dickson's denial of my statements made to the Committee, of the Remuera Road Board's financial stringency at that period. I might add that Mr. Dickson did not attend several meetings at that time, as he was busy with his electioneering campaign, and therefore did not know much of the Board's business.

I have, &c.,

C. A. CAWKWELL,

Late Chairman of Remuera Road Board.

J. B. Hine, Esq., M.P., Chairman of Public Accounts Committee, Wellington.

In the matter of the State-guaranteed Advances Act, 1908, and of an inquiry by the Public Accounts Committee of the House of Representatives.

I, CHARLES AUGUSTUS CAWKWELL, of Remuera, in the Provincial District of Auckland, in the Dominion of New Zealand, local body secretary and treasurer, do swear—

1. That a statement made to the Public Accounts Committee that the overdraft of the Remuera Road Board for the period preceding the date of the last general election of members of Parliament did not exceed £1,500 is not in accordance with fact.

2. That annexed hereto and marked "A," "B," "C," "D," are the order papers and detailed financial statements supplied by the Board's Treasurer to the Board, at monthly meetings held on the 21st August, 1911, 18th September, 1911, 24th October, 1911, and 11th December, 1911, respectively, in which the Board's liability is shown as follows:—

Date of Meeting.	Overdraft.			Liabilities.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
21st August, 1911 .. ..	3,766	0	6	1,049	14	5	4,815	14	11
18th September, 1911 .. ..	3,792	9	10	2,467	6	4	6,259	16	2
24th October, 1911 .. ..	3,334	6	7	2,024	8	7	5,358	15	2
11th December, 1911 .. ..	3,389	17	10	1,603	2	4	4,993	0	2

3. That on the 28th November, 1910, I arranged with the Bank of New Zealand for an overdraft limit of £4,500, and this amount still stands in the Board's favour.

4. That a statement made by Mr. J. S. Dickson, M.P., "that it was unnecessary for the Remuera Road Board to obtain an advance of loan-moneys from the State-guaranteed Advances Department prior to January, 1912," is exploded by the figures hereinbefore set out.

5. That in order to carry on works charged to the General Account it was absolutely necessary obtain an advance of loan-moneys.

C. A. CAWKWELL.

Sworn at Auckland this 31st day of October, 1912, before me—Percy Spencer, a Solicitor of the Supreme Court of New Zealand.

## A.

## REMUERA ROAD BOARD.—ORDER PAPER.

Meeting, 21st August, 1911.

1. Matters referred to Works Committee: H. E. McEntee, *re* drainage of storm water through property in Arney Crescent. Letter, Abbott and Wilson, *re* footpath from top of Mountain Road to their land. *Re* arranging meeting with Mr. McIntosh. John McCallum, *re* breach of by-laws as regards distance of buildings from fence (power to act). M. A. Taylor's letter *re* construction of inlet to his property, Graham Street. *Re* cesspit, Clonbern Road, closed up. *Re* additional tramway regulations to formulate any proposition advisable for communication to Public Works Department for consideration. Letter, R. J. Inglis, *re* erection of lamp at corner of Lillington and Clonbern Roads. *Re* Mr. Harrison, new plan *re* road through Buckland's old saleyards.
2. Letter, A. J. Richards, *re* making Sunnyvale Road.
3. Letter, Chief Postmaster, *re* box at junction of Seaview and Brighton Roads.
4. Letter, City Council, *re* postponement of meeting Auckland and Suburban Local Bodies Association at Newmarket Borough Chambers to Tuesday, the 5th September.
5. *Re* names of four trustees advised as representing districts interested *re* St. John's Lake being vested in hands of trustees as a water reserve.
6. Letter, Remuera Bowling Club, applying for connection of cottage with sewer in Market Road.
7. Letter, M. G. McGregor, *re* rates Sacred Heart Convent, with copy of Fallon's letters; also cheque for the amount (less the interest).
8. Letter, George Tee, *re* drainage Belmont Terrace.
9. Letter ex Auckland Gas Company, *re* tar for year 1911-12.
10. Letter, statement account ex Gas Company.
11. Letters ex Leslie Presbyterian Orphanage Board *re* putting culverts and crossings to the grounds of the Orphanage at Meadowbank Estate.
12. Letter, Russell and Campbell, *re* cases Jones, Millar, and Winstone and P. Bryant, and *re* putting off of latter cases until 4th September.
13. Letter, ex F. Lawry, *re* copy Town Planning Bill.
14. Letter, Maud Manning, *re* making footpath in front of her property, Arney Crescent.
15. Letter, City Council, *re* report analysis city water-supply.
16. Telegram ex Frank Lawry, M.P., *re* Post-office question.
17. Letter, John Wilson, *re* lamp for Clonbern Road.
18. Letter, B. C. Chilwell, asking for temporary crossing across footpath at Bayley's house, Remuera Road.
19. *Re* R. O. Clarke's contract.
20. *Re* report delegates *re* electric and water supply throughout Grey Lynn (def.).
21. Letter ex Chief Postmaster, advising authorization of erection of post-box at corner of Seaview Road.
22. Letter ex Auckland and Electric Tramways Company, *re* interviewing Messrs. Bond and Pilkington.
23. Copy Judge Kettle's notes on case R. R. Board *versus* Tramways.
24. Prospectus Spiral Lock Bar Steel Pipe Company.
25. Mr. Hartland, *re* lamp for Ladies' Mile near his house; also letter, W. Garret.
26. W. Rattray, *re* paying double rates on property Cowie Road.
27. Brilliant Sign Company, *re* signposts, &c.
28. Borough Grey Lynn, *re* supply of electric current.
29. Report Drainage Foreman.

## General Account.

	£	s.	d.
July 31st. Balance (debit) .. .. .	3,565	17	11
Payments made—			
W. R. Leighton .. .. .	1	1	0
Clerk, part salary to 31st July .. .. .	11	11	0
Assistant Clerk to 31st July .. .. .	6	15	0
Assistant clerk and typiste .. .. .	5	0	0
Wages—22nd July 17s., 5th August £94 15s. .. .. .	95	12	0
Wages, Townson, Mount Hobson Domain .. .. .	1	16	0
E. Pascoe .. .. .	57	14	0
Polling-expenses, Ussher .. .. .	9	6	9
Wages and tram fares to 19th August .. .. .	77	5	9
Crossings footpath deposits (refund) .. .. .	1	10	0
	267	11	6
	3,833	9	5
Deposits (credit) .. .. .	67	8	11
Dr. balance .. .. .	3,766	0	6



*Waterworks.*

	£	s.	d.
Cr. balance, 31st July..	354	10	10
Deposits ..	184	8	11
	<hr/>		
	538	19	9
Payments made—	£	s.	d.
Clerk, part salary to 31st July ..	5	19	8
Assistant, salary to 31st July ..	6	15	0
D. C. Cowan ..	1	10	0
Wages—Maintenance ..	47	15	0
Loan ..	13	16	3
	<hr/>		
	75	15	11
	<hr/>		
	£463	3	10

*General Account.*

	£	s.	d.
Submitted for payment—			
Barry Bros. ..	147	19	4
Outstanding accounts—			
W. G. Allen Company ..	0	7	0
Auckland Gas Company ..	537	19	1
Brett Printing Company ..	36	5	6
Briscoe and Co. ..	13	14	6
H. B. J. Bull ..	4	0	10
A. and J. Brodie ..	19	7	6
Champtaloupe and Edmiston ..	2	8	2
J. H. M. Carpenter ..	125	11	0
J. J. Craig (Limited) ..	30	0	0
J. Dempsey ..	19	19	4
Geddis and Blomfield ..	5	6	3
Charles Green ..	0	8	6
Harrison and Gash ..	1	19	6
Hardley and Hardley ..	1	5	0
Kauri Timber Company ..	25	19	10
L. J. Keys ..	1	11	9
J. F. Leighton ..	1	2	6
W. Lovett ..	2	0	5
W. Lynch ..	0	2	0
Morton and Turner ..	2	9	0
New Zealand Typewriting Supplies ..	1	12	0
E. Pascoe ..	2	0	0
E. Porter and Co. (Newmarket)	25	15	8
" (Auckland) ..	4	7	3
Pullan, Armitage, and Co. ..	4	8	0
" ..	2	15	0
John Rule ..	32	15	6
Russell and Campbell ..	26	18	10
R. Skelton ..	0	2	0
O. S. Swinnock ..	16	3	11
Taupo Totara Timber Company ..	40	1	1
J. C. Tapper ..	0	9	0
Tucker Bros. ..	0	3	6
Valuation Department ..	29	3	4
W. A. Wilkinson ..	0	17	6
Wilson Portland Cement ..	2	9	0
Wilson and Horton (advertising)	15	0	0
" (printing) ..	12	16	0
	<hr/>		
	£1,049	14	5

*Waterworks Account.*

	Maintenance.			Loan.		
	£	s.	d.	£	s.	d.
Outstanding accounts—						
Auckland City Council ..	159	2	0	..		
A. and T. Burt ..	2	2	0	..		
Dexter and Crozier ..	14	15	0	..		
C. C. Flemming ..	1	19	4	14	15	9
F. and W. Fowler ..	..			..		
Parnell Borough Council ..	11	7	4	..		
E. Porter ..	2	0	6	524	4	8
Manukau water-supply ..	292	12	6	..		
R. Skelton ..	0	3	6	0	3	0
J. Stone ..	..			0	11	0
	<hr/>			<hr/>		
	£484	2	2	£539	14	5

Cr. balance to meet above, £463 3s. 10d.

Those of the exhibit marked "A" referred to in the annexed affidavit of Charles Augustus Cawkwell made before me this 31st Day of October, 1912—Percy Spencer, a Solicitor of the Supreme Court of New Zealand.

## B.

## REMUERA ROAD BOARD.—ORDER PAPER.

*Meeting, Monday, 18th September, 1911.*

1. Report of Works Committee.—H. McEntee, storm water in Arney Crescent: That water be taken to natural watercourse through Mrs. Clarke's property by deepening the channel in front of Thompson's and Gedye's properties, and kerbing for the same distance to prevent a washout. *Re* Clonbern Road cesspit and corner rounding at Green Lane Junction: That the foreman be asked to provide an estimate of the cost of a 9 in. pipe culvert from the cesspit to the creek. Inglis and others, *re* lamps: That lamps be erected at the junction of Lillington Road and Clonbern Road and at the corner of Graham and Morrin Streets. De Montalk's Road: That the foreman provide an estimate of the cost of a 6-ft.-wide footpath to De Montalk's cottages from Eastbourne Road intersection, and that the title be examined to see if this road is actually legally dedicated. Footpath in front of Crowther's Green Lane: That this work be done on Ladies Mile intersection, and that footpath-construction in front of Bailey's to Elliott Avenue intersection of Main Road be deferred till the loan works are in progress. Richards and Dilworth Estate storm-water: That Richards be asked to submit a specification for approval of the work to be done on his subdivisional road now under construction before dealing with this matter. The Committee recommend that Richards be made to conduct the stormwater to the railway culvert opposite Marewa Road by digging a ditch, and first obtain permission from the District Engineer of Railways. Coleman, and damage to Wellington Park Estate: That Mr. Coleman be informed that an inspection of the spot has been made and that the turncock has pointed out that the walls complained of were down before boring operations were started, and that there is evidently a misunderstanding, as the bore was securely fenced. Mrs. Boylan, and Westbourne Crescent: That Mrs. Boylan be informed that the matter will receive consideration during the progress of the loan works.
2. *Re* arranging meeting with Mr. McIntosh.
3. Rounding off corner of Green Lane (see report of Works Committee).
4. M. A. Taylor, *re* construction of inlet to his property, Graham Street.
5. J. W. Harrison, *re* Buckland's Road: Question deferred for discussion of the Full Board.
6. Foster and Miller, *re* Bann's Road, with plans and specifications: Deferred for full Board.
7. W. Ware, *re* fixing up fences alleged to be damaged during drainage operations: Referred to Messrs. Spencer and Pilkington and Schmidt for report.
8. Report meeting delegates to conference with City Council Electric and Water Committee held 5th September, Messrs. Bond and Spencer.
9. Matters referred to foreman for report: *Re* pipe drain running through Mrs. Hedges property. Mary Bayly, *re* footpath Elliott Avenue to Ladies Mile. *Re* Borough Newmarket asking for contribution for providing an adequate outfall drain to carry off storm-water southern side of Remuera Road.
10. Report of meeting *re* tramway extension matters and appeal case (Tramway Committee report).
11. Petition ex sundries *re* cleaning out channel Portland Road to prevent accumulation of garbage.
12. Letter, P. R. Colebrook, *re* erecting temporary shed on his property in Arney Road.
13. Letter ex Morley A. Ellis, applying for position of Foreman of Works, Building and Sanitation Inspector, &c.
14. Letter ex Chief Surveyor, with two tracings, one schedule, quarry-site, Mount Wellington.
15. Letter, B. C. Chillwell, *re* fixing permanent level at back of proposed footpath front of residence Mrs. Bayly, Remuera Road.
16. Letter, J. Dempsey, *re* continuing drain from the 100 ft. limit, Mrs. Sellar's house, Remuera Road, to the sewer. Will Board do this work or pay a reasonable price?
17. Letter enclosing estimate for reservoir on Mount Hobson, 630,000 gallons and 1,000,000 gallons.
18. Claim, Elizabeth Irvine, against Remuera Board for £5 damages *re* entering property at Meadowbank and laying line of water-pipes.
19. Letter ex A. F. Holdsworth, thanking Board for lamp to be erected facing Armadale Road.
20. Letter ex Mrs. McCosh Clark, *re* postponing connection with sewer till January.
21. Letter, W. C. Kensington, *re* survey St. John's Lake, to be undertaken at early date.
22. Notice from G. W. Murray *re* erecting a verandah on his house, Ascot Avenue.
23. Letter, secretary Auckland and Suburban Industrial Union of Employers, *re* reply to deputation *re* heavy traffic.
24. Letter ex Electric Tramway Company, definite information as to increased time-table as regards time and places.
25. Letter ex Russell and Campbell, *re* cases Nicholls *v* Bryant and Winstone.
26. Letter, James Crowther, *re* lighting rate.
27. Letter, Douglas, *re* crossing deposits.
28. Letter, Douglas C. Chalmers, *re* not filling in trenches during drainage operations.
29. Letter, James P. Stevenson, *re* grading Cowie Road.
30. Plans and specifications, Sunny Vale Road, and copy of letter from District Engineer.
31. Memorandum from Secretary to Treasury advising gazetting resolution *re* special rates for the loan, £84,000.

32. Reports, Foreman, Turncock, and Ranger.  
 33. Letter, Hospital and Charitable Aid Board, *re* contribution overdue.  
 34. Discussion of full Board *re* heavy traffic by-law.  
 35. *Re* new sashes for front of Road Board office and painting.  
 36. Recommended that lamp, Middleton Road, be shifted to near steps, and a new lamp in Ada Street.  
 37. Letter ex Thomas Leitch, *re* postponing connection with sewer.  
 38. Letter, J. Campbell, *re* crossing, grading of footpath, &c.  
 39. Letter, Borough Newmarket, asking if the Board will sell the Kent's meter lent.  
 40. Letter ex Thomas Napier, *re* sample concrete kerb.  
 41. Letter, G. M. McDonald, *re* state of footpath in Bell Road and Shera Road.

## General Account.

	£	s.	d.
To debit balance as per 21st August, 1911 .. .. .	3,766	0	6
Cr.—Less deposits to date, 18th September, 1911 .. .. .	460	3	8
	<hr/>		
	£3,305	16	10
To payments made—			
Barry Bros., cartage, &c. .. .. .	142	7	4
Morton and Turner .. .. .	19	12	0
Hire hall, St. Mark's .. .. .	1	5	0
A. J. Brodie, kerb and pitchers .. .. .	19	7	6
Taupo Totara Timber Company .. .. .	39	16	0
Wages—Labour on roads .. .. .	£40	0	8
" Ranger .. .. .	5	8	0
" Domain .. .. .	9	7	0
" Commission poundage .. .. .	0	3	0
	<hr/>		
" Crossing footpath deposits .. .. .	1	0	0
Salary, Miss Peat, four weeks .. .. .	5	0	0
J. H. M. Carpenter .. .. .	106	10	5
Royal Insurance, shelter-sheds .. .. .	1	14	3
John Rule, balance contract strong-room .. .. .	32	15	6
Crossing footpath deposits .. .. .	2	10	0
Part salary clerk .. .. .	11	11	0
Assistant clerk .. .. .	6	0	0
Wages—Men .. .. .	£32	4	0
" Tram fares (Foreman) .. .. .	0	8	7
" Mount Hobson job .. .. .	8	7	0
" Fire-reel shed .. .. .	0	12	9
" Road Board office .. .. .	0	12	9
	<hr/>		
	42	5	1
<i>Dr.</i> .. .. .	<hr/>		
	£3,792	9	10
	<hr/>		
Bank balance as per pass-book .. .. .	£	s.	d.
	3,612	1	6
Less—			
Deposits .. .. .	£35	16	0
Cheque should be charged to Drainage Account No. 1 .. .. .	19	0	7
Sundries to adjust .. .. .	145	2	2
	<hr/>		
	199	18	9
	<hr/>		
	£3,412	2	9
Plus Government placed by them to Cr. General Account in error (should be Waterworks Account) .. .. .	£190	13	0
	0	14	6
	119	6	6
	20	1	6
	7	6	6
	<hr/>		
	338	2	0
Waterworks cheque not charged .. .. .	32	12	7
" .. .. .	9	12	6
	<hr/>		
Actual overdraft .. .. .	£3,792	9	10
	<hr/>		
Submitted for payment—	£	s.	d.
Barry Bros., cartage account .. .. .	114	5	1
Leighton, two horses .. .. .	100	0	0
	<hr/>		
	£214	5	1
	<hr/>		

## General Account outstanding 18th September, 1911 :—

	£	s.	d.
W. G. Allen .. .. .	0	7	0
Auckland Hospital and Charitable Aid Board .. .. .	796	13	6
Auckland Suburban Drainage Board .. .. .	513	2	9
Auckland Gas Company .. .. .	540	7	1
Austin Bros. .. .. .	0	19	0
Brett Printing Company .. .. .	49	4	3
Briscoe .. .. .	14	0	0
H. B. J. Bull .. .. .	5	17	5
J. H. M. Carpenter .. .. .	9	7	11
Chantaloup and Edmiston .. .. .	3	13	8
College and Sons .. .. .	1	8	0
C. D. Cowan .. .. .	2	11	0
J. Dempsey .. .. .	19	19	4
F. W. Fowler .. .. .	1	7	0
Geddis and Blomfield .. .. .	5	6	3
Charles Green .. .. .	0	8	6
Harrison and Gash .. .. .	35	14	6
Hardley and Hardley .. .. .	1	5	0
Kauri Timber Company (Mount Eden) .. .. .	42	14	4
"    (Auckland) .. .. .	32	16	10
Leonard J. Keys .. .. .	2	4	3
J. W. Leighton .. .. .	2	12	6
W. Lovett .. .. .	5	17	4
W. Lynch .. .. .	0	2	0
Morton and Turner .. .. .	2	9	0
New Zealand Typewriters' Association .. .. .	2	11	0
E. Pascoe .. .. .	12	0	0
E. Porter (Newmarket) .. .. .	27	0	4
"    (Auckland) .. .. .	4	7	3
Pullan, Armitage, and Co. .. .. .	3	10	0
Russell and Campbell .. .. .	26	18	10

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£2,166 15 10

(Continued.)

	£	s.	d.
Ros, Bros. .. .. .	0	2	9
Taupo Totara Timber Company .. .. .	4	16	8
R. Skelton .. .. .	0	2	0
O. S. Swinnoek .. .. .	16	2	11
J. and C. Tapper .. .. .	1	5	0
Tucker Bros. .. .. .	0	3	6
Valuation Department .. .. .	29	3	4
W. A. Wilkinson .. .. .	2	12	6
Wilson Portland Cement .. .. .	2	4	0
Wilson and Horton (advertising) .. .. .	16	16	9
"    (printing) .. .. .	12	16	0

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£2,253 1 3

## Waterworks Account.

	£	s.	d.
Balance, 21st August, 1911. Cr. .. .. .	463	3	10
Deposits .. .. .	231	9	6

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£694 14 4

## Payments made—

	£	s.	d.
Council water-supply (city) .. .. .	159	2	0
A. and T. Burt .. .. .	2	2	0
C. C. Flemming .. .. .	1	19	4
F. W. Fowler .. .. .	14	8	5
Dexter and Corzier .. .. .	14	7	9
Parnell Borough Council .. .. .	11	7	4
Skelton .. .. .	0	6	6
J. Stone .. .. .	0	11	0
Wages .. .. .	39	1	8
Clerk .. .. .	6	3	0
Assistant .. .. .	6	0	0

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255 0 0

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Cr. .. .. . £439 4 4

	£	s.	d.	£	s.	d.
Bank balance as per pass-book .. .. .				135	19	4
Amounts credited General Account by Government in error .. .. .	190	13	0			
		0	14			
		119	6			
		20	1			
		7	6			
		17	1			
				355	3	6
				491	2	10
Less amount to adjust .. .. .				51	18	6
				£439	4	4
Outstanding Account :—	£	s.	d.			
J. Andrew and Sons .. .. .	1	2	6			
Auckland City Council .. .. .	155	18	0			
Briscoe Company .. .. .	18	2	9			
J. H. M. Carpenter .. .. .	4	11	1			
Porter and Co. (Newmarket) .. .. .	0	13	8			
„ (Auckland) .. .. .	583	19	9			
George Proud .. .. .	55	17	2			
Ross .. .. .	0	7	9			
Skelton .. .. .	0	8	8			
J. Stone .. .. .	2	17	6			
Manukau water-supply .. .. .	292	12	6			
				£1,114	4	8

This is the exhibit marked " B " referred to in the annexed affidavit of Charles Augustus Cawkwell, made before me this 31st day of October, 1912—Percy Spencer, a Solicitor of the Supreme Court of New Zealand.

## C.

## REMUERA ROAD BOARD.—ORDER PAPER.

Meeting, Tuesday, 24th October, 1911.

1. Matters referred to Works Committee :—(a.) *Re* shifting lamp, Middleton Road, to near steps, and new lamp erected in Ada Street. (b.) *Re* damage to Shera Road and Bell Road by McEntee—to visit the place and inspect. (c.) *Re* arranging meeting with Mr. McIntosh. (d.) *Re* sample concrete kerb, different classes of kerbs to be seen and reported on. (e.) *Re* half cost maintenance portion Manukau Road between Ayr Street and Park Road. (f.) *Re* specifications, Buckland's Roads, ex Harrison. (g.) *Re* forming footpath to La'Roche's gate, Ladies' Mile. (h.) *Re* extending sewer, Middleton Road, to centre John McCallum's frontage to road.
2. Report Clerk *re* White's water-rate arrears, £2 15s.
3. Telegram ex R. McKenzie.
4. *Re* letters ex Tamaki West Road Board: when can Board receive deputation *re* water-supply.
5. Letter ex Department Public Health *re* sewage into channel of roads, &c.
6. *Re* Tramway Company, letter ex Coleman, reply wanted as regards continuance of bus service during tramway operations in Victoria Avenue.
7. *Re* by-laws, minimum building area and new clauses, and Makgill's letter *re* same.
8. *Re* Hobson Place: has same been dedicated? Letters in reply ex Russell and Campbell.
9. Letter ex Russell and Campbell *re* Grand View Road, *re* dedication and Peache's obstruction.
10. Letter ex Russell and Campbell *re* decision case Board *via* Miss Irvine.
11. Letter ex Coleman *re* decision of Works Committee *re* clients, Wellington Park Estate claim (see letter-book, page 463).
12. Letter ex Auckland Electric Tramway Company *re* fixing a Bundy time-registering clock in shelter-shed at Newmarket.
13. Letter, Auckland Electric Tramways Company, *re* minimum car-fare.
14. Letter, Mr. M. G. McGregor, *re* rates on Sacred Heart.
15. Letter ex New Zealand Government Railways Engineer *re* granting right to lay sewer under railway-line, enclosing deed for signatures.
16. Letter ex Auckland Gas Company *re* account overdue.
17. Letter, Auckland Gas Company, *re* lamps overcharged in Great South Road.
18. *Re* specification, steam road-roller.
19. Letter, Miss Snelling, *re* weeds, &c., McMurray Road.
20. Letter, Miss Manning, *re* formation footpath in front of her property, Arney Crescent.
21. Letter, W. Morgan, *re* supply of dog-collars for season 1912.
22. Letter, Simplex Heat and Damp Detector Company (Limited), *re* fire-alarm system.
23. Letter, John Bell, *re* sewer-grit and lamp in Arney Crescent.

						General Account.					
						£	s.	d.	£	s.	d.
Sept. 18.—To Bank overdraft .. ..	..	..	..	..	..	3,792	9	10			
Deposits to date .. ..	..	..	..	..	..	1,431	9	8			
									<u>2,361</u>	0	2
Accounts paid—											
W. R. Leighton .. ..	..	..	..	..	..	105	0	0			
Barry Bros. .. ..	..	..	..	..	..	114	5	1			
Harrison and Gash .. ..	..	..	..	..	..	35	14	6			
J. H. M. Carpenter .. ..	..	..	..	..	..	8	8	0			
Briscoe (Limited) .. ..	..	..	..	..	..	14	0	0			
Colledge and Son .. ..	..	..	..	..	..	1	8	0			
F. and W. Fowler .. ..	..	..	..	..	..	1	7	0			
Charles Green .. ..	..	..	..	..	..	0	8	6			
Hardley and Hardley .. ..	..	..	..	..	..	1	5	0			
L. J. Keys .. ..	..	..	..	..	..	2	4	3			
J. F. Leighton .. ..	..	..	..	..	..	2	12	6			
W. Lynch .. ..	..	..	..	..	..	0	2	0			
New Zealand Typewriters .. ..	..	..	..	..	..	2	11	0			
Ross Bros. .. ..	..	..	..	..	..	0	2	9			
R. Skelton .. ..	..	..	..	..	..	0	2	0			
J. and C. Tapper .. ..	..	..	..	..	..	1	5	0			
Tucker Bros. .. ..	..	..	..	..	..	0	3	6			
H. B. J. Bull .. ..	..	..	..	..	..	5	17	5			
Wages .. ..	..	..	..	..	..	36	1	3			
Part salary, clerk .. ..	..	..	..	..	..	11	11	0			
Part salary, assistant clerk .. ..	..	..	..	..	..	6	0	0			
Typiste's salary .. ..	..	..	..	..	..	5	0	0			
Post and Telegraph Department .. ..	..	..	..	..	..	0	0	10			
Refund crossings .. ..	..	..	..	..	..	1	0	0			
Austin Bros. .. ..	..	..	..	..	..	0	19	0			
C. D. Cowan .. ..	..	..	..	..	..	2	11	0			
Wages .. ..	..	..	..	..	..	28	0	8			
Gas Company .. ..	..	..	..	..	..	3	2	11			
A. and J. Brodie .. ..	..	..	..	..	..	25	16	8			
W. R. Leighton .. ..	..	..	..	..	..	18	11	0			
New Zealand Insurance .. ..	..	..	..	..	..	7	0	0			
R. Rae, horse-feed .. ..	..	..	..	..	..	4	10	0			
Reservoir Account—Wages .. ..	..	..	..	..	..	50	18	1			
Wages .. ..	..	..	..	..	..	61	4	10			
James Rogers .. ..	..	..	..	..	..	0	4	6			
Crossing deposits .. ..	..	..	..	..	..	1	15	0			
Drainage Loan Account No. 1 .. ..	..	..	..	..	..	40	11	11			
Rent, telephone .. ..	..	..	..	..	..	8	5	0			
Auckland and Suburban D. levy .. ..	..	..	..	..	..	256	11	5			
Reservoir Account—Wages .. ..	..	..	..	..	..	66	11	8			
Drainage Loan Account No. 1 .. ..	..	..	..	..	..	40	3	2			
									<u>973</u>	6	5
									<u>£3,334</u>	6	7
Accounts still unpaid—						£	s.	d.	£	s.	d.
City Council .. ..	..	..	..	..	..	2	9	8			
Hospital and Charitable Aid Board .. ..	..	..	..	..	..	796	13	0			
Auckland Gas Company .. ..	..	..	..	..	..	536	4	3			
Brett Printing .. ..	..	..	..	..	..	53	1	9			
Briscoe Company .. ..	..	..	..	..	..	14	0	0			
H. B. J. Bull .. ..	..	..	..	..	..	0	3	9			
J. H. M. Carpenter .. ..	..	..	..	..	..	15	1	3			
Chamtaloup and Edmiston .. ..	..	..	..	..	..	5	4	8			
J. J. Craig .. ..	..	..	..	..	..	1	17	6			
J. Dempsey .. ..	..	..	..	..	..	19	19	4			
Geddis and Blomfield .. ..	..	..	..	..	..	5	6	3			
George Henning .. ..	..	..	..	..	..	10	15	3			
Kauri Timber Company (Auckland) .. ..	..	..	..	..	..	36	2	7			
” (Mount Eden) .. ..	..	..	..	..	..	42	14	4			
J. F. Leighton .. ..	..	..	..	..	..	0	16	3			
W. Lovett .. ..	..	..	..	..	..	11	3	8			
Morton and Turner .. ..	..	..	..	..	..	2	9	0			
E. Pascoe .. ..	..	..	..	..	..	14	16	0			
Parker, Lamb, and Co. .. ..	..	..	..	..	..	12	15	2			
E. Porter and Co. .. ..	..	..	..	..	..	0	17	8			
” .. ..	..	..	..	..	..	4	7	3			

Accounts still unpaid—*continued*.

	£	s.	d.
Pullan, Armitage, and Co. .. .. .	4	10	0
W. Reach .. .. .	2	14	6
Russell and Campbell .. .. .	26	18	10
J. Stone .. .. .	16	2	11
C. S. Swinnock.. .. .	26	7	4
Taupo Timber Company .. .. .	2	12	6
Wilkinson .. .. .	2	9	0
Wilson Portland Cement (advertising) .. .. .	18	14	3
Wilson and Horton (printing) .. .. .	12	16	0
	<u>1,733</u>	<u>17</u>	<u>11</u>
Auckland and Suburban Drainage Board—Balance levy .. .. .	256	11	4
		<u>£1,990</u>	<u>9 3</u>

Barry Bros (subject to checking) .. .. . 33 19 4 $\frac{3}{4}$

*Waterworks Account.*

	£	s.	d.
Cr. balance .. .. .	439	4	4
Deposits .. .. .	98	1	11
		<u>537</u>	<u>6 3</u>

## Accounts paid—

	£	s.	d.
City Council .. .. .	155	18	0
Reservoir wages .. .. .	43	19	7
Wages .. .. .	29	9	6
Salaries, clerk and assistant .. .. .	12	3	0
Reservoir .. .. .	52	5	4
Auckland Gas Company.. .. .	1	0	7
Wages and refund water-rate .. .. .	25	19	0
Telephone .. .. .	6	10	0
		<u>327</u>	<u>5 0</u>
		<u>£210</u>	<u>1 3</u>

## Accounts outstanding—

	£	s.	d.
J. Andrew and Sons .. .. .	1	2	6
Briscoe .. .. .	71	19	4
J. H. M. Carpenter .. .. .	4	11	1
F. and W. Fowler .. .. .	10	10	0
D. Goldie .. .. .	8	4	11
Manukau water-supply .. .. .	305	14	0
E. Porter .. .. .	592	7	1
” .. .. .	0	17	5
George Proud .. .. .	41	7	1
Ross Bros. .. .. .	0	9	9
Skelton, R. .. .. .	0	9	0
J. Stone .. .. .	2	17	0
		<u>£1,040</u>	<u>9 2</u>

This is the exhibit marked “C” referred to in the annexed affidavit of Charles Augustus Cawkwell, made before me this 31st day of October, 1912.—Percy Spencer, a Solicitor of the Supreme Court of New Zealand.

## D.

## REMUERA ROAD BOARD.

*Special Meeting, Monday, 11th December, 1911.*

1. *Re* passing resolution making by-laws in respect to regulating the speed of motor-cars (a special order).
2. *Re* declaration verifying due execution of debentures.

*Ordinary Meeting.*

3. Tenders for road-roller.
4. Matters referred to Works Committee.—*Re* damage to Shera and Bell Roads—to visit the place and inspect. *Re* half cost maintenance portion Manukau Road between Ayr Street and Park Road. *Re* specification Buckland's Road, ex Harrison (posted to Chairman). *Re* forming footpath to Roch's gate, Ladies' Mile (deferred). *Re* extending sewer, Middleton Road, to centre John McCallum's frontage. *Re* lamp in Arney Road, solicited by John Bell. *Re* Marua Road, pending receipt dedication deed from owners. *Re* Tramway Company and bus-service Victoria Avenue, *re* setting questions that present themselves, *re* Order in Council and deed of delegation (referred to Works Committee with power to act). To interview Boroughs Parnell and Newmarket *re* running minimum-fare cars. *Re* drainage A. A. Dunn's land (referred to Works Committee for report). *Re* vibration telegraph-post, Waitatarua Road (referred to Works Committee for report). *Re* plans and levels showing sundry roads received from Munro Wilson (referred to Works Committee). Meeting with Gas Company arranged 2.30 p.m., Wednesday, 22nd November—report.
5. *Re* shifting lamp, Middleton Road, and new lamp for Ada Street (consideration deferred pending progress of Middleton Road).
6. *Re* arranging meeting with Mr. McIntosh (not in town); Mr. A. C. Koch, District Engineer, is the person to apply to.
7. *Re* supplying Orakei Road Board with scoria ex Little Rangitoto pit: correspondence *re* same.
8. *Re* shifting pound-site (deferred for consideration of full Board).
9. Notice that building by-law *re* minimum area is published in *Gazette* of the 16th November (see page 3401).
10. Letter ex H. S. Pillar *re* interviewing Board, *re* obstruction Peach's Estate, and *re* extension of water-main along Royal Terrace. Plan from Russell and Campbell.
11. Letter ex Russell and Campbell *re* claim Anderson v. Board: notice for signature and seal of Board.
12. Letter ex Ellerslie Town Board *re* extension tramway down Great South Road to Ellerslie.
13. Letter ex W. Peters *re* drainage and *re* calling tenders for requirements for drainage scheme in Australia.
14. Certificate ex H. Munro Wilson and deed of dedication Sunneyvale Road.
15. Letter, Russell and Campbell, *re* drafts proposed Order in Council and deed of delegation, Tramway Company.
16. Letter ex Post and Telegraph Department *re* cost installing an exchange connection to D. Schmidt's residence in Clonbern Road.
17. Letter ex Inspector of Quarries *re* service permit as a quarry foreman.
18. Letter, Post and Telegraph Department, *re* trees on road beyond Victoria Avenue toward Orakei Road interfering with wires.
19. Letter ex Russell and Campbell *re* taking up land for waterworks at Mount Wellington.
20. Letter, H. C. Grierson, *re* kerbing in front and alongside Fordyce's shops.
21. Letter ex Jackson and Russell *re* dedication of Spring Street.
22. Letter ex Wilson Portland Cement Company *re* carting shingle without a license.
23. H. S. Pillar, *re* granting permit to build two houses on Lot 85, Greenland's.
24. J. A. Spencer *re* dangerous condition of Beach Road at foot of Arney Road.
25. Earl and Kent, *re* printed conditions *re* road requirements and *re* discretionary power of relaxing same.
26. S. Osmond, *re* Remuera Railway Bridge *re* protection for children.
27. R. W. de Montalk, *re* footpath, Eastbourne Road.
28. Russell and Campbell, *re* Tramway Company and Board, *re* extension down Great South Road (see No. 12).
29. Russell and Campbell, *re* One Tree Hill drainage.
30. Russell and Campbell, *re* Peach's Road.
31. District Engineer, enclosing copy of deed of right to lay sewer near Newmarket.
32. J. H. Sykes, *re* docks and grass on footpath, Rangitoto Avenue.
33. S. J. Biss, *re* state Westbourne Road.
34. R. Crowe, *re* flooding of Armadale Road, stating same is caused through a cesspit in Armadale Road being too small.
35. J. J. Craig, *re* three drays being caught carting without a license.
36. Frank Brodie, *re* footpath between his gate and Mountain Road.
37. Plans, &c., J. W. Harrison, *re* road along eastern boundary recreation-grounds, Dilworth Estate.
38. Munro Wilson, *re* stone-breaker.
39. Letter ex Russell and Campbell *re* Board and Tramway Company.
40. Letter, J. Campbell, *re* reply to his letter of 14th September.
41. Letter, F. Watkins, *re* weeds on footpath, Peach Parade.
42. Letter, Russell and Campbell, *re* stables by-law, addition to building by-law.
43. Telegram *re* drainage loan, Advances Office, £37,045.
44. Letter, D. R. Caldwell, resigning position as Sinking Fund Commissioner for Remuera District.
45. Auckland Gas Company, reducing price for public lighting to £3 12s. 6d. per lamp.
46. Russell and Campbell, *re* Tramway Company.
47. J. H. Hopkins, *re* tendering to supply 400 cubic yards scoria ash to Victoria Avenue.
48. John Barrett, *re* Middleton Road encroaching on his property; offer to sell same for £100, &c.
49. N. P. Wyatt, Pollard and Douglas Jack's solicitor, advising the completion of Hobson Place, Glen Road, soliciting inspection.
50. Letter, Auckland Builders', Contractors', and General Labourers' Union, *re* schedule of amended condition for labourers employed by local bodies.



## General Account, 27th November, to 5th December, 1911.

	£	s.	d.
Dr. balance, 24th October, 1911 .. .. .	3,338	17	1
Accounts paid—			
Part salary Clerk, to 23rd October .. .. .	11	0	0
Part salary assistant .. .. .	6	0	0
Salary typiste, four weeks .. .. .	5	0	0
R. Rae, wages .. .. .	3	18	7
Auckland Gas Company .. .. .	336	4	3
H. M. Carpenter .. .. .	13	2	0
O. S. Swinnock .. .. .	16	2	11
J. Dempsey .. .. .	19	19	4
Barry Bros. .. .. .	33	19	4
E. Pascoe .. .. .	14	16	0
Tram fares and wages .. .. .	36	9	9
Fire-prevention wages .. .. .	3	0	0
Wages—Edwards .. .. .	4	16	0
Ranger .. .. .	5	8	0
Stable job, Reeves and Oram .. .. .	13	10	6
Royal Insurance fire policy .. .. .	1	12	0
Domain Account .. .. .	0	16	0
Ranger .. .. .	5	8	0
Wages .. .. .	36	12	0
Crossing deposits refunded .. .. .	5	5	0
Carting—Lynch .. .. .	0	9	0
Blott .. .. .	0	1	0
Reservoir Account—Payments .. .. .	86	10	10
Drainage No. 1 .. .. .	119	5	11
Drainage No. 2 .. .. .	155	15	8
Road-construction Loan .. .. .	13	16	0
Part salary Clerk .. .. .	11	0	0
Part salary assistant .. .. .	6	0	0
Typiste, four weeks .. .. .	5	0	0
W. Lovett, carting garbage .. .. .	17	16	7
Crossing footpaths deposits refunded .. .. .	2	5	0
Drainage Loan Account No. 2—Wages .. .. .	91	18	2
Road-construction .. .. .	14	15	5
Domain Account .. .. .	3	19	0
Wages—General road improvement .. .. .	39	8	0
Tram fare .. .. .	0	4	9
Ranger .. .. .	5	8	0
Extra wages, Drainage Loan Account No. 1 .. .. .	25	0	0
			1,175 13 0
			4,514 10 1
Deposits .. .. .	1,218	0	0
			3,296 10 1
Interest due bank to 30th September, 1911 .. .. .	93	7	9
			£3,389 17 10
	£	s.	d.
Bank balance, Dr. .. .. .	3,381	19	3
Treasury—Waterworks deposit .. .. .	5	14	6
Cheques not entered .. .. .	222	14	11
			228 9 5
			£3,610 8 8
Less—	£	s.	d.
Drainage cheque—Charges by bank to General Account .. .. .	19	0	7
Sundries to adjust .. .. .	93	9	8
Deposits, 25th November, 1911 .. .. .	107	0	7
Mann and Addison .. .. .	1	0	0
			220 10 10
			£3,389 17 10

	£	s.	d.
Portion account paid .. .. .	389	6	11
Not yet paid .. .. .	£1,603	2	4

*General Account, submitted for payment.*

	£	s.	d.
W. G. Allen .. .. .	0	9	0
Audit Department .. .. .	19	6	8
A. and J. Brodie .. .. .	67	18	11
Brett Printing .. .. .	4	2	6
C. D. Cowan .. .. .	0	6	0
J. H. M. Carpenter .. .. .	2	6	11
Geddis and Blomfield .. .. .	6	6	3
L. J. Keys .. .. .	0	9	0
J. B. Langley .. .. .	2	12	6
J. F. Leighton .. .. .	4	1	3
M. G. McGregor .. .. .	53	17	0
A. Nicoll .. .. .	0	10	0
Post and Telegraph .. .. .	0	8	9
E. Porter .. .. .	18	1	0
Ross Bros. .. .. .	0	14	0
R. Skelton .. .. .	0	12	6
J. and C. Tapper .. .. .	20	0	0
Wilson and Horton .. .. .	4	2	6
E. Pascoe .. .. .	10	8	0

£216 0 3

This is the exhibit, marked "D," referred to in the annexed affidavit of Charles Augustus Cawkwell, made before me this 31st day of October, 1912—Percy Spencer, a Solicitor of the Supreme Court of New Zealand.

JAMES SAMUEL DICKSON SWORN and examined. (No. 17.)

1. *The Chairman.*] What are you?—A clothier residing in Auckland.
2. *Hon. Mr. Allen.*] You know a man named Cromwell, do you?—Yes.
3. He was a member of your election committee?—Yes.
4. What can you tell us about him?—Mr. Cromwell was an employee of the Remuera Road Board, and he came to me and told me that the Chairman of the Board had sent for him. He went down to the Chairman's house, and he advised him he had better not work for me, or else he would lose his position owing to some members of the Board complaining about him. Cromwell then resigned from my committee, and did not attend any committee meeting after that.
5. Do you know anything about Mr. Cawkwell giving an address to the men at the reservoir?—Yes. Between the two ballots Cawkwell, the Chairman of the Remuera Board, went and addressed the men on the mountain three days before the second ballot, about 10 o'clock in the morning. There were about thirty men working there, and after he had finished his address he let them off and asked them to support the Government candidate.
6. *Mr. Hanan.*] Were you there at the time?—No, I was not.
7. I object to hearsay evidence?—I made inquiries, and asked for the pay-sheet as a member of the Board, and I got a list of the men who were working there, the number of hours worked, and the number of hours they were paid for. I forget now exactly the number of men there were there, but that was supplied to me by the Board and the names of them, and the most that any of them worked was three hours and a half. Young and some one else were away all day, and they were paid a full day. They were away canvassing for Sir John Findlay.
8. Do you know that?—Yes.
9. Of your own knowledge?—Yes. The matter was never mentioned at the Board, but the members discussed it amongst themselves, although it was not brought up at a Board meeting. The men had been paid and the pay-sheet had been passed, and on account of my opposing Sir John Findlay I thought it was not altogether right for me to bring the matter before the Board.
10. *Hon. Mr. Allen.*] Were you a member of the Board?—I am Chairman of the Board at the present time.
11. Did the Board organize this deputation that waited on Sir John Findlay?—I knew nothing about the deputation to Sir John Findlay. After seeing it in the paper I looked up the minute-book, but saw no minute with regard to a deputation to Sir John Findlay officially.
12. *Mr. Myers.*] You heard the evidence of the late Chairman of the Board, Mr. Cawkwell: do you indorse his remarks as to the urgent necessity of obtaining this money for drainage and waterworks?—No, I do not.
13. Could you have obtained the money elsewhere?—Are you speaking in regard to his remarks as to the £10,000, or are you referring to the general loan?
14. To the general loan?—The general loan was raised some considerable time. We did not try anywhere else previous to that. We had got loans from the Auckland Savings-bank and the New Zealand Insurance Company, but we recognized that it was much better to get it from the Government.

15. Were you aware that you could not have obtained it from any other source except the Government at the time?—No; because the Drainage Board got a loan of £100,000 at 4 per cent. in London. We never attempted to get any as far as I know. We realized it was the best thing to go to the Government. I was not on the Board at that particular time when the negotiations were started.

16. Do you agree that it was of urgent necessity to prosecute the drainage and waterworks?—Oh, yes.

17. It was of vital interest to the health of the community?—The Board were desirous of keeping up with the city in connection with drainage, and we have now got ahead of them. We have done with the reticulation in our own district, but we are not able to connect.

18. If you could not have obtained this money presumably the drainage-works and water-works scheme could not have been prosecuted?—Oh, no.

19. *Mr. Hanan.*] Do I understand you to hold, Mr. Dickson, that this loan should not have been granted by the Government?—No, I do not say it should not have been granted—I say it should. You were not in here when Mr. Cawkwell gave his evidence. It was over the £10,000 that I understood Mr. Myers asked me the question as to whether it was very urgent at that particular time to get the money.

20. Do you contend now that the moneys granted by the Government should not have been granted?—Oh, no, I do not contend that.

21. Then what was done, in your opinion, was right and proper?—In granting the money?

22. Yes?—Yes, but I maintain that it was not of such urgent necessity to get that £10,000 before the election. We could have carried on the work.

23. You think it should have been held over?—Yes, I maintain it should have been held over.

24. Until when?—Until we had got the advance. We had applied for £8,000 to be given to us on the 1st January, 1912, and we could have carried on till we received that money on the 1st January.

25. Why, then, was it pressed for by members of the Board—simply for amusement?—I do not know, unless it was pressed for political purposes.

26. Why do you say that?—To advocate my opponent. The members who pressed for it were members of Sir John Findlay's committee.

27. Then, I understand you to say that the members of the Board did not honestly believe that the money was required?—That is their opinion. I could not say what they thought. They did not consult me about it.

28. How do you come to the conclusion that it was simply to help your opponent?—By their actions.

29. In what way?—By waiting upon him as a deputation and getting him to send that particular wire.

30. The fact of their waiting upon Sir John Findlay, in your opinion, justifies you in coming to the conclusion that they did not believe the money was actually wanted?—Yes. There was provision made for it. It would not have stopped the works if they had not got the money.

31. And they simply made this as an excuse?—That is what I put it down to.

32. Did you know the actual financial position of the Board at the time?—Yes, I was a member of the Board at the time.

33. What was the overdraft?—The overdraft, roughly speaking, was about £1,500 to £2,000.

34. What were the liabilities at the time?—That I could not say exactly.

35. Can you say what amount had to be paid to the bank at the time?—I could not say whether £6,000 or £4,000. We had had £4,000, and then increased it to £6,000. I could not say what it was standing at then.

36. Is not that a big margin for a man to give who says he knows the actual financial position?—No, I knew. We had either £2,500 or £4,500 to work on, but either sum would have been sufficient to enable the work to be carried on till we got the £8,000.

37. What was it, £4,000 or £6,000?—That I could not say.

38. Then you swear on your oath, Mr. Dickson, that it was not necessary for the Board to obtain that money?—In my opinion, not until the 1st January.

39. And it should have delayed making the application until the 1st January?—They had already made application for the money to be given to them on the 1st January.

40. It would have been better, in their own interests, and in the interests of the Board, to have delayed it till January?—I do not say that—I would not say that.

41. Well, if it was not better in their own interests to delay, what was the objection to their applying then?—Well, I could not say it was better in the Board's interest, because we were paying on the overdraft, and we got this loan at a lower rate of interest.

42. Then does it not follow from your remarks that it was better for the Board to get the money as soon as possible?—We had applied for the money for January, and it was coming to us.

43. Was it not better?—It was necessary, but it was not an urgent matter that we should get it.

44. If it was an advantage to the Board, then did not the members of the Board do the right thing to try and get the money as soon as possible?—Not the way they did it.

45. That is not the question—my question to you is this: if it was to the advantage of the Board, as you admitted, to get the money at that time, then do you not think they acted rightly?—Not in the way they went about it.

46. Was the request to get the money as soon as possible a wrong step on the part of the Board?—No; but the way they got up the deputation—by not making it official.

47. Are you not aware that deputations are got up representing local bodies frequently?—I was not acquainted with the deputation, and no report appeared in the minute-book.

48. That is not my question, and you know it. The witness is trifling with my question. If I do not get an answer to my question I will appeal to the Chairman. I want an answer?—You put the question in a proper way and I will answer it.

49. Are you not aware that deputations often wait upon public men without a record of the movement which gave rise to the deputation being recorded in the minute-book?—I have not heard of that. I have been on local bodies a number of years, and it has always been discussed at a previous meeting of the Council or Drainage Board or Road Board. When a Minister comes to Auckland and they decide to get up a deputation, there is always a record on the minutes, and the Secretary is instructed to notify the members about the deputation.

50. Every deputation, as far as you know, has always been arranged at a meeting?—Yes, at a meeting previously, and a formal resolution passed that a deputation will wait upon the Minister.

51. Is it not a fact that the money was necessary, the Minister was there, and in order to save interest this Board approached the Minister?—The Board did not. The individual members did.

52. And what they were doing was trying to save interest, which was to the advantage of the district?—There were two purposes—one for saving interest and the other for political influence.

53. And which do you draw?—Political influence.

54. And you are an opponent of Sir John Findlay's?—Yes.

55. *Right Hon. Sir J. G. Ward.*] Were you a member of the Remuera Road Board when application was made to the State-guaranteed Advances Board?—No, not when application was made.

56. Did you afterwards approve of the loan having been applied for?—I think the loan was approved before I got on the Board; I am not certain.

57. When you became a member did you approve of the action of the Board in having applied for the loan?—Oh, yes, certainly.

58. What was the rate which your Board was paying to the bank for its accommodation at the time when the deputation interviewed a Minister of the Crown asking for expedition of the loan from Wellington?—5 per cent.

59. Are you sure it was not 6 per cent.?—No, I think it was 5 per cent.

60. Now, supposing it was 5 per cent., in accordance with what you say, was it good business of the Board of which you were a member to get that money earlier at  $3\frac{1}{2}$  per cent.?—Yes; they were saving a difference in one month's interest.

61. Were you a regular attendant at the Board meetings prior to the election?—I was during the campaign absent from three Board meetings.

62. As a matter of fact, did you for several meetings before the general election know much of the Board's proceedings?—Yes, I did.

63. If you were absent from those meetings, in which way would you know of the Board's proceedings?—In the first place I made inquiries from the Clerk. I was at the Board on different occasions between the meetings and got all the information, and, of course, I saw in the papers what had happened.

64. Is it not a fact that you had to publicly apologize to the Chairman of the Board for a slanderous statement you made concerning the engineer?—I withdrew a statement which I had made after the Chairman had resigned.

65. Is it not a fact that you had to apologize for a slanderous statement made?—There were certain statements made which I withdrew.

66. Is it not a fact that you had to apologize for slanderous statements made?—You can call it an apology if you like. I did apologize to Mr. Cawkwell.

67. If I say the words used were, "I certainly apologize to Mr. Cawkwell," what do you say?—Yes, that is correct.

68. Is it not a fact that you had to apologize to Mr. Cawkwell for slanderous statements made concerning the engineer?—Yes, I withdrew them.

69. You apologized?—Yes.

70. Have you ever in your official capacity as Chairman of a Board interviewed a Minister of the Crown without a record appearing in the minute-book from a Board meeting?—Not that I am aware of.

71. Do you mean to say that at every interview with a Minister of the Crown you have had a record in the minute-book always taken?—Yes, always. The matter has been brought up at the meetings, discussed, and recorded.

72. Is it a fact that upon all occasions you have had an interview with a Minister of the Crown you have had a record of the proceedings?—If it is anything connected with the Board or Council I have.

73. And you swear it is a fact you have always done it?—As far as I know it is a fact.

74. And do you not know whether it is a fact or not?—As far as I know it is a fact. I cannot remember any instance where it has not been recorded.

75. You say that prior to a meeting with a Minister of the Crown you have had a record taken in the minutes of proceedings that an interview was to take place?—Yes, as far as I know. I do not know of any case where it has not been done.

76. You do not know the exact position of the bank account when the interview took place?—No.

77. You do not know what it was even within a few thousand pounds?—I do not know what it was.

78. Did you know what the liabilities were in addition to the overdraft at the bank?—We had a list of the liabilities at that time at the previous Board meeting.

79. So that you did not know what the liabilities were when you were giving evidence to-day?—No.

80. You did not know what the overdraft was within a few thousand pounds, and did not know the liabilities at the time the interview took place?—No, not from memory.

81. So that your evidence on that point is general and cannot be accurate?—Yes, that is so.

82. You were a member of the Board, and you are now Chairman of it?—Yes.

83. Did you know that employees of the Board were working in your interests at that election?—Yes, I knew employees of the Board were.

84. You took no exception to that?—No, as long as they did not do it when working.

85. Do you consider it wrong for a Chairman or member of the Board to take an active part in elections?—No, not so long as it does not interfere with the Board.

86. My question was, do you think it is wrong for the Chairman or member of a Board to take an active part in connection with elections?—No, I do not.

87. Have you ever while a Chairman of a Board interviewed a Minister of the Crown in Wellington in connection with Board matters?—Yes.

88. Have you upon each of the occasions you have interviewed a Minister of the Crown in Wellington had a minute of the Board authorizing you to do so?—Yes.

89. On every occasion?—Yes. We have been instructed to see a Minister when I was down on certain things in connection with certain matters in the district.

90. What was the rate of interest you paid for the Drainage Board loans in London?—4 per cent.

91. What was the amount of discount?—It was 98, I think, for the last.

92. So that you lost 2 per cent. on the £100,000 loan in London, and in addition you paid for the brokerage and commission?—Yes.

93. Do you know what the amount was?—I could not say what the exact amount was. That was the Auckland Drainage Board loan, and nothing to do with Remuera.

94. Did you pay any members of the Remuera Board or any other members to canvass for you?—No, I had no paid canvassers.

95. You ran your election on what is called the "never-never"?—No; I paid my election expenses myself and put in returns.

96. Was any more than the amount in the returns expended on the election?—

*Hon. Mr. Allen:* I object.

[Question ruled out.]

97. *Dr. Newman:* With regard to this deputation that was got up to Sir John Findlay, who composed it?—I could not say. I know that three members of the Board were there who were working for Sir John Findlay.

98. Were you a candidate for the district at the time?—Yes.

99. And you got no notice of the deputation?—No.

100. Although you were a member of the Board?—Yes.

101. *Mr. Pearce:* A point has been made of the fact that you got this £10,000 at certain interest. Did you have use for the whole of it, or did you have to retain some without getting interest on it?—We had to retain about £9,000.

102. Then, in that case you would be paying the Government 3½ per cent. and getting nothing for it?—Yes.

103. So that it would be an actual loss to the Board?—Yes, in that way.

THURSDAY, 24TH OCTOBER, 1912.

(No. 18.)

*Hon. Mr. Allen:* I have no desire, Mr. Chairman, to prolong the proceedings, and therefore I will not put any further questions to Sir Joseph Ward.

*Right Hon. Sir J. G. Ward:* I should like to say before finishing, Mr. Chairman, that I want to put in a letter I have received, dated the 4th October, from the Town Clerk of the Birkenhead Borough Council. I have not communicated with anybody about these proceedings, but this letter has been sent to me. [Letter produced.] In conclusion, I desire to say that I have not at any time asked a member of the State-guaranteed Advances Board or anybody connected with the Board to consider a loan from a political standpoint. I have never asked any member of the Board to grant a loan at any time prior to the period during which the general election was approaching, or immediately prior to or during the currency of an election. I have not at any time suggested any reply of any kind to be given to me to be sent to a Minister of the Crown or anybody else from the Superintendent of the State-guaranteed Advances Board, and I have not at any time in my administration over the whole period I was in office ever asked the Board at any time for a Department, individual, or local body to favourably entertain a loan or consider a loan, having laid it down as a rule throughout my administration that the important State lending institutions of this country should carry on their business as business men without interference from the Minister in any way whatever, and of my own knowledge I know there are thousands of people in this country who were not on my side of politics receiving loans from the State lending institutions, and I have not at any time endeavoured to help an application of either an individual or local public body for an advance from any Department. That is all I wish to say, sir.

*Hon. Mr. Allen:* I have just seen this letter that Sir Joseph Ward has put in, and I do not see why it should go in. It reflects upon the Minister.

*Right Hon. Sir J. G. Ward:* No, I did not wish to do that.

*Hon. Mr. Allen:* Well, some one is reflecting on the Minister, and without the Minister having had anything to say about it, and without being proved to be correct, the letter is put in evidence. I am astonished it should be done. I take it as a direct attack upon myself, and quite an unjustifiable attack. There is no evidence as to whether I said anything about the Birkenhead Council or what I did say, and this letter is put in without any supplementary evidence. I am astonished that it should be done.

*Right Hon. Sir J. G. Ward:* I do not know what has been said, but I am not in any way attempting to reflect upon the Minister. The statement has been made that the State-guaranteed Advances Board was making advances for political purposes. I have not communicated with any one. That letter came to me, and as a matter of procedure, because of the fact that it states in that particular case the men were opposed to me politically, I felt I was justified in putting it in.

*Hon. Mr. Allen:* As a matter of courtesy I think Sir Joseph Ward should have submitted the letter to me in order to see what reply I had to it.

*Right Hon. Sir J. G. Ward:* If the Minister objects I do not mind.

*The Chairman:* If the Minister objects to it I feel it my duty to say that I cannot allow the letter to go in.

*Right Hon. Sir J. G. Ward:* Very well, I had no intention of reflecting on the Minister.

FRANCIS MARION BATES FISHER sworn and examined.\* (No. 19.)

1. *The Chairman.*] You are a member of Parliament?—Yes.
2. *Right Hon. Sir J. G. Ward.*] You made a statement in the House regarding a loan which you say had been advanced to Taihape by the State-guaranteed Advances Board?—Will you read the statement. I should like to know what I said.
3. In *Hansard*, Volume 160, page 586, you say, "What happened? Is it a mere coincidence what happened when the by-election took place at Rangitikei when Mr. Smith was elected to the House? Thirty thousand pounds was paid into the local bodies' account in a small town like Taihape. What for? We were told to-night that among the exceptions is lighting. Why, the Town of Taihape to-day is electric-lighted by some of the money promised shortly before that election. A specific grant, in my opinion—I only give it as my unsupported opinion—but, in my opinion, the grant was made to the electorate, when the public feeling ran high, for the purpose of buying the Town of Taihape." Is the honourable gentleman aware that the State-guaranteed Advances Board has not made any advance to Taihape at all?—No, I am not aware of that.
4. Well, if it is a fact that they have not made any advance to Taihape, would the honourable gentleman be justified in making that statement?—I would like to get it officially.
5. I propose to call evidence?—Do you say that no advance has been made by the State-guaranteed Advances Board to Taihape?
6. I have reason to believe that no advance was made to the Borough of Taihape?—Well, I think you will find there has been.
7. I do not think it was in existence?—Well, sir, if it is quite true that at the time of the by-election which Mr. Smith contested the State-guaranteed Advances Board was not in existence, I believe it is true that an advance of £40,000 was made to the Borough of Remuera by the State-guaranteed Advances Board.
8. I am not talking about Remuera?—It does not make any difference; the principle is precisely the same.
9. I am talking about the statement?—I am talking about the principle.
10. I am asking you about the statement concerning Taihape—was the State-guaranteed Advances Board in existence at the time?—I am sure it was not. I did not say it was made by the State-guaranteed Advances Board.
11. Do you say the advance you refer to was made by the Government at all?—All I will say is that the sum of £30,000 has been advanced to the Borough of Taihape.
12. Will you say that was an advance by the Government?—Yes.
13. Will you swear that?—No, I would not swear to it. I am not coming here unprepared and be asked to swear to figures of that kind; but I know a loan of £30,000 has been advanced by the Government to the Borough of Taihape, and that the fact that this advance was about to be made was known to the people of Taihape. There was an election taking place, and that advance was made just before the election.
14. You know the advance referred to was a sum of £30,000, and you say an advance by the Government?—Yes, part of it under the Loans to Local Bodies Act and part under the State-guaranteed Advances Board.
15. As I propose to call the Superintendent upon this point I will not address the honourable gentleman further, and I think you will find that the statement you have made is not correct?—If you are going to get a statement made by the Superintendent I should like to put in a short statement by myself first. There have, I understand, been four loans granted to the Taihape Borough Council. There was a loan of £4,000 to complete waterworks. The date of the application for provisional approval was the 10th November, 1911. That is the State-guaranteed Advances Department, which Department Sir Joseph Ward says "has never made an advance to Taihape."
16. No; I referred to an advance of £30,000?—The date of the provisional approval of this loan was the 20th November, 1911, the date of the final approval was the 6th May, 1912, and the date of the payment of the £4,000 was the 23rd May, 1912. Then, the second loan, of £1,025, under the Local Bodies' Loans Act, to extend the drainage system: the date of the preliminary

application was the 26th August, 1908; the date received in the Treasury was the 28th August, 1908; the date of provisional approval was the 24th September, 1908; and the date of payment was the 3rd November, 1908. Then, the third loan, of £21,250, for constructing waterworks, installing electric light, &c.: the application was first received on the 26th February, 1909; loan procedure passed Law Officer on the 26th August, 1909; and the debentures were signed on the 9th April, 1910. Then, in regard to the fourth loan, of £3,750, for extending drainage system at Taihape: the application was received on the 26th February, 1909; passed Law Officer on the 26th August, 1909; and debentures signed on the 9th April, 1910. [Exhibit N put in.] That is the £30,000 advanced to the Borough of Taihape at various periods between 1908 and 1911, and the reason I had for making the statement in the House—and I might just as well be candid about it—is that it is my opinion that the fact that the Government was going to make those grants to the Borough of Taihape had a considerable effect upon the elections which took place there. I do not think there is any shadow of doubt about it.

17. Would you be surprised to know, Mr. Fisher, that a loan of £21,250 was made by the Bank of New Zealand, and not by the Government?—Not at all. I understand the loan was made by the Government, and the money borrowed from the Bank of New Zealand.

18. I know it is a fact that £21,250 was advanced by the Bank of New Zealand?—Under the Local Bodies' Loans Act.

19. No?—You have had the official files to prove that. I cannot discuss that point. I know that through the influence of the Government, or by the will of the Government, the electors of the Borough of Taihape got the money; but whether they got it from the Bank of New Zealand or how it was paid over I do not know.

20. As a matter of fact my informant is the representative of the district, whom I asked to get the information for me?—Well, I think you and he are wrong. The files will prove it. The £21,000 for waterworks was passed by the Government Law Officers and the debentures signed by the officers of the Treasury.

21. Would you, upon your oath, state that any portion of the money advanced by the State-guaranteed Advances Department has been used by the Taihape Borough for the purpose of providing electric light?—I could not say what they have used it for, except the statement I have just put in shows that portion of the loan was for electric light.

22. I am asking you the question whether any portion of the loan advanced by the State-guaranteed Advances Department has been used for providing electric light?—I do not know. I am not familiar with Taihape, and I do not know how the borough used the money.

23. The statement made in your speech was, "Why, the Town of Taihape to-day is electric-lighted by some of the money promised shortly before that election." Do you say that is correct?—Promised by whom and out of what fund?

24. I ask you whether that statement is correct?—Yes, I say the statement is correct.

25. I go back to the statement made in the House: "Why, the Town of Taihape to-day is electric-lighted by some of the money promised shortly before that election." Is that correct?—Yes, money promised by the Government and paid over, but not out of the State-guaranteed Advances Fund. Here is the loan (in the exhibit) of £21,250 for electric light.

26. You say that loan was a Government loan?—Decidedly.

27. You made another statement in the House in connection with an application made by the Borough of Campbelltown in my electorate?—I have never heard of Campbelltown in my life.

28. You have heard of the Bluff?—Yes.

29. Well, that is Campbelltown?—I did not mention that.

30. I made a statement about a loan to the Borough of Campbelltown which was refused, and I said I had not attempted to use any influence in connection with it, and you interjected, "Because it was a safe seat"?—Is it there?

31. It is in the Press report which we have used as our guide. Did you make that statement?—I will neither deny or affirm it. I have no confidence in newspaper reports.

32. Did you make the statement?—I have no recollection of it.

*The Chairman:* I have ruled on more than one occasion that a newspaper report is not evidence.

*Right Hon. Sir J. G. Ward:* It was agreed at the start that we would take the report which appeared in the *Dominion* of the 28th September.

*Mr. Lee:* I am not going to be bound by that: I was not here.

*Witness:* Let us assume I did make the statement.

33. *Right Hon. Sir J. G. Ward.*] But the honourable gentleman did make it. Had you any justification for making that statement?—The practice of the Government usually was to spend public moneys in districts which they wanted to win, and the statement which was dealt with that you did not spend money at the Bluff would be explained by the general practice of the Government of spending money in those districts which they wanted to win the seat. I looked upon that as the general practice of your Administration for years past.

34. If advances had been made during election months to districts which were opposed to the Government, would you say that shows a preference for such districts, and would you say that is the general practice?—It would depend entirely on what the figures show.

35. You did not answer the question?—I do not intend to till I see the figures, and make an estimate of the position.

36. If you do not know until you see the figures, how do you reconcile that with what you say is the general practice?—Because I know that to be so—because my political experience has taught me the methods your party has adopted.

37. In regard to local bodies' loans?—In regard to all sorts of public expenditure.

38. I am speaking of loans to local bodies?—I do not say loans to local bodies specially. I say in regard to public expenditure, that has been the general practice for many years past.

39. I am not talking about general public expenditure. This Committee is inquiring into advances made by the State-guaranteed Advances, and you said it was the general practice to expend money in Opposition districts?—I said “public moneys.”

*The Chairman:* I must ask Mr. Fisher to answer the question in regard to State-guaranteed Advances.

*Witness:* I know nothing about the State-guaranteed Advances loans except that an advance was made to Taihape just before the election, and another payment was made to Remuera just before the election.

40. *Right Hon. Sir J. G. Ward.*] In connection with the statement you made that it was the general practice of the Government, is that correct in its application to the State-guaranteed Advances Board to loans to local bodies?—I cannot say about the State-guaranteed Advances Board, because I have no knowledge of any payments made.

41. Therefore when you made that statement you did not intend it to apply to the State-guaranteed Advances Board or the Loans to Local Bodies Board?—No.

42. So that evidence is no value from our point of view so far as the inquiry is concerned?—Not the slightest.

43. You had no justification for making the statement that a loan to a borough in my electorate was refused because my seat was a safe one?—Did I say that?

44. You stated in the House so, because I dealt with it at the time?—The only reason that would prompt me to make that interjection is that it has been the general practice of the Government to spend money where they wanted support. Your having a safe seat, naturally that is how I looked at it.

45. You deny that the answer that you gave has any application to what was done by the State-guaranteed Advances Board?—As I said in *Hansard*, I was only expressing my own opinion upon the point.

46. Without any facts about the case?—There were two specific facts, the Remuera case and the Taihape case.

47. Do you suggest that had any application to my electorate?—Not in the slightest.

48. Then the interjection had no bearing in point of fact?—Yes, I think it had. It was not based on a fact, but a plain inference from my point of view.

49. In regard to my electorate?—In regard to any electorate.

50. But in regard to my electorate the interjection you made was that a loan was not advanced because it was a safe seat?—You say it was made, but I do not know whether that interjection was made. I should like to see it before I acknowledged it.

51. Well, will you deny that you said it?—No; but I am not going to be put in the position of answering words without knowing the words and without knowing exactly what I was dealing with.

52. I am not suggesting something you did not say, but I know you said it, and I only wanted to know whether you had any facts to justify the statement as far as the State-guaranteed Advances were concerned?—I can only repeat that if I made the interjection, and there seems to be no doubt I did, that having made it, I was prompted by the fact that it was the usual practice of the Government to spend money in districts where the Government wanted votes.

53. You are quite sure the interjection was not made facetiously?—No. I have always thought that the Liberal party which was in power for twenty-one years had always bought votes all over the country.

54. Then you think that any other member whose district is refused a loan is in the same position?—Yes, exactly.

55. And that does not apply, and has no application to the State-guaranteed Advances Board?—Not the slightest.

JOHN GEORGE FINDLAY further examined. (No. 20.)

1. *Right Hon. Sir J. G. Ward.*] Sir John, a statement was made by a Mr. Wilson, an engineer acting for the Remuera Road Board, that a Mr. Cawkwell, who was Chairman of the Board, had informed him or had in conversation with Mr. Cawkwell elicited a statement to the effect that you were providing payment for a number of men who were working for the Remuera Road Board who were given a holiday. This is the evidence given on oath by Mr. H. M. Wilson on the 18th of this month: “Did Mr. Cawkwell report the matter to you?—Yes, he came down after he had been on the mountain, and he came into my office and said, ‘I hope you won’t be cross with what I have done.’ I said, ‘What is it?’ He said, ‘I have given the men a holiday on the mountain. I addressed them this morning; it is a wet day and I gave them a holiday on pay.’ I said, ‘I don’t like that, it has to be charged to the work. Who is going to pay for the extra expenditure?’ and he said, ‘I will see it is paid all right. It will be all right—it won’t be charged to the Board.’ He said it would not be charged to the Board?—Yes. Did he say who would pay for it?—It may have been in a joking way, but he said Sir John Findlay would pay for it.” Now, is there any truth in the alleged suggestion there that you were going to pay those men?—Absolutely none. I knew nothing whatever of these happenings until they were dragged out before this inquiry. Then for the first time I knew of them. So little did I know of it that I was not aware of the reference Mr. Allen made when I was here last. That was the first occasion there was any suggestion that I had anything to do with these workmen on the Remuera Works; and I desire to say here, Mr. Chairman, that the Committee has done me a very great injustice—I do not say intentionally, but has done me a very great injustice, which would never be suffered in any Court of justice. I was asked when last here in a vague and entirely unintelligible way about the payment of some men. My interrogator



gave me no information, although he had documents before him. I was afforded no opportunity of explicitly and clearly denying the imputations which are suggested in the document from which you are reading, and I submit in an ordinary Court of justice where a witness is on the witness-stand and there is in the hands of the interrogator material which is going to be used against him, he ought in common justice to be afforded an opportunity of meeting it and denying it. I am exposed to this; that after leaving the witness-stand, a witness to whom my interrogator referred was called here and made statements affecting my credit which were given a start of a week, and only at this time am I afforded a chance of defending my name here not as a witness, but as a defendant. I am not here really as a witness to give you any information. I am called to protect myself, and I say that in common justice I was entitled to be asked explicitly with regard to those statements.

*Hon. Mr. Allen:* Sir John Findlay was asked specifically whether he did promise any payment and he said, No. He was given every opportunity to deny it, and did deny it.

*Witness:* I asked if any imputation was meant, and that I was entitled to have it brought to my notice. The matter was dropped there. You will find from the evidence what I was asked and how the evidence was led. If you rule, Sir, that I received common justice, I am bound to accept your ruling.

*The Chairman:* You were called, Sir John Findlay, the day the witness from Auckland made the statement, and you could have replied to the statements made when you were asked to appear later. I think as far as the Committee is concerned you have received quite fair treatment.

*Witness:* Well, you are the judge of that and I must submit, but I must correct you in regard to one point. I got a notice to attend the Committee again about 5 o'clock, and was asked to be here at half-past 5—it was impossible for me to attend then. My point is that I should have been asked when on the witness-stand before the witnesses gave their evidence as to whether those statements were true or not. Sir, I have got your ruling and I submit to it.

*Hon. Mr. Allen:* I think Sir John Findlay has made an unjustifiable attack upon me. I have treated him with fairness. I had no evidence from these men, and I asked him the question whether he had authorized any payment to these men and he said No, and I accepted it.

*Witness:* I should desire, Sir, to make my answer more explicit. I did not authorize Mr. Cawkwell to act on my behalf in connection with my election in any way whatever. I never paid the wages of any men. I never authorized or suggested any holiday being given, and I never bespoke their support for my candidature in any way at all; and I ask your permission to shortly restate my connection and the only connection I had with the matter. A number of witnesses have been called, and I want in self-protection to restate in a very succinct shape the whole of my connection with this alleged impropriety. It rises out of the question put by Sir Joseph Ward, and is essential to my reply. I arrived, Sir, in Auckland, as far as I can recollect, on the 1st November. Either that day or the next day a man whom I did not then know called at the Ministerial office in Government Buildings, Auckland, and told me that a loan had already been granted of a sum of money to the Remuera Road Board—that it had been granted some months before, but I cannot recollect definitely what month. He said that there had been some red-tape difficulties about issuing the debentures in which he said there was little or no substance. He explained what I in fact knew, that there had been a bitter strike, then just concluded; that one of the conditions of the settlement of the strike was that the men should be taken on again on the following Monday; that that offer had been made in reliance upon getting from the State-guaranteed Advances Office a sum of money sufficient to pay the men's wages; that they found now there was a very great doubt about getting the money. They had explained this to the men who were then on strike, and the leaders of these men were suspicious that bad faith had arisen, that there was some collusion between the Board and the State-guaranteed Advances Office, and that the Board was not going to carry out honourably the arrangement which had been arrived at. He asked me whether in those circumstances I would communicate with the Minister of Finance. I did not commit myself then as far as I recollect, and he said a deputation would wait upon me that same morning. A deputation of the members of the Remuera Road Board waited upon me in the Ministerial Office in the ordinary course of Ministerial work. The strike leaders were present, and both sides, I think, were represented. I said that if there was no difficulty about the security, if the loan had been granted and if the only obstacle was some red-tape objection, I saw no objection in communicating with the Minister of Finance. There and then in the hearing of the deputation I dictated the telegram which has been before you gentleman. At the end I added the words "Kindly let me have a reply as early as you can, which I can use." Those were words dictated in the hearing of the deputation. I did that for the purpose I have stated, to give to those people the answer I got, and I wanted the Minister of Finance to understand that any answer I got I proposed to give out. When the answer came I either sent a complete copy of it to Mr. Cawkwell or to the Secretary of the Board, or it was telephoned, and the contents of it were also communicated to the strike leaders. That, Sir, was the beginning and end of my connection with this matter.

2. *Right Hon. Sir J. G. Ward.]* Did you know that the Remuera Road Board had obtained a loan or authority for a loan?—I knew nothing of it except the assurance from the Chairman that the loan had been granted. I knew absolutely nothing about it.

3. And you had no connection, direct or indirect, with the provisional granting or obtaining of the loan from the State?—Absolutely not. I had the assurance that the loan had been granted, and that the objection was a red-tape objection in regard to the debentures.

4. There was another question put by Mr. Allen to Mr. H. M. Wilson, as follows: "Were there two men not on the works paid for that day?—Yes, there were two men, I believe, who were not on the works who were paid as well. Who paid them?—It has been paid to the Road Board so far. And with regard to those two men, did he make any suggestion as to who would pay them?—No, I do not remember. Did he say anything about the fighting fund?—No, not to me. And what were these two men doing—they were not working?—No. But they were paid?—Yes. What were they doing?—"

They were canvassing. Whom for?—For Sir John Findlay.” Did you pay for these two men referred to to canvass for you?—Certainly not. I knew nothing whatever about them. And may I add this, Mr. Chairman: the general inference running through this class of evidence is that Mr. Cawkwell took an active part in that election, first on account of my offices in connection with this loan, and, secondly, because he wished to support me. I want to say, first, that when Mr. Cawkwell came to me, and when I sent that wire I did not know on what side of politics he was. I did not know the man, and had not seen him before. I do not know whether he was a supporter of the then Government or the Opposition. There was no mention of politics or the election when he saw me that morning or at the deputation, or was there at any time afterwards any mention of that. And I wish to add this, Sir, and I appeal to Mr. Myers, who must know it is true from his local knowledge: that the reason for Mr. Cawkwell’s activity was not that he loved me more, but that he loved Mr. Dickson less. There was an old outstanding feud between these two men which had almost flourished into a defamation action. Mr. Cawkwell would, I think, have supported any man in preference to my opponent. It was not first and only on my account at all, but because Mr. Cawkwell was an active and avowed opponent of Mr. Dickson in connection with Road Board and other matters before I went to Auckland at all. I went there as an entire stranger; I did not know these people, and I had the disadvantage of being a stranger.

5. Were you aware of the intention of Mr. Cawkwell to address the men at the Remuera Board works?—I knew nothing whatever of it. Whatever he was doing he was doing entirely on his own authority without my knowledge, without my privity, and certainly without my instructions.

6. And without your paying?—I paid absolutely nothing.

7. Was that information sent to you in my reply published in the Press?—No; my recollection is that it was not given out to any one except those I have mentioned. I think myself or my secretary gave it to the Chairman of the Road Board, also to Mr. Semple. I kept my promise that I would give them the reply I got.

8. Your object in putting in your wire, “Send me something I can use,” was for what?—I had stated I would give them your answer. Frequently between Ministers one gets answers he cannot use, and I wanted you to know that whatever answer I got was to be communicated. No use was made of that telegram for any political purpose.

9. And you had no communication with Mr. Poynton at any time in connection with this Board?—The only connection I had from start to finish in connection with this loan was the wire I sent to you. You never received any other word from me in connection with the loan, nor did you ever discuss it. I thought my service was so small that it was no more than getting rid of a red-tape objection. I did not think it would be used. I did not intend it to be used for political purposes, and it never was so used.

10. Mr. Cawkwell said the Road Board paid the wages of these men at the works?—I know I did not. I think if honourable gentlemen are to be placed in the position of being responsible for what any person in an election says, I do not know what is going to happen.

11. *Mr. Lee.*] Who says so?—If you read the statements in the newspapers there is an attempt being made to impute to my knowledge all these happenings.

12. By whom?—By the witness first, and secondly by those here who called the witnesses.

13. *Right Hon. Sir J. G. Ward.*] There is one point I was referring to in Mr. Hugh Munro Wilson’s evidence, as follows: “Mr. Allen: Did he say who would pay for it?—It may have been in a joking way, but he said Sir John Findlay would pay for it.”?—That statement, if made deliberately, is a deliberate falsehood.

14. *Mr. Lee.*] You will recollect that Mr. Allen asked you some questions, and I do not think he could give you any names?—I remember.

15. What was it he asked you in the first instance?—As far as I recollect he asked, “Did you pay for certain workmen?” I said, “Were they Government workmen?” He said, “I cannot tell you.” I said, “Well, I ought to be told.” I could not understand what the reference was. Then he said, “I am asking you because some people may say you paid for workmen.” I said, “If there is any imputation I ought to get particulars so that I can meet it.” If Mr. Allen had not the information, then I desire to say that any observations I have made here to-day do not apply. I am proceeding on the assumption that Mr. Allen had proof of what he subsequently referred to. It seemed to me that if he had the information I should have been asked explicitly to meet those charges.

16. Then he asked you in a general kind of way?—Yes, very general way indeed; but he could not tell me whether they were Government workmen or not.

17. And to that general question you gave a general denial?—Yes, as far as I understood the question. It was difficult for me to give a denial to a question which even my questioner did not understand.

18. If the information had been in the hands of Mr. Allen you would have liked the precise details put before you?—I would like to have been asked the specific questions put to me by Sir Joseph Ward—“Did you pay the men for a holiday?”

19. Assuming that the information was not in Mr. Allen’s hands, then you take no exception to the way in which he put his question?—If Mr. Allen gave me all the information he at that time had and gave me then as full an opportunity of meeting the particulars, then I wish to say at once that Mr. Allen has done me no injustice.

20. *Hon. Mr. Allen.*] May I interrupt you to state what my position was. I had heard from somebody that you had paid these men, but I had no direct evidence of it?—I think you were reading from a letter.

21. Yes, but the letter was not direct evidence—the only direct evidence was the witnesses themselves?—But had you not in the letter the information which the witnesses ultimately gave?

22. Only a rumour of what they were alleged to have said?—If Mr. Allen had not the information which I thought was in the letter, of course you will understand, Mr. Allen, that merely getting information is one thing and having proof of what witnesses were going to say is another. If Mr. Allen had a note of what it was I might have been informed of it.

23. *Mr. Lee.*] Then, assuming that Mr. Allen had not sufficient information to examine you specifically, you consider that then you should had had an opportunity of being before the Committee when those witnesses came to give their specific evidence?—I do not lay so much stress upon that. If Mr. Allen had not the information which I assumed was in that letter, then I have very little to complain about, but if the information in that letter told Mr. Allen what was going to be said against me, it was his duty then to have given me an opportunity of denying it.

24. At that time you said you would like an opportunity of saying something if there was any such imputation?—No. I said if there was any such imputation against me I ought to know what it was then and there.

25. And you should have had some right to appear before this Committee when that evidence was forthcoming?—If I had known what was to be given I should certainly have asked to be here. You know, as a lawyer, that when a man is charged—I take it I am here under a charge—he is afforded an opportunity of at least cross-examining his accusers.

26. Now, what was the intimation conveyed to you at 5 o'clock in the evening?—A telephone message. I got back from the Court of Appeal at 5 o'clock, and my clerk told me that a telephone message had come from the clerk of this Committee to say that the Committee could hear me at half past 5. I think it was at my house I heard it. I could not attend then, and I did not know then what had been said.

27. Nothing had been said then?—They had given evidence in the morning. When I went up into my study I found the evidence in the newspapers.

28. You did not understand then that the Committee were endeavouring to give you an opportunity to meet the statements?—They had given their evidence in the morning. I do not know what had been said. I understood they would hear me in regard to some evidence from Auckland. I did not know what the evidence was. The evil, however, had been done: it was published in the evening Press and so had got the start of me.

29. You recognize this: that this Committee is set up for inquiry, is it not?—Yes.

30. And this Committee is perfectly justified in hearing any witnesses that may appear?—I take it this Committee will conform as far as it can to the traditions of British justice.

31. But you would not suggest that this Committee could not hear a witness because that witness may say something which may be detrimental to yourself?—Certainly not; but as Mr. Allen knew what that evidence was to be—

32. *Hon. Mr. Allen.*] I did not know what that evidence was to be?—If he did know he might, through the clerk, have given me the opportunity of being present.

33. *Mr. Lee.*] You have heard the evidence which Wilson gave put to you by Sir Joseph Ward?—I heard what Sir Joseph Ward read.

34. And that you entirely deny?—Yes; and I put it to you, Mr. Lee, as one who ought to be able to guide this Committee on a question of this kind: Until I was connected by evidence with what Mr. Wilson swore to, his evidence was entirely inadmissible. The point is this: if Mr. Wilson's evidence is admitted before this inquiry, without a scrap of evidence connecting me with it, then every chatter at the street-corner in which my name was involved could equally well have been given here. The first principle you follow is this: if you are going to make a man responsible for what you are alleging has been done, your duty is to show his connection with it and give him an opportunity of meeting it.

35. Your knowledge of parliamentary Committees is sufficient to let you know that that is the sort of evidence which is continually before them?—I will not pass any opinion upon that.

36. Then I put it to you now—I am dealing with your comment that you have not been properly treated by the Committee?—But you agree with me that if my assumption is right that Mr. Allen had the information, then you agree with me that I had cause for complaint.

37. Would you care now to have the opportunity of having Wilson called before this Committee again for the purpose of examination by yourself?—It is very kind of you to suggest it, but Mr. Wilson has given his statement, and I have given mine, and I am perfectly content now to let the matter go before the public of this country.

38. Yours being a general denial of his?—He says the remark was made jokingly. I do not know whether that is taken seriously. I am quite content that what I have said now meets his contention.

39. You have no suggestion to put before the Committee to remedy what you say your grievances are—that you have not been properly treated?—No. The only suggestion I would make now is that it be recognized that before a man can be made responsible for an imputation by another he ought to be connected with it, and until there is a connection with it it should not be accepted.

40. *Right Hon. Sir J. G. Ward.*] Further, should he not have an opportunity of being present and cross-examining?—I have said so, Sir Joseph.

41. *Mr. Myers.*] Reverting to just prior to the election, as a matter of fact you were to a large extent carrying on your Ministerial duties?—I attended my Ministering office in Auckland every morning.

42. And you were receiving deputations from outside your electorate continually?—You will find I probably received a dozen deputations during the first fortnight—deputations which had nothing whatever to do with Parnell. The deputations were from all the surrounding electorates. In my Departments I was receiving deputations pretty well every day, and this particular deputation came just in the same way as any other deputation. I did not regard it differently in any way.

43. And recognizing the urgency of it—namely, sanitation and water-supply—and having regard to the sense of responsibility as a Cabinet Minister, you desired to facilitate the granting of the loan as a

Minister?—What concerned me was neither air nor water. What impressed me was, I saw these strike men. I recognized they were a suspicious body, and that they thought a trick had been played on them, and I felt I should do what I could to prevent a recurrence of that strike which, as you know involved over a hundred men. The main motive I felt in sending that wire was that it would tend to avoid further industrial trouble and relieve the tension, as I said in my telegram. It was mainly for the purpose of settling this industrial trouble.

44. If this loan had not been provisionally approved you would not have sent the telegram?—I knew nothing of the loan except what I was told. It was not in my Department; it came upon me as a new matter.

45. If you had not been informed that the loan had been provisionally approved you would not have sent the telegram?—I did not know it had been approved provisionally. I did not know anything about it. I believed there was nothing in the objection raised by the Department except some slight objection to the debentures, and I did not think I was performing an office that would have the least effect upon any constituency. It is a rude awakening to have it imputed to me as a piece of illegal and political jobbery.

46. *Mr. E. Newman.*] When you sent the telegram you used the words, "Wire me something I may use"?—Yes.

47. Is the Committee to understand that it was not to be made use of in a political sense?—I have already answered that five or six times. First of all, the telegram was dictated in the presence and hearing of the deputation. I told this Committee there was suspicion and a strike on one side and the Board on the other, and it was necessary there should be an absolute disclosure. I telegraphed to the Minister to say I would use any reply I got, and I told those present I would give them the reply I got from the Minister of Finance, and I did so.

48. Did it not occur to you that that would raise suspicions?—I said at first, and I repeat, that the telegram is not sufficiently protected against political misconstruction.

49. *Dr. Newman.*] Was the result of this telegram that matters were expedited?—I cannot tell you. I performed my office in sending the telegram, and it was at an end when I communicated the reply.

50. Did you get a reply?—I read it the last time I was here.

51. *Hon. Mr. Allen.*] I understand you to say you communicated the information in the reply to Mr. Semple?—Yes, he came to me.

52. Who is Mr. Semple?—He is a gentleman who, I believe, is qualifying for the House of Representatives.

53. Was he one of the deputation who waited on you?—Yes.

54. Have you any reason to believe that that gentleman communicated the result of the deputation to the Press?—The deputation was not of the strikers only. I do not know what he did with the information he got from me.

55. It is not likely he kept it in his pocket?—It was not given to him in the shape he could take in his pocket.

56. Was it likely he would keep his tongue quiet?—I am quite aware of the imputation.

57. I want to know whether you have any reason to believe that Mr. Semple did not communicate this information to others?—I know no more of what Mr. Semple did when he left my side than you do.

58. Now, I understand that from the information given you you believed the loan was granted: is that so?—Yes.

59. And that the only other process was to pay the loan over?—The only objection was with regard to the debentures.

60. Are we quite clear that you thought the loan was granted?—Yes.

61. Now I want you to look at your telegram. You say, "If the whole loan cannot be authorized." Is there a doubt as to whether the loan was authorized?—Certainly not.

62. Was it authorized?—Certainly. I relied upon the assurance I got that it was.

63. Why say in your telegram, "If the whole loan cannot be authorized"?—If the payment of the whole loan cannot be made.

64. It is not "payment"?—You are asking me a question, and I am entitled to have my answer, and not yours. My construction of and my meaning in that telegram is what I said, and you can distort it as you please.

65. I want to know what you mean by that in your telegram, "If the whole loan cannot be authorized"?—I was told that the loan had been approved, and that the only objection to the payment was a red-tape objection in regard to the debentures. I wired that if the whole amount cannot be paid, or payment authorized, if you like, that a payment should be made of part to enable the men to go to work on the Monday.

66. I want to know would you not draw any distinction between the authorization of a loan and payment?—That telegram was intended to convey the meaning I have given, which it did convey.

67. Can you tell me whether you draw any distinction between the authorization of a loan and payment of a loan?—The authorization of a loan may be one or the other—its sanction or its payment.

68. *Right Hon. Sir J. G. Ward.*] In that reply sent by me to you, Sir John, the request for £10,000 was refused?—The reply speaks for itself. I think that is so.

JOSEPH WILLIAM POYNTON further examined. (No. 21.)

1. *Right Hon. Sir J. G. Ward.*] Mr. Poynton, there is a statement in a speech made by the Hon. the Minister of Customs in the House of Representatives, *Hansard*, Volume 160, page 587, as follows: "Is it a mere coincidence what happened when the by-election took place at Rangitikei when Mr."

Smith was elected to the House? Thirty thousand pounds was paid into the local bodies' account in a small town like Taihape. What for? We were told to-night that among the exceptions is lighting. Why, the Town of Taihape to-day is electric-lighted by some of the money promised shortly before that election. A specific grant, in my opinion—I only give it as my unsupported opinion—but, in my opinion, the grant was made to the electorate, when the public feeling ran high, for the purpose of buying the Town of Taihape." Would you be kind enough to furnish to the Committee a return showing what amount is lent by the Treasury or by the State-guaranteed Advances Office to Taihape during the by-election year, between the death of the late Mr. Remington and the election of the present member, Mr. Smith?—There was no money lent by the Advances Office or by the Treasury in 1909. The Advances Office was not lending money till 1910.

2. Was any money lent by the Treasury?—None.

3. There was no money lent either by the Treasury or by the State-guaranteed Advances Office in 1909?—No.

4. Has any money been advanced by the State-guaranteed Advances Board to Taihape for electric-lighting purposes?—No.

5. Has any money been advanced by the Treasury for electric-lighting purposes?—No.

6. Was a loan of £21,250 that was obtained by the Taihape Borough advanced by the Treasury or by the State-guaranteed Advances Department?—Neither.

7. If the statement is made that that was a loan advanced by a Government Department, that statement is not correct?—No.

8. Now, Mr. Poynton, in connection with the loan to the Remuera Road Board, why was it that that loan was not considered at the Board meeting on the Monday, the 6th November?—The papers were overlooked.

9. Then if there had been any special intention on your part or on the part of the Board to deal with that expeditiously from the point of view of assisting the Remuera Road Board from a political standpoint—which I know you have said is not so—is it likely that the consideration of that loan would have been overlooked at that meeting?—No. I may say, sir, that neither the telegram from Sir John Findlay to Sir Joseph Ward nor the minute from Sir Joseph Ward to me had any effect whatever on that loan.

*The Chairman:* We have had all this before.

10. *Right Hon. Sir J. G. Ward.*] The matter has cropped up in evidence since?—I desire, sir, just to say what the impression was on my mind. I looked upon it as a complaint by a local body to a Minister against the Advances Department accusing the office of obstruction and red-tapeism. Knowing that the fault was entirely with the local body itself and not the Office, I took very little notice of it—in fact, I took no notice of it. The telegram or complaint was not communicated to any other members of the Board. It made so little impression on me that the whole thing was overlooked.

11. Now, as a result of that matter not having been dealt with by the Board, was anything unusual done in getting confirmation by the members of the Board before the next meeting?—No, it was the fault of the Office having overlooked the papers and not having brought them up at the meeting, and therefore it was at my request sent round for the assent of the individual members of the Board, to be confirmed at the next meeting.

12. If the same oversight had occurred in connection with the business of any other local body, would the same course have been pursued?—Yes. It is done by other Boards, the Public Trust Board, the Government Insurance, and by the Public Debts Sinking Fund Commissioners Board. It is the proper thing if there has been an omission on the part of the Board, so that others will not suffer if it is a matter of urgency.

13. Now, had you any knowledge whatever as to what was being done by Mr. Cawkwell or any one else in Remuera in connection with the Parnell election?—Absolutely none.

14. Had you any knowledge of what side in politics Mr. Cawkwell was working in the Parnell election?—I did not know of his existence.

15. You do not know him personally?—No, I do not know him personally. I did not know that Remuera was in that electorate before.

16. Well, may I ask you if you have at any time in connection with your official position taken any active part in connection with political elections?—No, I am neutral in politics. I have my sympathies and ideas, but since I entered the Civil Service I have endeavoured to follow the British tradition of being loyal to whatever Government is in office, and will continue to do so as long as I am in the Civil Service.

17. Mr. Poynton, before you sent that memo. to the members of the Board in regard to the Remuera loan, did you consult or confer with myself or any other Minister before sending it?—I did not. As soon as the clerk brought it to my knowledge, the day after it had been overlooked, I told him what to do. The memo. is in his handwriting, and I signed it and sent it to the other members. I had no communication with any Minister or anybody else. I just followed the usual course, or what I thought to be the right course in such cases.

18. Now, in connection with the business placed before the Board at its September, October, and November meetings, was there anything unusual done to get more business brought up at one meeting of the Board in any of those months with the object of having the business specially dealt with?—None whatever.

19. I understand the business dealt with at the next meeting of the Board was the ordinary business for consideration of the Board?—Yes, there was no special haste for October on account of that time of the year.

20. Now, I come back to the question of the election. In the Journals of the House, 1909, page 1, the Speaker makes the following statement: "Election.—Mr. Speaker communicated to the House

the following letter: Clerk of Writs' Office, Wellington, 1st October, 1909.—Sir,—Pursuant to the provision of section 148 of the Legislature Act, 1908, I have the honour to enclose herewith a copy of a writ dated the 3rd day of September, 1909, for an election of a member of Parliament to serve in the House of Representatives for the Electoral District of Rangitikei, with an indorsement thereon that the name of the person elected for that electoral district pursuant to the writ is Robert William Smith." I understood you to say a short time ago that no advances were made to Taihape either by the Treasury or the State-guaranteed Advances Board in 1909?—Yes. The Advances Board did not come into existence till the 2nd February, 1910, when the Act was brought into force. During the year 1909 no loan was granted to Taihape under the old system of loans to local bodies by the Treasury.

21. So that if a statement has been made here that an advance was made by the Treasury or the Government which was really to influence that by-election, that is not correct?—It is incorrect.

22. *Mr. Pearce.*] There is a statement of a loan in Exhibit N granted on 9th April, 1909: can you give any information as to what that is?—It is a loan from the Bank of New Zealand guaranteed by the State under the old system. Under the Act of 1908 there was power for the State to guarantee loans to enable local bodies to raise them. They would raise them privately, and if the security was sufficient the Government would guarantee the loan. The debentures came along to the Treasury, and some official appointed by the Government or Minister of Finance was authorized to put a statement on the face of it that it was guaranteed by the Government. That was a loan applied for by the Taihape Borough Council to the Bank of New Zealand. It was granted by the Bank of New Zealand and guaranteed by the Government. I have the file here.

23. There is another loan of £21,250 granted in 1910?—It is exactly in the same position. The two loans were granted by the Bank of New Zealand. They are for different purposes, but were both guaranteed loans.

24. In the statement it says "Application first received 26th February, 1909"?—That is the application to the Treasury to guarantee the loan. The Taihape Council may have applied to the Bank of New Zealand months before, and the arrangement was that if the Government would guarantee the loan the Bank of New Zealand would grant it. The application for the guarantee of the loan was dated the 26th February, 1909.

25. Then it says, "Loan procedure passed Law Officer" in both cases, 26th August, 1909?—Yes.

26. That is passed by the Government, I presume, not the Bank of New Zealand?—The Crown Solicitor, before the Government guarantees the loan, sees everything is in order, and the Government is not likely to guarantee a loan which was defective in its procedure—that is to say, it may be upset by a dissatisfied ratepayer on account of formalities.

27. The Taihape Borough Council was informed in 1909 that these loans were to be granted and guaranteed by the Government?—I could not say, I have not the file.

28. I understood you to say that the State guaranteed the bank?—It would not be guaranteeing the bank.

29. They guaranteed the loan to the bank?—But the Order in Council was not through till the 18th November, and the Council was notified on the 1st December.

30. How is it that Exhibit N states that the loan procedure was passed on the 22nd August, 1909?—The Crown Law Office would pass the procedure.

31. Would the local body be notified?—The first notification I can see is in December, but the Order in Council authorizing the guarantee is signed by the Governor on the 18th November, 1909. The notification by the then Secretary of the Treasury is dated the 1st December, 1909. It says, "With reference to your Council's application for a Government guarantee of loans of £21,250 for waterworks, &c., and £3,750 for drainage, I have to inform you that the Order in Council guaranteeing such loans was gazetted on pages 3023-4 of the *New Zealand Gazette*. It only remains for your Council to forward the debentures for signature." That was on the 1st December.

32. *Right Hon. Sir J. G. Ward.*] Some months after the election had taken place?—I do not know the date of the election.

33. *Mr. Pearce.*] You stated in your evidence that the Government did not guarantee the bank. Is not a guarantee equal to lending a loan?—A guarantee is a very different thing from lending money; one is a direct liability and the other a contingent liability.

34. *Mr. Lee.*] On page 587, *Hansard* 160, the remark of Mr. Fisher is this: "And does not that honourable gentleman know that the system under which a loan of £30,000 can be granted to one electorate within a few days of an election is a rotten system?" In your opinion it is not correct to characterize this sum to Taihape as granted by the Government?—No; it was not paid out of the Local Authorities Account.

35. It is inaccurately expressed?—Yes, it is inaccurately expressed. Neither the Treasury nor the Advances Office advanced the money.

36. The proper expression would be that it had been granted by the Bank of New Zealand and guaranteed by the Government—that is your position?—That is so. I understood you to say he expressed the transaction correctly.

37. I am referring to the extract in *Hansard* which I read of Mr. Fisher's speech. It is incorrect to state that that had been granted by the Government?—Yes.

38. What did take place is that the amount had been granted by the Bank of New Zealand and guaranteed by the Government under statutory authority?—Yes.

39. I am referring to the £21,250, and the £3,750?—I should say a rotten system did not exist there.

40. I am referring to those two loans of £21,250 and £3,750. Those two loans were granted by the Bank of New Zealand and guaranteed by the State under statutory authority. What was the statutory authority?—The Local Bodies' Loans Act, 1908, Part II, "Government Guarantee of Local Bodies' Loans."

41. It is repealed now?—Yes.

42. And this money had been applied for, amongst other purposes, for the purpose of installing electric light?—Yes.

43. *Mr. Hanan.*] Your attention, Mr. Poynton, was called to a paragraph in a speech made by Mr. Fisher in the House, and he refers to “the system under which a loan of £30,000 can be granted to one electorate within a few days of an election is a rotten system.” Is there a system in operation by which that could be done?—No. Under the old system it would be impossible on account of the limitations.

44. Was a loan of £30,000 granted to any electorate so far as you know within a few days of the election?—No.

45. If the election for Taihape took place before the 1st December then no loan was granted before?—No advances were granted by the Advances Board during the year 1909.

46. *Dr. Newman.*] In regard to the loan of £21,250 from the Bank of New Zealand guaranteed by the Government it says the loan procedure was passed by the Law Officer on the 26th August, 1909. Would that be communicated to the Taihape Borough?—No; at least, I do not think so. I have not looked at the file. The first thing I saw on the file is the 1st December. I find there is a communication on the 30th August.

47. It was passed on the 26th August?—There is, I find, on further examination of the file, a letter on the 30th to the Town Clerk of Taihape signed by the Secretary to the Treasury, as follows: “With reference to your Council’s application for a Government guarantee of a loan of £21,250 for water-works, &c., and also £3,750 to extend the drainage system, I have to inform you that the steps taken in respect of the raising of these loans appear to be in order. It now remains for your Council to forward draft forms of the proposed debentures and coupons, and also to supply your Council’s balance-sheet supporting the information that the public debt of the borough is £12,369, and the bank overdraft—£1,500—as disclosed in the application forms which you recently returned.—R. J. COLLINS, Secretary to Treasury.”

48. On the 30th August the Taihape people—the loan was to be guaranteed by the State?—There were some steps still to be taken. It says “appear to be in order.” That resulted from the Solicitor’s certificate dated 26th August.

49. On that letter the Taihape Borough knew that if they went through the formal part of issuing debentures that the loan would be all right for them?—Yes, they could read it that way.

50. Then though the loan was not paid over till 1910, the Taihape people knew on the 30th August, 1909, that the State would guarantee that loan?—Providing the required steps were taken.

51. Now, in regard to the Remuera business, I understand it was hung up because there were informalities?—Yes.

52. After the date of the letter to the Minister of Finance, were those things rectified?—No; the informalities still continued.

53. Why was the loan approved by the Board?—The formalities were corrected. The payment was made on the 16th December.

54. When was the payment of £10,000 made?—On the 16th December, I think. No money was paid until the 16th December.

55. Then how do you explain that telegram being sent earlier than that that it would be all right—after the informal meeting?—Because it was assumed they would put things in order. The delay was entirely due to the Road Board’s own *laches*.

56. In the return of advances there is a loan to the Motueka Harbour Board?—Under the Advances to Local Authorities.

57. What were the ordinary loans—for how long a period were the debentures issued?—Generally thirty-six years and a half.

58. What does the Act say?—There is no period fixed. The Act was fixed for thirty-six years and a half and subsequently extended the term to fifty years. In the amending Act it is fifty years. The Local Bodies’ Loans Act Amendment, 1911, allows a fifty-year period. That is the maximum.

59. If all the others were only thirty-six years and a half, why was there an exception made in regard to this particular harbour?—The reason was that in taking the poll they had stated the term to be forty-two years and a half. To have insisted on the term being thirty-six years and a half would have meant that the Board would have been put to the expense of a fresh election and all other proceedings—in fact, to commence *de novo*.

60. *Mr. Lee.*] And there was statutory power at the time to extend it?—Yes. It meant only calculating a new table for instalments extending over forty-two years and a half.

61. *Dr. Newman.*] It made the payments lighter for the Board?—Yes; but they had to pay more in the end. The half-yearly instalments are lighter and the term is longer.

62. Are the advertisements for raising the loan submitted to you before they are issued?—No. The body submits them afterwards with all papers.

63. After the loan is taken?—After the vote is taken and all the papers are in order they are sent along and submitted to the Crown Law Officer for report. They are checked by the clerk, and then sent to the Crown Law Officer for report, and if he thinks they are in order he certifies.

64. That is not what I asked you. Were the conditions of this loan as advertised submitted to the Crown Law Office?—No; not before the poll was taken.

65. *Mr. Allen.*] What was the irregularity with regard to this Remuera loan?—The debentures were not filled in, as far as I remember.

66. Is there anything on the file to show what the irregularity was?—I could not say without looking through it. In the case of the £40,000 loan they had not sent the plan of the district, and that delayed the loan.



67. What irregularity delayed that loan—is there anything on the file to show?—I do not know; but it was in connection with the debentures not being properly filled in—they had to be returned.

68. Is there any correspondence to show that there was any irregularity there?—This letter will explain it, dated the 18th November, 1911, to the Clerk of the Board. “Loans to Local Authorities, 18th November, 1912—C. S. Wilson, Esq., Clerk, Remuera Road Board, Remuera, Auckland.—Sir,—I was duly in receipt of the ten debentures and declaration relating to the waterworks and road-construction loan contained under cover of your letter of the 15th instant, and hasten to render an explanation as to the insufficiency of the security. First I would refer you to subsection (c) of section 69 of the New Zealand State-guaranteed Advances Act, 1909, wherein it is laid down that, irrespective of any other security, there is the *security of a special rate sufficient to meet 10 per centum more than the periodical payments in respect of the loan as they fall due*. The amount of security required for a loan of £44,000 at  $4\frac{1}{2}$  per cent. per annum, plus the above 10 per cent. margin, is £2,359 10s., whilst the special rate of  $\frac{3}{8}$ d. in the pound sterling on the valuation of £1,444,593 is £2,257 3s. 6d., so that the said rate is only sufficient for a loan of £42,090. These remarks also apply to the proposed loan of £40,000 for drainage, as the rate of  $\frac{7}{8}$ d. in the pound sterling on the valuation of £1,089,766 yields only £1,986 11s., whilst the amount required, plus 10 per cent., is £2,145, so that only £37,045 can be advanced on the latter rate. I am again returning the debentures for completion by your Board, as it appears from the first paragraph of the declaration verifying due execution of debentures that the required resolution authorizing the common seal to be affixed to them has not yet been passed. Kindly complete the debentures for the reduced amount, and forward the corrected declaration when returning them to the Department. The money will be paid over immediately upon their receipt if all in order.—Yours obediently, J. W. POYNTON, Superintendent.”

69. Is there anything on the file to show when you got those debentures?—There is a letter dated the 12th December, as follows: “Remuera Road Board Office, Remuera, 12th December, 1912.—The Superintendent, New Zealand State-guaranteed Advances Office, Wellington.—DEAR SIR,—I have now the honour to hand you ten debentures duly signed, &c., also declaration verifying due execution of same, and would request you to kindly insert, as you did on previous debentures, the date when interest shall be paid. Please expedite remittance for same, and oblige.—I have, &c., CHAS. S. WILSON, Clerk.”

70. Did you have any information about the debentures before that?—As soon as they came they would be examined by the officers and the defects would be noticed.

71. When did you get the debentures?—On the 15th November. There is a letter on the file to that effect.

72. Up to the 15th November you would not know the debentures were wrong?—No, not until we got them. They were examined as soon as they were received, and the defect noticed, and on the 18th November a letter went forward pointing out the defect and returning the debentures.

73. Then if it is stated in evidence that you knew there was something wrong with the debentures prior to 15th November, would that be correct?—No, not with the debentures. We were waiting for the proceedings to be completed. The debentures would be examined only after the 15th November.

74. Did you know on the 2nd November that the debentures were not right?—No; the first complaint seems to have been on the 1st November.

75. Which loan is that?—The Clerk's complaint included the two loans—the £80,000. It is a telegram from the Clerk.

76. But you had not received the debentures at that time, had you?—No.

77. You did not know whether they were right or wrong at that time, did you?—No.

78. If anybody told Sir John Findlay that the debentures were not correct at that time, did you know anything about it?—No, we did not know anything about them.

79. *The Chairman.*] Mr. Poynton, I think you told us before that provisional approval always carried an understanding in the minds of the Board that that is tantamount to being considered by them?—Yes.

80. And you carried out the business of the Board under that understanding really?—Yes.

81. Do you remember the Spreydon Board receiving £20,000 for channeling and asphalted foot-paths?—I do not.

82. Would the Board advance anything more?—They have already had £20,000.

83. What does this minute mean—“£2,000 for Spreydon Road Board, provisionally approved”?—That is a 10-per-cent. loan.

84. Do you think the Board is justified in doing that in face of the £5,000 limit on the 9th December, 1912?—10-per-cent. loans are considered partly old loans. We have refused loans of over £5,000, but we do not regard 10-per-cent. loans as anything but old loans.

85. And Timaru could get £1,100 if they wished?—No, we would not lend more than £5,000 on an extension.

86. Has Timaru had the 10 per cent.?—I do not think so.

87. Supposing an application comes in for a 10-per-cent. loan?—We would decline it.

88. What attitude did the Board take up in regard to this £2,000 loan to Spreydon?—We refused Hastings a 10 per cent. additional loan of £6,000. I do not know the attitude of the Board.

89. Whangamomona wanted £5,000 for drainage and you postponed it. What attitude would the Board take up in connection with a matter like that? Do you think that is fair?—After what has cropped up here on account of illegality all applications have been postponed.

90. The Department has become a dead-letter?—Not a dead-letter, but we do not want to enter into a matter which may be illegal.

91. Do you think the Board has acted fairly in postponing applications that have not advanced to over £2,000?—It is a matter for the Board to consider. If the Whangamomona application had been in a month before it would not have been refused.



92. Because of an inquiry into the Department the Board has come to the conclusion it will do nothing?—I think you are unfair to the Board. The Board has considered that it would not be fair in view of the Solicitor-General's opinion to enter into engagements until the Act is altered.

93. Under £5,000?—Under anything.

94. I understand the Board has refused to lend money for remetalling?—No, we have not done anything of the sort.

95. Does the Board make any inquiries as to whether there is any remetalling in proposed applications?—The Board has not distinguished between metalling or remetalling. They grant a loan for metalling roads or repairing roads. We consider that roading, metalling, or remetalling is part of roading. It has never been distinguished by the Board.

96. Now that the matter is brought before you, what would you think if two applications came in, one for metalling and another for remetalling—what would the preference be given to?—To the first metalling. That is a matter that has not cropped up. I think in any case where there is a shortage and not enough to go round it is necessary to discriminate.

97. *Right Hon. Sir J. G. Ward.*] In the return you furnished to this Committee up to the 30th September, 1912, you show that the final approvals amount to £2,194,845?—Yes, I handed in a return.

98. The only loan that this Committee has specially investigated in connection with political influence being exercised is that of the Remuera Road Board of £37,000?—I think the Committee has raised the question in regard to Hokitika, Wairoa, and Motueka Harbour Boards, and Timaru.

99. It is not suggested that political influence was exercised there. Of the £2,194,845 finally approved, the only questions put to you suggesting political influence applies to the one loan of £37,000 to the Remuera Road Board?—The inquiry seems to have centred round that one loan.

100. There has been no suggestion of political influence in connection with any other loan?—I do not know of any other where the inquiry seemed to be so searching as in that case.

101. Has there been any questions put to you by any member of the Committee suggesting any political influence regarding any other loan than that Remuera loan?—No, I do not think so.

102. Now, in connection with the Motueka Harbour Board loan, was any influence of any kind brought to bear upon you by any Minister as to the extension of the term of the loan?—None whatever.

103. Or by any member of Parliament?—No.

104. Now, in connection with the telegram that I sent to you from Sir John Findlay, was there any suggestion upon that telegram from me as Minister of Finance that you should do anything of any sort or kind in connection with that loan?—I did not read it that way.

105. The only remarks on that telegram from me addressed to you were, "For your remarks." Is there anything on that telegram from me to you suggesting any reply?—No; "For remarks" are your words.

106. Will you look at the telegram you sent to me and say whether there is any alteration made in that portion of the reply sent by you to me as despatched by me to Sir John Findlay?—There is no alteration.

107. Was there any suggestion of any kind made by me to you as to what the nature of your reply should be?—None whatever.

108. When I sent the telegram on to you for your remarks, there was no suggestion of any kind made?—No. As I say, I took it merely as a complaint against the Office by the local body, which was itself to blame.

109. In that portion of the telegram in my own handwriting at the bottom of your reply I added words refusing to make the £10,000 advance which had been asked for?—Yes. You said, "Cannot advance £10,000, but as debentures for amount of loan authorized will be forwarded on Monday, that should be quite satisfactory."

110. *Mr. Haman.*] When you got that telegram, Mr. Poynton, sent on to you, did you read it and act accordingly as considering it was left entirely to you to determine the nature of the reply?—Yes.

111. *Dr. Newman.*] Did the word "Urgent" on Sir Joseph Ward's telegram convey anything to your mind?—No. Nearly all memorandums and telegrams from Ministers we regard as urgent.

112. On the necessity for putting "urgent," is the word "urgent" on a Minister's memo. of no significance to you at all?—They are nearly all marked "urgent."

113. Do you mean to say it is the same whether it is marked "urgent" or not?—It is attended to at once whether marked "urgent" or not. All instructions from a Minister are considered by officials as urgent.

114. The word "urgent" expressed from the Minister something?—Some Ministers are in the habit of putting the word "urgent" on documents, and others do not. We regard all documents from a Minister as urgent.

115. The Motueka Harbour Board had debentures for a longer period than any other body?—Yes.

116. The annual payments were therefore lighter than to any other Board?—Yes.

117. Who represented Motueka in the last Parliament?—I could not say whether the member for Nelson or the member for Motueka.

118. Take the Wairoa Harbour Board: was that, at the time the loan was applied for, in the constituency of Sir James Carroll, a Cabinet Minister?—Yes, but I did not know until this inquiry started.

119. Did Sir James Carroll sign the approval?—He did.

120. *Hon. Mr. Allen.*] You prepared some returns for me about the amount of total grants up to the 31st March, 1912. Would you tell me the grants above £5,000 and under the £5,000 limit?—Above, £955,895; and under, £209,965.

121. Will you turn to the next page and tell me how much was loaned to boroughs?—£590,015.

122. And how much to counties?—£290,065.

123. There is a return of loans finally approved by the Advances Board up to the 29th August. How much was finally approved to boroughs?—£897,880.

124. And how much to counties?—£385,870. I wish to point out that the term "round-robin" as used in connection with consent in writing by members of the Board to an act to be afterwards ratified is wrong. A "round-robin" is a document of petition, or accusation, or complaint, or protest, the signatures to which are signed in a circle so that it cannot be seen which signed first; and I desire to say that I resent the term "round-robin," which has been used.

125. *Right Hon. Sir J. G. Ward.*] I want to ask you a question in connection with the advances to Borough Councils in the return quoted by the Minister of Finance just now. The Borough Councils schedule of loans in excess of £5,000 finally approved by the Advances Board in this return amount to £897,880. Can you say now whether a large proportion of that is for water-supply, drainage, and sanitation purposes?—Yes, over £600,000.

126. Is it a fact that under the Public Health Act there have been more stringent conditions provided for in regard to the preservation of the health of the people in the boroughs and in the country towns than was the case before the Health Act came into operation?—Yes.

127. Is it a fact that, as the outcome of the Health Act being in existence, the boroughs have imposed upon them heavier responsibilities for providing against disease and preserving the health of the people?—Yes.

128. Is it a fact that every application from a County Council, River Board, Drainage Board, or Town Board, until the date of the resolution to limit amounts to £5,000, that every application from the various Boards was dealt with without exception?—Yes, dealt with in the order of receipt, no preference being shown.

129. Is it a fact that no application from a county, Road Board, Town Board, or Drainage Board was set aside and refused, to enable an advance to be made to a borough or Harbour Board?—No.

130. There was no setting-aside of any application from those bodies for that purpose?—No; there was no preference shown between bodies.

131. In reference to the Wairoa Harbour loan, was that loan granted during my absence from New Zealand?—I could not say. You never appeared in the matter.

132. I wanted to know whether there was any special reason which the acting-Minister could have submitted to you?—During your absence no Minister would be seen; the whole thing would be sent up.

133. Would you regard an official communication from a Minister upon any matter in his district as in any way disqualifying him in regard to your giving the necessary approval under the Act?—I would not take the slightest notice whether Minister, member, or private citizen.

134. Would you regard it as in any way suggesting impropriety when the document was submitted to Sir James Carroll and the loan had been authorized by the Board to attach his signature to it when it was in order?—No.

135. Do you know, Mr. Poynton, upon this question of the word "urgent," upon which some importance appears to be attached, that, after a long experience of official life, such coming from a Minister would be looked upon as a very ordinary matter?—All documents from Ministers are considered urgent.

136. Do you know that every telegram sent by a Minister into a telegraph-office is immediately marked "urgent" and takes precedence?—Yes. Every telegram from myself to a Minister is marked "Urgent—take precedence."

137. And would you take it as extraordinary on a telegram being referred to you if it was marked "urgent"?—I would not notice it was marked "urgent" unless pointed out.

138. From the official record, Mr. Poynton, that I read from the Journals of the House this morning, it states that the return of the writ is referred to in the communication placed before the House by the Speaker, and it shows that it was some months after the election that the loan was granted by the Bank of New Zealand?—The preliminaries took place on the 26th February.

139. I am talking about the payment of the loan by the Bank of New Zealand to Taihape?—I think, sir, from what I know, that the demand was made long before the election, but the debentures were only handed over some time after the election. Mr. Dalziel was very anxious about the debentures, and wanted to know whether the debentures were in order. I fancy the bank had advanced the money on the strength of the debentures some months before. I am not sure about that. There was no money paid by the Treasury at all.

ROBERT JOSEPH COLLINS sworn and examined. (No. 22.)

1. *The Chairman.*] What are you?—Controller and Auditor-General.

2. *Right Hon. Sir J. G. Ward.*] Colonel Collins, you were Secretary to the Treasury for some years?—Yes.

3. Were you familiar with the working of the Loans to Local Bodies Act?—Yes, certainly.

4. Under the old system of the Loans to Local Bodies Act, what was the procedure adopted to obtain loans from the Treasury—was it by application direct to the Treasury?—Yes, asking in the first place for the loan, and then taking the necessary steps on being advised that provisional approval was granted.

5. In the first place, the loan would be provisionally approved under the old system?—Yes.

6. And they had to take the necessary steps, and then afterwards it would be submitted for final authority to the Minister?—Yes. It is four years ago, and I am depending entirely on my memory.

7. Well, how long had you to do with the applications for loans to local bodies—how many years?—As Accountant to the Treasury from 1890, as Secretary to the Treasury from 1906 to 1910.

8. And the whole of the applications for loans to local bodies would go through you?—They would go through me when I was Secretary. Occasionally I would have to deal with them as Accountant.

9. Have you known at any time in connection with dealing with these loans by the Treasury any discrimination in the matter of districts upon political grounds or applications of local bodies on political grounds?—No, I have no recollection of such being done.

10. Have you ever had at any time brought to bear upon you as Secretary to the Treasury while you were dealing with loans to local bodies any pressure from any Minister in reference to any loan on political or other grounds?—No, I have not.

11. Would the loans in the ordinary way applied for be dealt with in sequence of application without discrimination?—Yes, they would. So long as the papers were in order they would be dealt with by the Treasury in the sequence in which they were received.

12. And if they were not in order they would be duly advised?—Yes. But that would not prevent the local authority asking the Treasury to expedite a loan. Then they would not be taken in order, as the loan asked for would be dealt with specially at the request of the local authority. I have no doubt that many cases of that kind took place.

13. Under the system was there any such thing as holding back an application from one local body so as to give another application preference?—No, certainly not, not to give any application preference over another.

14. You were Secretary to the Treasury when the Taihape Borough obtained an advance from the Bank of New Zealand—are you familiar with that?—Yes, that was early in 1909. The Local Bodies' Loans Act was passed in 1908.

15. According to the file there are loans amounting to about £30,000 that the Taihape Borough obtained?—Nearly £30,000.

16. I want to deal with the £21,250 loan. Was that loan obtained from the Treasury?—No; the loan was obtained from the Bank of New Zealand under Government guarantee.

17. The guarantee was given under the Local Bodies' Loans Act, 1908, I understand?—Yes, the guarantee of the Government.

18. Now, you know as Secretary to the Treasury about that matter. Were there any representations made to you of a political nature in connection with the Bank of New Zealand receiving the guarantee from the Government for that loan to Taihape?—I can say definitely No. The Taihape Borough made its own arrangements for the loan with the Bank of New Zealand.

19. Well, just to bring my examination to an end, I want to ask you was any attempt at any time during your position as Secretary to the Treasury made by myself as Minister of Finance or by any other Minister to you to influence you in dispensing with any payments under the Loans to Local Bodies Act or under any other Act upon political grounds to any person by way of preference?—No, certainly not.

20. *Mr. Pearce.*] As regards the £21,250 loan, there is application made on the 26th February, 1909, and then on the 26th August the loan procedure is passed by the Crown Law Officer. I want to ask you if that practically sanctions the loan to the local body?—It only requires Ministerial approval. It would then be in order so far as the Treasury was concerned.

21. That is the provisional sanction?—Yes.

22. Is it not the custom in the Department to always lend the money unless there is some great objection when the provisional sanction has been given?—But this case is not one of that class—the Department did not lend the money, the money was obtained from the Bank of New Zealand under Government guarantee.

23. But would not the borough take it in the same way that they were entitled to go on with the work when it was provisionally agreed to?—I do not think there would be any doubt about it.

24. That occurred on the 30th August. Do you know that that was just prior to the by-election at Rangitikei—the election was in September?—No. I know now. I may have known at the time.

25. Not only the loan of £21,250, but a loan of £3,750 was sanctioned about the same time?—Yes, both were sanctioned at the same time.

26. *Mr. Craigie.*] You have had charge of the Department of Loans to Local Bodies?—Yes, for a number of years.

27. Do you know the system under which the money was lent out—was it profitable to the Department—was it on a sound basis?—That is a question of policy, and not one for me to answer. The money was lent to local authorities up to a certain amount. As each local body asked for a loan, so long as the money was there they got it, providing they took the necessary steps required by statute.

28. It was lent out for thirty-one years at 3½ per cent., and then it was stopped?—There were varying periods.

29. What was the result of that—was there a loss?—There was a loss to the Dominion—there is no doubt about that, but it was a matter of policy. By doing so the State rendered assistance to the taxpayer.

30. *Dr. Newman.*] Have you got a letter there signed by you apprising Taihape Borough that everything was in order?—Yes, before they sent their form of debenture.

31. No, I want one dated the 30th August?—Yes, I have it here.

32. When you wrote, "It now remains for your Council to forward draft forms and the proposed debentures and coupons, and also supply your Council's balance-sheet": did not that give them to understand that the loan was granted?—Yes, no doubt about it. The form of debenture had to be submitted to the Law Officer.

33. Were the Taihape Borough right in believing on the receipt of that letter that, if they carried out the debentures and coupons properly, they would certainly get the loan?—I should say so, without question.

34. *Right Hon. Sir J. G. Ward.*] Was there any doubt as to the security referred to by Dr. Newman?—I do not see anything here on the file; everything appears to be in order.

35. As a matter of fact, that letter which Dr. Newman referred to as signed by you and sent to the public body, would that letter be sent out by you in the ordinary way without reference to the Minister when the matter got to that point?—Yes. I would not consult the Minister.

36. That letter would not go before the Minister at all?—No; it would not go before the Minister.

37. So that if there was any political connection between that letter and the local public body it would be assuming that the Department was acting indirectly?—Yes.

38. There is nothing of the kind done, is there?—No.

39. There would be no request made by the Government or Treasury to make an advance to a local public body?—No; the Treasury would have nothing to do with the Bank of New Zealand in the matter of the loan. The bank might ask about the debentures—whether they were right. That is the only information given.

40. Do you know I always refused to make any representations to anybody who wanted to get accommodation from the Bank of New Zealand?—Yes, I have heard you say so. I desire to say, Dr. Newman, that I see this passed through the Law Office on the 26th August.

41. *Dr. Newman.*] But your letter was dated the 30th. This loan was first applied for on the 26th February, 1909?—Yes.

42. Six months elapsed and then the loan is passed procedure by the Law Officer. What made the Law Officer wait six months to pass it?—You mean from February to August?

43. Yes?—I have not gone through the papers. I think it will be shown that it was the fault of the borough in getting out their special order. If you follow it up you will see the reason.

44. But they did not ask the Law Officer?—The Law Officer is not consulted until everything is found to be correct by the Treasury. The procedure was not in order until some time in the month of August. The papers appear to have been submitted about the 26th August.

45. And the office reply is about the 26th August?—Yes.

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## APPENDIX.

## EXHIBIT A.

RETURN SHOWING TRANSACTIONS DURING THE PERIOD FROM 1ST NOVEMBER TO 15TH DECEMBER, 1911.

(1) Loans provisionally approved; (2) loans finally approved; (3) payments made.

Local Authority.	Amount provisionally approved.	Amount finally approved.	Date of approval.	Amount declined.
	£	£		£
Hawera County Council .. .. .	600	..	6/11/11	..
Raglan County Council .. .. .	3,000	..	"	..
Waitemata County Council .. .. .	..	..	"	80,000
Otahuhu Road Board .. .. .	1,500	..	"	..
Waikouaiti Borough .. .. .	9,000	..	"	..
Waverley Town Board .. .. .	3,000	..	"	..
" .. .. .	..	..	"	1,200
Waikohu County Council .. .. .	..	1,250	"	..
Waitotara County Council .. .. .	..	5,300	"	..
Pelorus Road Board .. .. .	..	2,950	"	..
Waipawa Borough Council .. .. .	..	3,900	"	..
Manaia Town Board .. .. .	..	2,000	"	..
Stratford County Council .. .. .	..	..	13/11/11	14,000
Dargaville Borough Council .. .. .	..	..	"	8,500
" .. .. .	900	..	"	..
" .. .. .	600	..	"	..
Taihape Borough Council (consideration of £4,000 was postponed. See next meeting.)	..	..	"	..
Hutt County Council .. .. .	..	300	"	..
Waihemo County Council .. .. .	..	250	"	..
Remuera Road Board .. .. .	..	42,090	"	..
Titirangi Road Board .. .. .	..	750	"	..
Gisborne Borough Council .. .. .	..	5,215	"	..
New Lynn Town Board .. .. .	..	100	"	..
Pukekohe Town Board .. .. .	..	1,165	"	..
Hobson County Council .. .. .	3,000	..	20/11/11	..
Taranaki County Council .. .. .	300	..	"	..
Waimarino County Council .. .. .	200	..	"	..
Eketahuna Borough Council .. .. .	170	..	"	..
Taihape Borough Council .. .. .	4,000	..	"	..
Hawera County Council .. .. .	..	600	"	..
" .. .. .	..	600	"	..
Oroua County Council .. .. .	..	1,800	"	..
Waimate West County Council .. .. .	..	375	"	..
Mangatarata Road Board .. .. .	..	3,000	"	..
Wanganui East Borough .. .. .	..	12,000	"	..
Havelock Town Board .. .. .	..	370	"	..
Waipukurau Town Board .. .. .	..	925	"	..
Rodney County Council .. .. .	500	..	27/11/11	..
Dargaville Borough Council .. .. .	..	20,000	"	..
Waimate Borough Council .. .. .	..	3,000	"	..
Wanganui East Borough .. .. .	..	11,500	"	..
Kaponga Town Board .. .. .	..	5,000	"	..
Rangitikei County Council .. .. .	2,000	..	4/12/11	..
Weber County Council .. .. .	3,000	..	"	..
Moa Road Board .. .. .	150	..	"	..
Te Rapa Drainage Board .. .. .	1,200	..	"	..
Remuera Road Board .. .. .	..	37,045	"	..
Kawhia County Council .. .. .	2,000	..	11/12/11	..
Rangitikei County Council .. .. .	1,100	..	"	..
Mount Roskill Road Board .. .. .	1,500	..	"	..
Invercargill Borough Council .. .. .	..	..	"	32,000
St. Aubyn Town Board .. .. .	..	..	"	7,500
Masterton County Council .. .. .	..	350	"	..
" .. .. .	..	100	"	..
" .. .. .	..	200	"	..
Pohangina County Council .. .. .	..	85	"	..
Rangitikei County Council .. .. .	..	350	"	..
" .. .. .	..	430	"	..
Taieri County Council .. .. .	..	250	"	..
Rangitata Island River Board .. .. .	..	1,000	"	..
Totals .. .. .	37,720	164,250	..	143,200

## LOANS TO LOCAL AUTHORITIES.—AMOUNTS PAID OVER FROM 1ST NOVEMBER TO 15TH DECEMBER, 1911.

Date.		Local Body.				Amount.
1911.		<i>Borough Councils.</i>				£
December	12	..	..	Balclutha	..	7,000
"	12	..	..	Blenheim	..	500
"	13	..	..	Devonport	..	2,000
November	3	..	..	Eltham	..	350
"	29	..	..	Marton	..	6,000
"	4	..	..	Masterton	..	1,105
"	3	..	..	Miramar	..	5,000
"	22	..	..	Spreydon	..	1,000
December	12	..	..	Temuka	..	290
November	27	..	..	Waipawa	..	3,900
"	29	..	..	Wanganui	..	1,000
December	5	..	..	"	..	11,000
November	3	..	..	Westport	..	1,000
"	20	..	..	Woodville	..	1,000
						41,145
		<i>County Councils.</i>				
November	4	..	..	Clifton	..	500
December	1	..	..	Cook	..	1,200
"	13	..	..	Eltham	..	9,000
November	9	..	..	Hokianga	..	550
December	13	..	..	Manawatu	..	1,250
November	17	..	..	Matamata	..	150
December	5	..	..	Ohura	..	2,165
November	14	..	..	Piako	..	8,000
"	17	..	..	Taranaki	..	2,000
December	5	..	..	Waipapu	..	5,000
"	8	..	..	Waikohu	..	1,550
November	3	..	..	Whangarei	..	65
"	17	..	..	"	..	1,000
						32,430
		<i>Road Boards.</i>				
December	5	..	..	Drury	..	500
November	22	..	..	East Tamaki	..	1,000
"	3	..	..	Kowai	..	920
December	5	..	..	Okato	..	1,000
"	5	..	..	Rangiahia	..	2,000
November	24	..	..	Upper Wangaehu	..	300
"	4	..	..	Waipipi	..	300
						6,020
		<i>Town Boards.</i>				
November	21	..	..	Johnsonville	..	2,000
"	14	..	..	Papakura	..	650
December	13	..	..	Waipukurau	..	925
						3,575
		<i>Drainage Boards.</i>				
November	8	..	..	Kawa	..	690
"	8	..	..	Makerua	..	1,000
"	14	..	..	Tauhei	..	1,000
						2,690
Total .. .. .						£85,860

## LOANS TO LOCAL AUTHORITIES ACCOUNT, 31ST MARCH, 1912.

		<i>Credits.</i>	£
Bank balance	..	..	143,618
Amount temporarily invested in accordance with section 27, New Zealand State-guaranteed Advances Act, 1909	..	..	20,000
Amount temporarily transferred to other branches in accordance with section 35, New Zealand State-guaranteed Advances Act, 1909	..	..	25
		<i>Debits.</i>	
Commitments	..	..	820,320
Unexhausted loan authorities	..	..	778,000

## LOANS TO LOCAL AUTHORITIES ACCOUNT, 16TH SEPTEMBER, 1912.

<i>Credits.</i>		£
Bank balance .. .. .		7,000
Estimated receipts to 31st March next which can be used as capital after payment of interest and sinking fund .. .. .		Nil.
Amount temporarily invested in accordance with section 27, New Zealand State-guaranteed Advances Act, 1909 .. .. .		20,000
Amount temporarily transferred to other branches in accordance with section 35, New Zealand State-guaranteed Advances Act, 1909 .. .. .		550

<i>Debits.</i>		
Commitments .. .. .		651,310
Amount temporarily transferred from other branches in accordance with section 35, New Zealand State-guaranteed Advances Act, 1909 .. .. .		30,000
Unexhausted loan authorities to 31st March, 1913 .. .. .		825,000

<i>Estimated Receipts for Year ending 31st March, 1913.</i>		
Repayment of principal .. .. .		21,000
Interest .. .. .		52,000
		£73,000

<i>Estimated Expenditure for Year ending 31st March, 1913.</i>		£
Interest on loans .. .. .		58,000
Sinking fund .. .. .		20,000
		£78,000

## PROBABLE DATES WHEN ADVANCES ON ACCOUNT OF LOANS RAISED UNDER THE NEW ZEALAND STATE-GUARANTEED ADVANCES ACT, 1909, WILL BE NEEDED.

Name of Local Body.	Date when Amount required.	Year when payable.		
		1912.	1913	1914.
		£	£	£
Akitio County Council .. .. .	December ..	7,000	7,000	7,000
Avondale Road Board .. .. .	November ..	5,500	..	..
Cook County Council .. .. .	.. .. .	1,860	..	..
" .. .. .	October ..	500	..	..
" .. .. .	February ..	..	1,000	..
" .. .. .	March ..	..	600	..
" .. .. .	October ..	..	600	..
" .. .. .	" ..	600	..	..
" .. .. .	March ..	..	600	..
" .. .. .	October ..	..	1,000	..
" .. .. .	December ..	..	800	..
" .. .. .	" ..	1,000	..	..
" .. .. .	June ..	..	4,000	..
" .. .. .	October ..	600	..	..
" .. .. .	March ..	..	600	..
Dargaville Borough .. .. .	" ..	..	6,000	12,000
Eltham County Council .. .. .	January ..	..	7,000	..
" .. .. .	" ..	..	..	6,000
" .. .. .	December ..	6,500	..	..
" .. .. .	" ..	..	7,500	..
Frankton Town Board .. .. .	November ..	2,000	..	..
" .. .. .	" ..	..	1,000	..
Gisborne Borough .. .. .	December ..	1,800	..	..
" .. .. .	June ..	..	900	..
" .. .. .	December ..	..	715	..
" .. .. .	" ..	400	..	..
Judea Drainage Board .. .. .	.. .. .	1,000	..	..
Kaponga Town Board .. .. .	.. .. .	1,500	..	..
Kawhia County Council .. .. .	October ..	1,000	..	..
" .. .. .	December ..	..	..	..
" .. .. .	February ..	..	500	..
Masterton Borough .. .. .	November ..	750	..	..
Mataura Borough .. .. .	December ..	4,000	..	..
Lyttelton Borough .. .. .	.. .. .	2,000	..	..
Arch Hill Road Board .. .. .	October ..	1,000	..	..
Blenheim Borough .. .. .	.. .. .	15,000	25,500	24,000
" .. .. .	.. .. .	1,000	..	..
Greymouth Borough .. .. .	December ..	4,620	..	..
Hobson County Council .. .. .	February ..	..	1,500	..
Dannevirke Borough .. .. .	November ..	1,500	..	..

PROBABLE DATES WHEN ADVANCES ON ACCOUNT OF LOANS RAISED UNDER THE NEW ZEALAND STATE-GUARANTEED ADVANCES ACT, 1909, WILL BE NEEDED—*continued.*

Name of Local Body.	Date when Amount required.	Year when payable.		
		1912.	1913.	1914.
		£	£	£
Mount Albert Borough Council .. ..	December ..	5,000	..	..
Mangaweka Town Board .. ..	November ..	3,000	..	..
Newmarket Borough .. ..	March ..	..	935	..
" .. ..	October ..	2,000	..	..
" .. ..	November ..	2,000	..	..
" .. ..	December ..	2,000	..	..
" .. ..	January ..	..	2,000	..
Ohinemuri County Council .. ..	October ..	1,000	..	..
Opotiki County Council .. ..	" ..	2,000	..	..
" .. ..	April ..	..	6,000	..
" .. ..	October ..	500	..	..
Otamatea .. ..	December ..	4,000	..	..
" .. ..	.. ..	..	2,000	..
" .. ..	.. ..	..	5,000	..
Pelorus Road Board .. ..	December ..	950	..	..
Pukekohe East Road Board .. ..	November ..	750	..	..
Papakura Town Board .. ..	December ..	600	..	..
Rangitikei County Council .. ..	November ..	1,700	..	..
Rangiora Borough Council .. ..	October ..	500	..	..
Rodney County Council .. ..	" ..	1,000	..	..
Motueka Harbour Board .. ..	" ..	7,000	8,000	..
Wairoa Harbour Board .. ..	.. ..	63,000	(as applied for)	..
Remuera Road Board .. ..	.. ..	..	12,045	..
" .. ..	December ..	15,090	..	..
" .. ..	" ..	500	..	..
Hastings Borough .. ..	November ..	8,000	..	..
Cambridge Borough .. ..	.. ..	2,000	..	..
Te Aroha Borough .. ..	November ..	1,000	..	..
Waitotara County Council .. ..	October ..	1,000	..	..
Waitotara County Council .. ..	March ..	..	1,000	..
Sumner Borough .. ..	October ..	2,000	..	..
Temuka Borough .. ..	November ..	4,000	..	..
Wairoa County Council .. ..	December ..	8,000	..	..
" .. ..	April ..	..	8,000	..
" .. ..	October ..	..	..	8,000
Waitotara County Council .. ..	January ..	..	2,650	..
Whangamomona County Council .. ..	October ..	..	1,500	..
Whangarei Borough Council .. ..	" ..	4,000	4,000	7,200
Miramar Borough .. ..	.. ..	5,000	..	..
St. Aubyn Town Board .. ..	.. ..	2,890	..	..
Waiuku Road Board .. ..	.. ..	600	..	..
Waikohu County Council .. ..	.. ..	4,000	..	..
Wairarapa South County Council .. ..	.. ..	200	..	..
Wairoa County Council .. ..	.. ..	380	..	..
Waitemata County Council .. ..	.. ..	..	1,765	..
" .. ..	.. ..	..	730	..
" .. ..	.. ..	..	860	..
" .. ..	.. ..	..	3,000	3,200
" .. ..	.. ..	..	4,935	..
" .. ..	.. ..	..	6,000	2,855
" .. ..	.. ..	..	7,660	..
" .. ..	.. ..	..	3,000	1,210
Waitomo County Council .. ..	.. ..	1,340	..	..
Wanganui Borough .. ..	.. ..	6,250	..	..
" .. ..	.. ..	8,125	..	..
" .. ..	.. ..	11,000	5,000	..
" .. ..	.. ..	..	4,500	..
Wanganui East .. ..	.. ..	..	6,500	..
Westport Borough Council .. ..	.. ..	2,000	..	..
Waitoa Drainage Board .. ..	.. ..	1,500	..	..
Helensville Town Board .. ..	.. ..	..	9,000	..
Patea County Council .. ..	.. ..	4,645	..	..
Waiapu County Council .. ..	.. ..	15,000	..	..
" .. ..	.. ..	..	20,000	..
" .. ..	.. ..	..	..	20,000
Totals .. ..	.. ..	£266,650	£192,895	£91,465



## EXHIBIT B.

UNDER THE LOCAL BODIES' LOANS ACT, 1908.—AMOUNT BORROWED FROM GOVERNMENT FROM 1887 UP TO THE 30TH SEPTEMBER, 1912.

	£	s.	d.
County Councils .. .. .	1,328,561	14	7
Borough Councils .. .. .	732,021	0	0
Road Boards .. .. .	615,674	10	0
Town Boards .. .. .	18,885	0	0
River Boards .. .. .	76,600	0	0
Drainage Boards .. .. .	82,024	0	0
Water-supply Boards .. .. .	21,000	0	0
Harbour Boards .. .. .	..		
	<u>£2,874,766</u>	<u>4</u>	<u>7</u>

UNDER THE NEW ZEALAND STATE-GUARANTEED ADVANCES ACT, 1909.—AMOUNT BORROWED FROM THE ADVANCES BOARD UP TO THE 30TH SEPTEMBER, 1912.

	Final Approvals. £	Payments. £
County Councils .. .. .	665,430	411,055
Borough Councils .. .. .	1,026,740	797,590
Road Boards .. .. .	211,300	148,330
Town Boards .. .. .	116,145	74,235
River Boards .. .. .	2,830	2,330
Drainage Boards .. .. .	48,650	46,510
Water-supply Boards .. .. .	..	..
Harbour Boards .. .. .	123,750	45,750
	<u>£2,194,845</u>	<u>£1,525,800</u>

## EXHIBIT C.

LOCAL AUTHORITIES BRANCH.—DETAILS OF MONEY RAISED FROM POST OFFICE.

Date Money raised.	Rate.	Amount.
1910.	Per Cent.	£
March 3 .. .. .	3½	250,000
„ 15 .. .. .	..	150,000
April 15 .. .. .	..	200,000
July 21 .. .. .	..	125,000
August 10 .. .. .	..	100,000
September 27 .. .. .	..	50,000
November 17 .. .. .	..	100,000
1911.		
January 11 .. .. .	..	200,000
„ 20 .. .. .	..	150,000
February 14 .. .. .	..	50,000
June 12 .. .. .	..	112,000
1912.		
February 10 .. .. .	3¾	10,000
March 5 .. .. .	3½	100,000
April 25 .. .. .	..	150,000
August 19 .. .. .	..	25,000
		<u>1,772,000</u>

The cost of management and expenses of the above branch for the year ended 31st March last was £635, being 0·04 or 9½d. per £100 on capital employed.

## EXHIBIT D.

AMOUNT GRANTED SINCE FEBRUARY, 1910, TO THE 30TH SEPTEMBER, 1912, TO LOCAL BODIES UNDER THE LOCAL BODIES' LOANS ACT, 1908, AND ITS AMENDMENT, 1910.

	From 1st February, 1910, to 1st February, 1911.	From 1st February, 1911, to 30th September, 1912.
	£    s.    d.	£    s.    d.
County Councils .. ..	31,751   0   0	9,385   7   2
Borough Councils .. ..	45,235   0   0	3,700   0   0
Road Boards .. ..	12,286   0   0	2,556   0   0
Town Boards .. ..	500   0   0	..
River Boards .. ..	..	..
Drainage Boards .. ..	8,535   0   0	675   0   0
Water-supply Boards .. ..	..	..
Harbour Boards .. ..	..	..
	98,307   0   0	16,316   7   2

JAS. A. MARTIN,  
Clerk in Charge.

## EXHIBIT E.

UNDER THE LOCAL BODIES' LOANS ACT, 1908.—RETURN SHOWING THE AVERAGE AMOUNT PER YEAR GRANTED FROM 1887 TO 1910 BY THE GOVERNMENT TO LOCAL BODIES.

(Particulars of each body are given.)

County Councils .. ..	£	53,142
Borough Councils .. ..	29,281	
Road Boards .. ..	24,627	
Town Boards .. ..	755	
River Boards .. ..	3,064	
Drainage Boards .. ..	3,281	
Water-supply Boards .. ..	840	
Harbour Boards .. ..	..	
	£114,990	

AVERAGE AMOUNT PER YEAR GRANTED DURING 1908 AND 1909 UNDER THE LOCAL BODIES' LOANS ACT, 1908.

	1907-8.	1908-9.
	£	£
County Councils .. ..	38,273	50,848
Borough Councils .. ..	14,864	27,092
Road Boards .. ..	7,372	10,514
Town Boards .. ..	1,000	850
River Boards .. ..	2,500	2,500
Drainage Boards .. ..	4,200	4,262
Water-supply Boards .. ..	..	..
Harbour Boards .. ..	..	..
	£68,209	£96,066

JAS. A. MARTIN,  
Clerk in Charge.

## EXHIBIT F.

LOCAL AUTHORITIES BRANCH.—AVERAGE AMOUNT PAID OVER PER YEAR FROM FEBRUARY, 1910, TO THE 30TH SEPTEMBER, 1912, UNDER THE NEW ZEALAND STATE-GUARANTEED ADVANCES ACT, 1909.

	Average per Year.
	£
Borough Councils .. ..	319,036
County Councils .. ..	164,422
Road Boards .. ..	59,332
Town Boards .. ..	29,694
Drainage Boards .. ..	18,604
River Boards .. ..	932
Harbour Boards .. ..	18,300
Water-supply Boards .. ..	Nil

JAS. A. MARTIN,  
Clerk in Charge.

## EXHIBIT G.

## RETURN SHOWING APPROXIMATE LOSS TO THE STATE ON MONEYS LENT BY THE GOVERNMENT UNDER THE VARIOUS LOCAL BODIES' LOANS ACTS.

Amount of inscribed debt ( <i>i.e.</i> , of moneys lent to local bodies)—	£
At $4\frac{1}{2}$ per cent. .. .. .	1,161,329
At 4 per cent. .. .. .	104,443
At $3\frac{1}{2}$ per cent. .. .. .	1,720,235

On each £100 lent at  $4\frac{1}{2}$  per cent. the local body will pay  $4\frac{1}{2}$  per cent. for twenty-six years, when its liability ceases both as to payment of principal and interest. The State meanwhile pays  $3\frac{1}{2}$  per cent. on the moneys, and at the end of the twenty-six years must continue to pay interest and ultimately the principal too. As the local body will for twenty-six years pay 1 per cent. more than the interest paid by the State, this must be allowed in calculating the loss. £1 per annum invested for twenty-six years at  $3\frac{1}{2}$  per cent. compound interest will amount to £41 8s.  $4\frac{1}{4}$ d. Therefore the loss to the State, apart from the interest to be paid, after the twenty-six years will be, on each £100, (£100) — (£41 6s.  $4\frac{3}{4}$ d.) = £58 13s.  $7\frac{3}{4}$ d.; and on £1,161,329, £681,550.

On the £104,443 lent at 4 per cent. for thirty-two years the local body pays for thirty-two years 4 per cent. per annum, when its liability for principal and interest ceases. The loss to the State on each £100 will be lessened by the amount of 10s. per cent. invested each year for thirty-two years—10s. being the difference between  $3\frac{1}{2}$  per cent., the interest paid by the State for the moneys borrowed by it, and 4 per cent. received by the local body. This accumulated as before stated will amount to £28 11s.  $4\frac{1}{4}$ d. for each £100. Therefore the loss on the £104,443 will be (£104,443) — (£29,940) = £74,503.

As the interest paid by the local bodies on the £1,720,235 lent at  $3\frac{1}{2}$  per cent. for forty-one years is only the same as that paid by the State for the moneys lent to them, nothing can be allowed for excess interest as in the other cases, and the loss to the State will be the whole sum so lent.

The total losses on this basis will be,—	£
On £1,161,329 lent at $4\frac{1}{2}$ per cent. .. .. .	681,550
On £104,443 lent at 4 per cent. .. .. .	74,503
On £1,720,235 lent at $3\frac{1}{2}$ per cent. .. .. .	1,720,235
	£2,476,288

But money was not always lent at present rates. The first loans were for twenty-six years only, and the rate was 5 per cent. In 1899 the terms were made twenty-six, thirty-two, and forty-one years at the option of the local body borrowing, and the rate  $4\frac{1}{2}$ , 4, and  $3\frac{1}{2}$  per cent. In 1900 the rate of interest on the old twenty-six-years loans was reduced from 5 per cent. to  $4\frac{1}{2}$  per cent. In 1903 rates were raised to 5 per cent.,  $4\frac{1}{2}$  per cent., and 4 per cent. for twenty-six, thirty-two, and forty-one years. In 1907 rates were reduced to  $4\frac{1}{2}$  per cent., 4 per cent., and  $3\frac{1}{2}$  per cent., as at present. It is difficult to say how much was lent at these varying rates, and for how long. Until the figures are obtained the exact loss cannot be given, but the reduction in loss through this increased interest would not be more than, say, £176,000. This would make the loss £2,300,000 at least.

## EXHIBIT H.

AMOUNTS (GIVING DATES, RATES, AND BALANCES) OF LOANS FINALLY GRANTED BUT NOT YET PAID OVER, ALSO BALANCES OF AMOUNTS FINALLY GRANTED AND PARTLY PAID OVER, AT  $3\frac{1}{2}$  PER CENT. AND  $3\frac{3}{4}$  PER CENT.

Local Bodies.	Finally approved but no Portion paid over at $3\frac{1}{2}$ per Cent.	Finally approved but no Portion paid over at $3\frac{3}{4}$ per Cent.	Balance of Amounts finally approved and partly paid over at $3\frac{1}{2}$ per Cent.	Balance of Amounts finally approved and partly paid over at $3\frac{3}{4}$ per Cent.
	£	£	£	£
Counties .. .. .	2,605	24,340	212,830	5,700
Road Boards .. .. .	..	21,915	35,085	1,350
Boroughs .. .. .	10,000	21,290	193,795	..
Drainage Boards .. .. .	..	40	1,900	..
Town Boards .. .. .	..	2,590	7,600	11,890
River Boards .. .. .	500	..	..	..
Harbour Boards.. .. .	..	..	63,000	..
Totals .. .. .	13,105	70,175	514,210	18,940

*Special Case.*—Motueka Harbour Board (currency  $42\frac{1}{2}$  years at £4 10s. 10d. per centum per annum): Balance of amount finally approved and partly paid over, £15,000.

JAS. A. MARTIN.

## EXHIBIT J.

TOTAL AMOUNT OF LOANS WHICH HAVE BEEN PROVISIONALLY APPROVED BUT HAVE NOT BEEN FINALLY GRANTED.

£447,696.

Each case is marked thus \* in return hereto annexed, with remarks made against each.

AMOUNTS, DATES, ETC., PROVISIONALLY APPROVED BUT NOT FINALLY GRANTED AT 3½ PER CENT.  
Nil.

## LOANS DECLINED, ABANDONED, REJECTED AT POLL, OR LAPSED.

Local Body.	Amount.	Purpose.	Remarks.
	£		
Ashley County Council* ..	2,530	Bridge over Ashley River ..	Abandoned.
Akaroa Borough Council ..	5,000	To instal electric light ..	Declined.
Auckland Hospital and Charitable Aid Board	50,000	To repay a loan and erect buildings..	No power to levy rate.
Buller County Council ..	3,000	To erect new County Chambers ..	Declined.
" ..	6,000	To reduce the bank overdraft ..	"
Gisborne Borough Council ..	175,000	For sewerage and drainage ..	"
Gonville Town Board ..	4,000	For swimming-baths, &c. ..	"
Gonville and Castlecliff Tramway Board	30,000	Tramway-construction ..	"
Hawke's Bay County Council*..	3,000	Roads-formation, &c. ..	Lapsed.
" ..	4,482	To repay a loan ..	Declined.
Heathcote County Council ..	1,900	For roadmaking and protective works	Limit reached.
Hobson County Council ..	2,000	To procure a metal-crushing plant ..	Declined.
Clifton County Council* ..	1,000	To metal portion of Uruti Road ..	Abandoned.
Cook County Council* ..	62,580	To metal and widen about one hundred miles of roads and construction of three cart-bridges	Rejected at poll.
" ..	2,800	To rebuild bridges in Arai Riding ..	"
" ..	700	To metal a mile of Riverside Road ..	Limit reached.
" ..	500	Road from Tolaga Bay to Kaiaua Road	"
" ..	5,100	Road from Tuawhata Block to Section 65, Paremata, &c.	"
" ..	1,500	To erect a cart-bridge over the Maraetaha River	"
Coromandel County Council ..	2,869	To wipe out the bank overdraft ..	Declined.
Campbelltown Borough Council	4,000	To repay a loan of a similar amount for electric lighting	"
Christchurch Tramway Board ..	61,400	Tramways extensions ..	"
Dargaville Borough Council ..	8,500	Municipal coal-gas works ..	"
Eden Terrace Road Board* ..	15,000	Permanent improvements to streets and roads, &c.	Rejected at poll.
Epsom Road Board ..	55,000	To provide drainage ..	Limit reached.
Eketahuna Borough Council ..	1,400	Extending plant at electric-light station	Declined.
" ..	1,500	To grade, form, and metal Alfredton Road	"
Featherston County Council ..	250	To erect a small bridge, and road-metalling	Limit reached.
" ..	200	To construct concrete channels, &c.	"
Feilding Borough Council ..	8,000	Electric-light purposes ..	Declined.
" ..	8,000	To erect a town hall ..	"
" ..	8,000	To instal a system of electric lighting	"
Foxton Borough Council* ..	20,000	Water-supply and drainage ..	Rejected at poll.
" ..	11,000	Purchase Foxton gasworks ..	Declined.
Featherston Town Board ..	200	To complete Coronation Swimming-baths	"
" ..	400	To extend street-lighting ..	"
Frankton Town Board ..	7,500	Establishing works for supply of electricity	Declined.
Horowhenua County Council ..	750	Building bridges ..	Limit reached.
" ..	150	To construct water-races ..	"
" ..	2,800	Bridges, roads, &c., in Makerua Estate	"

## LOANS DECLINED, ABANDONED, REJECTED AT POLL, OR LAPSED.

Local Body.	Amount.	Purpose.	Remarks.
Huntly Road Board* .. ..	£ 2,000	To metal portions of Ohinewai-Mata-kuru Road	Rejected at poll.
Hamilton Borough Council ..	38,000	Purchase of gasworks .. ..	Declined.
Huntly " .. ..	25,000	Waterworks, sewerage, and drainage	Limit reached.
Huntly Town Board .. ..	4,500	To light the town with electricity ..	Declined.
Hutt Valley Tramway Board ..	5,000	To acquire a site and erect town hall	"
Inglewood Borough Council ..	85,000	For making tramways .. ..	"
" .. ..	4,000	To erect town hall, &c. .. ..	"
Invercargill Borough Council ..	8,500	Purchase of electric-light business ..	"
" .. ..	75,000	To construct overhead system of trams	"
" .. ..	32,000	To extend present system of water-works	"
Kawhia County Council* .. ..	2,000	To widen, &c., Okupata and Pirongia West Roads	Abandoned.
Kiwitea County Council* .. ..	250	To fence and widen Mangawharariki Cliff Road	Lapsed.
Karori Borough Council .. ..	27,500	Tramways, &c. .. ..	Declined.
Kihikihi Town Board* .. ..	750	To metal streets .. ..	Lapsed.
Kahutara River Board* .. ..	4,000	To put a stop-bank in the river district	"
Leamington Town Board .. ..	600	To purchase a site to build a town hall	Declined.
Manawatu County Council* .. ..	25	To construct Tiraroa Road .. ..	Lapsed.
" .. ..	2,500	To construct Kopane Estate Road ..	Limit reached.
Murchison County Council .. ..	1,500	To pay off a loan agreed upon to the Inangahua County Council	Declined.
Mount Peel Road Board .. ..	3,000	For roading small grazing-runs 98-102	"
Masterton Borough Council .. ..	4,000	To renew a loan expended upon the erection of an abattoir	"
Mataura Borough Council .. ..	2,000	For electric lighting .. ..	"
Akitio County Council* .. ..	20,000	To metal main Alfredton-Weber Road	Rejected at poll.
Mosgiel Borough Council* .. ..	3,000	To provide a hall, public offices, &c.	Declined.
Mount Eden Borough Council ..	42,000	To construct roads, and provide municipal buildings	Limit reached.
Mackenzie Town Board .. ..	2,000	To purchase a roadmaking plant ..	Declined.
Manurewa Progressive League ..	1,000	To purchase recreation and public-hall sites	"
Napier Borough Council* .. ..	134,250	Drainage, roads, and waterworks ..	"
" .. ..	15,584	To repay overdraft .. ..	"
" .. ..	852	To meet a levy for Hawke's Bay Hospital	"
Nelson Borough Council * .. ..	4,000	To complete drainage system .. ..	Lapsed
" .. ..	5,000	To make advances to property-owners re drainage system	"
Ngaruawahia Town Board* .. ..	2,000	To instal an acetylene-gas plant ..	Rejected at poll.
Stratford County Council .. ..	240	To metal part of Regan Street West..	Limit reached.
Stratford Borough Council .. ..	900	To provide a steam road-roller ..	Declined.
" .. ..	14,000	To purchase the business of the Stratford Electrical Supply Company (Limited)	"
Sumner Borough Council .. ..	12,000	To instal coal-gas works .. ..	"
" .. ..	2,600	To construct a permanent outlet to Sumner Creek	Limit reached.
Taieri County Council* .. ..	1,000	To construct a 12 in. pipe from Swansea Street to Taieri River	Lapsed.
Taranaki County Council* .. ..	300	To construct upper portion of Plymouth Road	"
" .. ..	1,900	To purchase land to erect offices ..	Declined.
Taranaki West Road Board .. ..	29,000	To construct roads in the district ..	Limit reached.
Taihape Borough Council .. ..	4,270	To erect a town hall, &c. .. ..	Declined.
Thames Borough Council* .. ..	8,000	To construct water-storage reservoir..	Abandoned.
Timaru Borough Council .. ..	4,000	To erect municipal buildings .. ..	Declined.
Taradale Town Board .. ..	3,000	To erect buildings, office, &c. ..	"
Te Puke Drainage Board* .. ..	1,500	To construct drainage-works .. ..	Lapsed.

## LOANS DECLINED, ABANDONED, REJECTED AT POLL, OR LAPSED.

Local Body.	Amount.	Purpose.	Remarks.
	£		
Taranaki Metropolitan Agricultural Society	2,000	To provide suitable buildings, &c., for winter agricultural show	Declined.
Upper Hutt Town Board ..	500	To erect Board's offices .. ..	"
Waiapu County Council ..	3,000	To build a jetty at Te Araroa ..	"
Waimairi County Council* ..	680	To channel, asphalt, and regrade paths	Lapsed.
" ..	3,400	To form, shingle, and channel, &c., paths	"
" ..	1,370	To form, shingle, and channel, &c., paths	"
" ..	730	To asphalt footpaths .. ..	"
" ..	7,000	To asphalt footpaths, &c. ..	Rejected at poll.
" ..	3,100	To asphalt footpaths, &c. ..	Limit reached.
" ..	125	For forming and shingling ..	"
" ..	230	Purchase of land, and to form road ..	"
Waimarino County Council ..	300	To bridge Manganui-o-te-au River ..	Declined.
Waimate West County Council* ..	136	To metal Auroa Road .. ..	Lapsed.
Waipa County Council ..	500	Metalling and street improvements in Pirongia district	Declined.
Waipukurau County Council ..	800	To purchase land and erect office thereon	"
Waitemata County Council* ..	8,000	Roads construction, &c., in Wainui Riding	Rejected at poll.
" ..	80,000	To acquire Takapuna tramway, &c.	Declined.
Waitomo County Council ..	1,500	To widen and culvert Waitete Road	"
" ..	2,500	To culvert six miles Pungarehu Road	"
" ..	1,250	To widen Mangarino Road to Hanga-tiki Station	"
Weber County Council* ..	3,000	To construct roads, and erect bridges, &c.	Rejected at poll.
Whangarei County Council ..	1,000	To construct main roads in Kiripaka district	Limit reached.
Wairau Road Board* ..	715	To pay Board's share of certain works	Lapsed.
Waiuku Road Board ..	500	To pay off existing overdraft ..	Declined.
Werekino Road Board ..	5,000	To pay off existing advances and for improving the road	"
Ohinemuri County Council ..	1,000	To establish public swimming-baths..	Declined.
Ohura County Council* ..	1,500	To metal Mangaroa - Tongapurutu Road	Lapsed.
" ..	2,700	To metal parts of Harvey-Tokorimu Roto Roads	"
" ..	700	To widen Kakahi Road .. ..	Abandoned.
Otahuhu Road Board ..	10,750	To provide for payment of balances of water and sewage works	Declined.
Ohakune Borough Council ..	650	To erect municipal buildings, &c. ..	"
Opotiki Borough Council* ..	60	To construct various roads (10 per cent.)	Lapsed.
" ..	17,000	To construct water-supply ..	Declined.
Otane Town Board ..	300	To purchase land for recreation-ground	"
Otautau Town Board ..	1,000	To erect a public hall, &c. ..	"
Oroua Drainage Board* ..	400	To repair extraordinary damage ..	Lapsed.
" ..	7,700	To enlarge, &c., main outlet drain ..	"
Oamaru Harbour Board ..	213,000	To pay off and consolidate certain loans	Declined.
Pahiatua County Council* ..	400	To construct Recreation Street ..	Abandoned.
" ..	1,000	To metal Kaitawa Ridge Road ..	Rejected at poll.
" ..	3,000	To purchase land and erect offices ..	Declined.
Piako County Council* ..	8,000	To construct roads in Manawaru Riding	Rejected at poll.
" ..	3,000	To construct roads in Te Aroha Riding	"
" ..	1,500	To construct drainage-works in Wai-hero area	Lapsed.
" ..	12,500	To construct roads, &c., in Manawaru Riding	Limit reached.

## LOANS DECLINED, ABANDONED, REJECTED AT POLL, OR LAPSED.

Local Body.	Amount.	Purpose.	Remarks.
	£		
Palmerston Borough Council ..	1,000	To erect town hall and buildings ..	Declined.
Palmerston North Borough Council	70,000	To instal a tram service ..	"
Patea Borough Council ..	5,000	To erect and furnish a town hall, &c.,	"
Petone Borough Council*	7,500	To erect combined pipe and traffic bridge	Lapsed.
"	12,500	To repay debentures ..	Declined.
Pukekohe West Road Board ..	350	To construct roads in swamp area ..	Transferred to Borough Council.
Petone Fire Board ..	1,750	To erect a new fire-brigade station ..	Declined.
Pakuranga Road Board*	3,000	To remetal main road ..	Rejected at poll.
Pukekohe East Road Board*	300	To metal roads in the district ..	Lapsed.
" *	5,000	To metal roads and part metal and fence another road	Rejected at poll.
Raglan County Council ..	2,000	To construct road from Ruakiwi landing to Te Akau boundary	Declined.
"	5,000	To construct roads in Te Akau-area	"
Rangitikei County Council*	3,500	To construct Potaka Road ..	Abandoned.
"	7,000	To gravel Otuairei Road ..	Lapsed.
Remuera Road Board ..	20,000	To extend waterworks ..	"
Riverton Borough Council ..	3,300	To instal Dreadnought gas in borough	Declined.
Rangitaiki Drainage Board*	5,500	To deviate Rangitaiki River ..	Lapsed.
"	3,000	To pay off a loan ..	Declined.
"	6,000	To construct drains, &c., in Tarawera and Matata Subdivisions	Abandoned.
Riverton Harbour Board ..	7,000	For harbour-improvements ..	Declined.
Waikouaiti Borough Council*	9,000	Water-supply purposes ..	"
Wairoa Borough Council ..	800	To construct offices and Council chambers	"
"	6,000	To construct suction-gas plant ..	"
Wanganui Borough Council*	15,000	To provide an increased capacity for reservoir, &c.	Lapsed.
"	7,000	To complete and enlarge the reservoir	Limit reached.
Wanganui East ..	1,800	To redeem debentures ..	Declined.
"	275	To sink an artesian well, &c. ..	Abandoned.
" *	300	" ..	Lapsed.
Wellington ..	33,000	To construct tramways ..	Declined.
Westport*	10,000	To drain the borough ..	Lapsed.
"	10,000	To pay off an overdraft ..	Declined.
"	1,000	For municipal swimming-baths ..	"
Woodville ..	4,000	For drainage connections ..	"
Warkworth Town Board*	120	For constructing roads ..	Abandoned.
Waverley Town Board ..	1,200	To instal a lighting system ..	Declined.
" *	3,000	Streets-construction, &c. ..	Rejected at poll.
Waitoa Drainage Board*	6,000	Drainage works. ..	Lapsed.
Wanganui Education Board ..	12,000	Building technical school, &c. ..	Declined.
Feilding Borough Council*	500	Menzie's Ford bridge ..	Lapsed.
Waipawa County Council ..	21,000	Bridge - construction and metalling roads, &c.	Limit reached.
Akitio County Council*	20,000	To metal main Alfredton-Weber Road	Rejected at poll.
Westport Borough Council*	12,000	To establish coal-gas works ..	"

JAS. A. MARTIN.

## EXHIBIT K.

RETURN OF POST OFFICE SAVINGS-BANK FUNDS INVESTED IN SECURITIES GRANTED OUTSIDE THE TREASURY OR GOVERNMENT DEPARTMENTS TO THE 31ST DECEMBER, 1911.

Description of Security.	Rate of Interest.	Date of Investment	Date of Maturity.	Invested to 31st December, 1911.			Total Securities held on 31st December, 1911.		
				£	s.	d.	£	s.	d.
Canadian stock .. .. .	3	1/12/07	1/7/38	5,000	0	0	5,000	0	0
„ .. .. .	2½	1/12/07	1/10/47	12,666	15	11	12,666	15	11
Cape of Good Hope consolidated stock	3½	1/1/08	1/7/29 to 1/7/49	200	0	0	200	0	0
Dunedin Garrison Hall debentures	4½	26/1/10	26/1/13	4,500	0	0	4,500	0	0
Greymouth Harbour Board debentures	4	1/1/08	1/1/13	100,000	0	0	..		
Ditto .. .. .	4	28/8/11	14/7/52	70,000	0	0	..		
„ .. .. .	4	28/3/07	1/1/12	5,000	0	0	..		
„ .. .. .	4	22/8/07	1/1/12	5,000	0	0	..		
„ .. .. .	4	30/8/07	1/1/12	5,000	0	0	..		
„ .. .. .	4	16/3/08	1/1/12	5,000	0	0	..		
„ .. .. .	4	31/3/08	1/1/12	5,000	0	0	..		
„ .. .. .	4	21/5/08	1/1/12	10,000	0	0	..		
„ .. .. .	4	30/6/08	1/1/12	15,000	0	0	220,000	0	0
Hamilton Borough	4½	20/7/87	1/8/36	3,000	0	0	3,000	0	0
India stock .. .. .	3½	1/1/08	On or after 1/1/31	216	14	5	216	14	5
„ .. .. .	3	27/10/08	On or after 1/1/31	11	12	3	..		
„ .. .. .	3	1/1/09	On or after 5/10/48	41	1	6	52	13	9
Irish Land stock .. .. .	2¾	27/10/08	1/11/33	100	0	0	100	0	0
New South Wales stock ..	3½	1/6/07	1/9/18	27,000	0	0	27,000	0	0
Oamaru Borough .. .. .	5	1/2/87	1/1/20	13,800	0	0	13,800	0	0
Patea Harbour Board .. ..	4½	4/5/03	8/2/46	21,870	0	0	..		
„ .. .. .	4½	8/11/05	8/2/49	5,000	0	0	..		
„ .. .. .	4½	15/1/09	8/2/53	3,130	0	0	30,000	0	0
South Australian stock ..	4	1/12/07	1/4/24	1,772	16	2	1,772	16	2
„ .. .. .	3½	1/6/07	1/1/39	12,000	0	0	12,000	0	0
Thames Harbour Board .. ..	4	26/4/98	1/4/38	10,000	0	0	10,000	0	0
Timaru Borough .. .. .	4	25/8/11	30/6/47	4,000	0	0	4,000	0	0
Victorian stock .. .. .	3	1/6/07	1/1/29 to 1949	12,379	19	10	12,379	19	10
Wellington City Council ..	4	28/3/07	31/7/31	50,000	0	0	..		
„ .. .. .	4	20/11/07	31/7/31	25,600	0	0	..		
„ .. .. .	4	9/3/08	31/7/31	24,400	0	0	100,000	0	0
„ .. .. .	4	30/6/08	30/6/33	25,000	0	0	25,000	0	0
Wellington Harbour Board	4½	7/3/07	28/8/46	28,900	0	0	28,900	0	0
Westport Harbour Board	4	1/1/08*	1/1/49	489,500	0	0	489,500	0	0
				£1,000,089	0	1	£1,000,089	0	1

D. ROBERTSON, Secretary.

General Post Office, Wellington, 16th October, 1912.

## EXHIBIT L.

RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED UP TO THE 10TH JULY, 1912, AND WHICH APPROVALS ARE NOW IN FORCE, WITH THE POSITION OF EACH APPLICATION.

Provisionally approved.	Local Body.	Amount.	Position.
10/7/11	Cook County Council .. .. .	£ 1,200	Finally approved.
„	Mangatarata Road Board .. ..	3,000	„
„	Whangarei County Council .. ..	65	„
17/7/11	Rotomanuka Drainage Board .. ..	1,500	Incomplete.
„	Napier Borough Council .. .. .	10,000	Finally approved.
„	Waikohu County Council .. .. .	2,000	„
„	„ .. .. .	300	„
„	„ .. .. .	1,250	„
„	Stratford County Council .. .. .	120	„



RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED UP TO THE 10TH JULY, 1912, AND WHICH APPROVALS ARE NOW IN FORCE, WITH THE POSITION OF EACH APPLICATION—*continued.*

Provisionally approved.	Local Body.	Amount.	Position
		£	
24/7/11	Rangitata Island River Board ..	1,000	Finally approved.
"	Moa Road Board ..	1,500	"
"	Kairanga County Council ..	950	"
"	Oroua County Council ..	1,800	"
31/7/11	Newmarket Borough Council ..	30,000	"
"	Heathcote County Council ..	7,500	Incomplete.
"	Rangitikei County Council ..	430	Finally approved.
"	Lyttelton Borough Council ..	4,000	"
"	Huntly Road Board ..	2,500	£1,420 finally approved ; balance treated as a separate loan.
7/8/11	Johnsonville Town Board ..	3,500	Finally approved.
"	Waikohu County Council ..	6,000	"
"	Gisborne Borough Council ..	5,500	£5,215 finally approved ; rate insufficient.
14/8/11	Masterton County Council ..	100	Finally approved.
"	Dargaville Borough Council ..	2,000	"
"	Waitotara County Council ..	5,300	"
"	Eketahuna County Council ..	110	Incomplete.
"	" ..	150	"
"	" ..	100	"
"	Matamata County Council ..	150	Finally approved.
"	Eltham Borough Council ..	1,000	Incomplete.
"	Horowhenua County Council ..	85	Finally approved.
"	Kaponga Town Board ..	5,000	"
21/8/11	Pahiatua County Council ..	100	£95 finally approved ; rate insufficient.
"	" ..	100	Finally approved.
"	" ..	150	"
"	Waipawa Borough Council ..	3,900	£95 finally approved.
"	Rodney County Council ..	800	£775 finally approved ; rate insufficient.
"	" ..	1,500	Finally approved.
"	Wairoa Harbour Board ..	78,000	"
4/9/11	Stratford County Council ..	680	"
"	Whangarei Borough Council ..	5,000	"
"	Pelorus Road Board ..	2,950	"
"	Havelock Town Board ..	370	"
"	Wairau Road Board ..	630	"
"	Omaka Road Board ..	1,500	Incomplete.
"	Blenheim Borough Council ..	1,900	Finally approved.
"	Waitemata County Council ..	4,000	£3,765 finally approved.
"	" ..	3,000	£2,730 finally approved.
"	" ..	3,000	£2,860 finally approved.
"	" ..	10,000	£9,200 finally approved.
"	" ..	7,000	£6,935 finally approved.
"	" ..	12,000	£11,655 finally approved.
"	" ..	10,000	£9,660 finally approved.
"	" ..	9,000	£8,210 finally approved.
"	Port Chalmers Borough Council ..	4,000	Incomplete.
"	Waipara County Council ..	1,000	"
11/9/11	Whangarei County Council ..	1,000	Finally approved.
"	Taieri County Council ..	250	"
"	Mangorei Road Board ..	200	"
18/9/11	Masterton County Council ..	200	"
"	Westport Borough Council ..	12,000	Incomplete.
"	Manawatu County Council ..	350	Finally approved.
"	Waitomo County Council ..	3,500	£3,340 finally approved.
26/9/11	Waimarino County Council ..	500	Finally approved.
"	Waitotara County Council ..	5,000	£4,000 finally approved ; loan reduced.
"	Warkworth Town Board ..	120	Incomplete.
2/10/11	Waipa County Council ..	1,200	"
"	Inglewood Borough Council ..	630	Finally approved.
"	Te Awamutu Town Board ..	20,000	Incomplete.
"	Tauranga County Council ..	300	"
"	Otamatea County Council ..	45,000	£18,900 finally approved ; balance rejected at polls.
10/10/11	Stratford County Council ..	1,250	Finally approved.
"	Sumner Borough Council ..	10,000	"
"	Cambridge Borough Council ..	3,800	"
"	Waitotara County Council ..	1,700	Incomplete.
16/10/11	Horowhenua County Council ..	1,800	Finally approved.
"	Eketahuna Borough Council ..	12,700	Incomplete.

RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED UP TO THE 10TH JULY, 1912, AND WHICH APPROVALS ARE NOW IN FORCE, WITH THE POSITION OF EACH APPLICATION—*continued.*

Provisionally approved.	Local Body.	Amount.	Position.
		£	
16/10/11	Castlepoint County Council ..	600	Finally approved.
"	Newcastle Road Board ..	150	"
"	Havelock Town Board ..	500	"
"	Waitomo County Council ..	1,250	"
24/10/11	Arch Hill Road Board ..	3,500	"
"	Waimarino County Council ..	1,250	"
"	Karaka Road Board ..	6,000	Incomplete.
"	Featherston County Council ..	2,000	Finally approved.
"	Oakura Road Board ..	60	Incomplete.
"	Otane Town Board ..	1,500	"
"	New Brighton Borough Council ..	4,500	£4,355 finally approved, as rate was insufficient.
"	Waimate Borough Council ..	850	Finally approved.
"	One-tree Hill Road Board ..	20,000	£19,470 finally approved.
"	Christchurch Drainage Board ..	200	£195 finally approved.
"	Waipukurau Town Board ..	929	£925 finally approved.
"	Waimarino County Council ..	500	Finally approved.
"	Frankton Town Board ..	5,000	"
30/10/11	Nil .. .. .	5,000	"
6/11/11	Waikouaiti Borough Council ..	9,000	Incomplete.
"	Otahuhu Road Board ..	15,000	Finally approved.
"	Raglan County Council ..	3,000	£2,970 finally approved.
"	Hawera County Council ..	600	£595 finally approved.
30/11/11	Dargaville Borough Council ..	900	Finally approved.
"	" ..	600	"
20/11/11	Taihape Borough Council ..	4,000	"
"	Waimarino County Council ..	200	"
"	Hobson County Council ..	3,000	"
"	Taranaki County Council ..	300	Incomplete.
"	Eketahuna Borough Council ..	170	£115 finally approved.
27/11/11	Rodney County Council ..	500	Finally approved.
4/12/11	Moa Road Board ..	150	"
"	Te Rapa Drainage Board ..	1,200	"
26/2/12	Marton Borough ..	800	"
"	Stratford County Council ..	1,250	"
4/3/12	Lower Hutt Borough Council ..	1,000	"
"	Eltham County Council ..	3,000	Incomplete.
11/3/12	Devonport Borough Council ..	1,250	£1,195 finally approved.
"	Pahiatua County Council ..	200	Incomplete.
"	Oroua County Council ..	2,000	Finally approved.
"	Lyttelton Borough Council ..	1,000	Incomplete.
"	Waitomo County Council ..	2,000	£1,905 finally approved.
"	" ..	1,000	Incomplete.
"	Amuri County Council ..	500	"
12/3/12	Waitara West Road Board ..	80	"
"	Clutha County Council ..	3,000	"
"	Moutoa Drainage Board ..	600	£595 finally approved.
25/3/12	Makara County Council ..	2,300	Incomplete.
"	Heathcote County Council ..	800	Finally approved.
1/4/12	Manawatu County Council ..	60	Incomplete.
15/4/12	Amuri .. .. .	1,300	"
"	Waikohu County Council ..	200	Finally approved.
"	Waimate County Council ..	4,000	Incomplete.
22/4/12	Heathcote County Council (con- sidered on 25/3/12) ..	4,000	..
29/4/12	Hawera County Council ..	300	Incomplete.
"	Paunei Drainage Board ..	425	"
"	Parihaka Road Board ..	400	"
"	Kaitieke County Council ..	4,400	"
6/5/12	Hobson County Council ..	1,150	"
"	Waihokau Drainage Board ..	40	"
"	Levels County Council ..	1,000	Finally approved.
13/5/12	Clifton County Council ..	1,000	Incomplete.
"	Levels County Council ..	1,400	"
20/5/12	Kiwitea County Council ..	1,600	"
"	Purimu Road Board ..	450	"
"	Kiwitea County Council ..	100	"
27/5/12	Omaka Road Board ..	2,500	"
"	Eketahuna County Council ..	260	"
"	" ..	800	"

RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED UP TO THE 10TH JULY, 1912, AND WHICH APPROVALS ARE NOW IN FORCE, WITH THE POSITION OF EACH APPLICATION—*continued.*

Provisionally approved.	Local Body.	Amount.	Position.
		£	
11/12/11	Rangitikei County Council ..	1,100	Incomplete.
"	Mount Roskill Road Board ..	15,000	Finally approved.
18/12/11	Rodney County Council ..	950	"
"	Werekino Road Board ..	650	"
8/1/12	Waimarino County Council ..	3,000	Incomplete.
"	Waikohu County Council ..	5,000	Finally approved.
"	Otamatea County Council ..	500	"
"	Rangitikei County Council ..	75	"
"	Makerua Drainage Board ..	300	Incomplete.
"	Moa Road Board ..	150	Finally approved.
"	Pakihaka Road Board ..	650	Incomplete.
"	Waipa County Council ..	1,750	"
"	" ..	700	"
"	Pleasant Point Town Board ..	500	£490 finally approved.
"	Wairoa County Council ..	5,000	Incomplete.
15/1/12	Pukekohe West Road Board ..	1,800	"
"	" ..	350	"
"	" ..	1,900	"
"	" ..	1,900	"
"	Northcote Road Board ..	1,400	"
"	Waimairi County Council ..	3,000	"
"	Cook County Council ..	3,000	"
"	" ..	50	Finally approved.
"	" ..	160	"
23/1/12	Grey County Council ..	2,000	Incomplete.
29/1/12	St. Aubyn Town Board ..	5,000	£4,830 finally approved.
5/2/12	Feilding Borough Council ..	4,340	Incomplete.
"	Mangorei Road Board ..	85	Finally approved.
"	Kiwitea County Council ..	600	Incomplete.
13/2/12	Otorohanga Native Township Council ..	2,050	Finally approved.
"	Waiuku Road Board ..	40	Incomplete.
"	Wairarapa South County Council ..	150	Finally approved.
"	" ..	500	"
"	Eden Terrace Road Board ..	3,500	"
"	Waiuku Road Board ..	850	Incomplete.
19/2/12	Birkenhead Borough ..	400	Finally approved.
"	Waimate Borough ..	300	"
"	Te Rapa Drainage Board ..	800	"
26/2/12	Marton Borough ..	1,700	"
27/5/12	Hawera County Council ..	250	Incomplete.
4/6/12	Upper Hutt Town Board ..	600	"
"	Hutt County Council ..	700	"
"	" ..	1,350	"
"	Northcote Borough Council ..	200	"
10/6/12	Tamaki West Road Board ..	1,200	"
"	Matamata County Council ..	115	"
17/6/12	Tauranga Borough Council ..	1,200	"
"	Manaia Town Board ..	200	"
"	Mangatarata Road Board ..	300	"
1/7/12	Pahiatua County Council ..	95	"
"	Pukekohe Borough Council ..	1,250	"
"	Dannevirke County Council ..	175	"
"	Hawera Borough Council ..	5,000	"
8/7/12	Whangarei County Council ..	520	"
"	Castlepoint County Council ..	900	"
"	Rangitikei County Council ..	500	"
"	" ..	500	"
"	" ..	400	"
"	" ..	450	"
		598,669	

*Summary, Period from 10th July, 1911, to 10th July, 1912.*

Total loans provisionally approved during above-dated period .. .. .	£	598,669
Provisional approvals subsisting on the 10th July, 1912 .. .. .	£	162,590
Provisional approvals granted within above period merged into final approvals .. .. .	£	403,530
Balances (lost) comprised of excess of provisional approvals over final approvals in last paragraph .. .. .	£	32,549
	£	<u>598,669</u>

## EXHIBIT M.

POSITION OF LOANS RAISED UNDER THE NEW ZEALAND STATE-GUARANTEED ADVANCES ACT, 1909,  
FROM 1ST NOVEMBER TO 15TH DECEMBER, 1910.

Date.	Name of Local Body.	Amount provisionally approved.	Amount finally approved.	Loans declined.	Loans postponed.
1910.		£	£	£	£
Nov. 18 ..	.. .. Marton Borough Council .. ..	17,000	..	..	..
" ..	" .. .. " .. ..	8,000	..	..	..
" ..	.. .. Matamata County Council .. ..	1,200	..	..	..
" ..	.. .. Eltham County Council .. ..	3,500	..	..	..
" ..	.. .. Te Kuiti Borough Council .. ..	27,275	..	..	..
" ..	.. .. Pohangina County Council .. ..	1,000	..	..	..
" ..	.. .. Wanganui Borough Council .. ..	11,000	..	..	..
" ..	" .. .. " .. ..	15,000	..	..	..
" ..	.. .. Stratford County Council .. ..	100	..	..	..
" ..	.. .. Otautau River Board .. ..	900	..	..	..
" ..	" .. .. " .. ..	900	..	..	..
" ..	.. .. Rangitikei County Council .. ..	750	..	..	..
" ..	.. .. Levels County Council .. ..	1,000	..	..	..
" ..	.. .. Blenheim Borough Council .. ..	1,500	..	..	..
" ..	.. .. Whangarei County Council .. ..	7,000	..	..	..
" ..	.. .. Waimarino County Council .. ..	300	..	..	..
" ..	.. .. Kowai Road Board .. ..	4,000	..	..	..
" ..	.. .. Mackenzie Town Board .. ..	100	..	..	..
" ..	.. .. Wairoa County Council .. ..	40,000	..	..	..
" ..	.. .. Taieri County Council .. ..	1,000	..	..	..
" ..	.. .. Rangitikei County Council .. ..	100	..	..	..
" ..	" .. .. " .. ..	3,500	..	..	..
" ..	.. .. Waitomo County Council .. ..	750	..	..	..
" ..	.. .. Kawhia County Council .. ..	1,000	..	..	..
" ..	.. .. Eketahuna County Council .. ..	100	..	..	..
" ..	.. .. Waipukurau Town Board .. ..	..	9,290	..	..
" ..	.. .. Thames Borough Council .. ..	..	355	..	..
" ..	.. .. Waipawa County Council .. ..	..	3,000	..	..
" ..	.. .. Otahuhu Road Board .. ..	..	15,000	..	..
" ..	.. .. Woodville Borough Council .. ..	..	12,500	..	..
" ..	.. .. Waimairi County Council .. ..	..	4,800	..	..
" ..	.. .. Waiheka Drainage Board .. ..	..	400	..	..
" ..	.. .. Eketahuna Borough Council .. ..	..	1,735	..	..
" ..	.. .. Mangorei Road Board .. ..	..	850	..	..
" ..	.. .. Horowhenua County Council .. ..	..	150	..	..
" ..	" .. .. " .. ..	..	700	..	..
" ..	.. .. Taranaki County Council .. ..	..	100	..	..
" ..	.. .. Moa Road Board .. ..	..	55	..	..
" ..	.. .. Devonport Borough Council .. ..	..	12,500	..	..
" ..	.. .. Oamaru Harbour Board .. ..	..	..	213,000	..
" ..	.. .. Ohakune Town Board .. ..	..	..	13,000	..
" ..	.. .. Opotiki County Council .. ..	..	..	..	540
" ..	.. .. Wairoa Harbour Board .. ..	..	..	..	78,000
Dec. 7 ..	.. .. Akitio County Council .. ..	20,000	..	..	..
" ..	.. .. Oakura Road Board .. ..	300	..	..	..
" ..	.. .. Manawatu County Council .. ..	25	..	..	..
" ..	" .. .. " .. ..	60	..	..	..
" ..	.. .. Opotiki Town Board .. ..	60	..	..	..
" ..	.. .. Ohinemuri County Council .. ..	3,000	..	..	..
" ..	.. .. Waimairi County Council .. ..	700	..	..	..
" ..	.. .. East Tamaki Road Board .. ..	3,000	..	..	..
" ..	.. .. Roxburgh Borough .. ..	..	600	..	..
" ..	.. .. Hobson County Council .. ..	..	300	..	..
" ..	.. .. Kawa Drainage Board .. ..	..	1,440	..	..
" ..	.. .. Moa Road Board .. ..	..	2,700	..	..
" ..	.. .. Rangiora Borough Council .. ..	..	2,500	..	..
" ..	.. .. Mount Roskill Road Board .. ..	..	620	..	..
" ..	.. .. Waimarino County Council .. ..	..	2,000	..	..
" ..	.. .. Waitoa Drainage Board .. ..	..	3,000	..	..
" ..	.. .. Hokianga County Council .. ..	..	1,000	..	..
" ..	.. .. Greymouth Borough .. ..	..	20,620	..	..
" ..	.. .. Waimea County Council .. ..	..	325	..	..
" ..	.. .. Taranaki County Council .. ..	..	6,440	..	..
" ..	.. .. Motueka Harbour Board .. ..	..	..	20,000	..
" ..	.. .. Hamilton Borough Council .. ..	..	..	38,000	..
" ..	.. .. Invercargill Borough Council .. ..	..	..	75,000	..
	Totals .. ..	174,120	102,980	359,000	78,540

## LISTS OF AMOUNTS PAID OVER TO LOCAL AUTHORITIES FROM 1ST NOVEMBER, 1910, TO 15TH DECEMBER, 1910, INCLUSIVE.

Local Bodies.	Amount. £
Eltham Borough Council .. .. .	5,000
Eltham County Council .. .. .	1,445
Horowhenua County Council .. .. .	75
Mangawhero Road Board .. .. .	850
Point Chevalier Road Board .. .. .	2,000
Upper Wangachu Road Board .. .. .	1,000
Waipawa County Council .. .. .	250
" .. .. .	750
Pelorus Road Board .. .. .	460
Waipa County Council .. .. .	1,500
Masterton County Council .. .. .	1,000
" .. .. .	600
Miramar Borough Council .. .. .	2,000
Spreydon Borough Council .. .. .	1,000
Waipawa County Council .. .. .	3,000
Queenstown Borough Council .. .. .	600
Taranaki County Council .. .. .	100
Waimairi County Council .. .. .	4,800
Waipukurau Town Board .. .. .	2,000
Eketahuna Borough Council .. .. .	1,735
Hillside Drainage Board .. .. .	1,930
	<hr/>
	£32,095
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## EXHIBIT N.

## TAIHAPE BOROUGH COUNCIL.

- (a.) A loan of £4,000 to complete the waterworks :—  
 Date of application for provisional approval : 10th November, 1911.  
 Date of provisional approval : 20th November, 1911.  
 Date of final approval : 6th May, 1912.  
 Date of payment of £4,000 : 23rd May, 1912.

*Under Local Bodies' Loans Act, 1908.*

- (b.) £1,025 to extend the drainage system :—  
 Date of preliminary application : 26th August, 1908.  
 Date received in Treasury : 28th August, 1908.  
 Date of provisional approval : 24th September, 1908.  
 Date of payment : 3rd November, 1908.
- (c.) £21,250 for constructing waterworks, installing electric light, &c. :—  
 Application first received : 26th February, 1909.  
 Loan procedure passed Law Officer : 26th August, 1909.  
 Debentures signed : 9th April, 1910.
- (d.) Loan of £3,750 for extending drainage system at Taihape :—  
 Application received : 26th February, 1909.  
 Passed Law Officer : 26th August, 1909.  
 Debentures signed : 9th April, 1910.

## EXHIBIT O.

RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED UP TO THE 10TH JULY, 1912, AND WHICH APPROVALS WERE THEN IN FORCE, WITH THE PRESENT POSITION OF EACH APPLICATION.

Provisionally approved.	Local Body.	Amount.	Position.	Present Position, 17th October, 1912.	Payments to 17th October, 1912.
10/7/11	Cook County Council ..	£ 12,000	Finally approved ..	..	7,000
"	Mangatarata Road Board ..	3,000	" ..	..	3,000
"	Whangarei County Council ..	65	" ..	..	60
17/7/11	Rotomanuka Drainage Board ..	1,500	Incomplete ..	Lapsed ..	..
"	Napier Borough Council ..	10,000	Finally approved ..	..	..
"	Waikohu County Council ..	2,000	" ..	..	..
"	" ..	300	" ..	..	2,000
"	" ..	1,250	" ..	..	300
"	Stratford County Council ..	120	" ..	..	1,250
24/7/11	Rangitata Island River Board ..	1,000	" ..	..	120
"	Moa Road Board ..	1,000	" ..	..	1,000
"	Kairanga County Council ..	1,500	" ..	..	1,500
"	Orua County Council ..	950	" ..	..	950
31/7/11	Newmarket Borough Council ..	1,800	" ..	..	1,800
"	Heathcote County Council ..	30,000	" ..	..	25,000
"	" ..	7,500	Incomplete ..	£4,775 finally approved; rate insufficient for £7,500 ..	4,775
"	Rangitikei County Council ..	430	Finally approved ..	..	430
"	Lytelton Borough Council ..	4,000	" ..	..	2,000
"	Huntly Road Board ..	2,500	£1,420 finally approved; balance treated as separate loan ..	..	..
7/8/11	Johnsonville Town Board ..	3,500	Finally approved ..	..	3,500
"	Waikohu County Council ..	6,000	" ..	..	2,000
"	Gisborne Borough Council ..	5,500	£5,215 finally approved; rate insufficient ..	..	1,800
14/8/11	Masterton County Council ..	100	Rate insufficient ..	..	100
"	Dargaville Borough Council ..	20,000	" ..	..	2,000
"	Waitotara County Council ..	5,300	" ..	..	2,650
"	Eketaahuna County Council ..	110	Incomplete ..	..	110
"	" ..	150	" ..	..	..
"	" ..	..	..	..	..
"	Matamata County Council ..	150	Finally approved ..	..	150
"	Eketahuna County Council ..	100	Incomplete ..	..	..
"	Eltham Borough Council ..	1,000	" ..	..	..
"	Horowhenua County Council ..	85	Finally approved ..	..	85
"	Kaponga Town Board ..	5,000	" ..	..	4,000

21/8/11	Pahiatua County Council	100	£95 finally approved ; rate insufficient	..	95
"	"	100	Finally approved	..	100
"	Waipawa Borough Council	150	"	..	150
"	Rodney County Council	3,900	"	..	3,900
"	"	800	£775 finally approved	..	775
"	"	1,500	Finally approved	..	1,500
"	Wairoa Harbour Board	78,000	"	..	15,000
4/9/11	Stratford County Council	680	"	..	680
"	Whangarei Borough Council	5,000	"	..	5,000
"	Pelorus Road Board	2,950	"	..	2,000
"	Havelock Town Board..	370	"	..	370
"	Omaka Road Board	1,500	Incomplete	..	..
"	Blenheim Borough Council	1,900	Finally approved	..	..
"	Waitemata County Council	4,000	£3,765 finally approved	..	900
"	"	3,000	£2,730 finally approved	..	2,000
"	"	3,000	£2,860 finally approved	..	2,000
"	"	10,000	£9,200 finally approved	..	2,000
"	"	7,000	£6,935 finally approved	..	3,000
"	"	12,000	£11,855 finally approved	..	2,000
"	"	10,000	£9,660 finally approved	..	3,000
"	"	9,000	£8,210 finally approved	..	2,000
"	"	4,000	Incomplete	..	4,000
"	Port Chalmers Borough Council	1,000	"	..	..
11/9/11	Waipara County Council	1,000	Finally approved	..	1,000
"	Whangarei County Council	250	"	..	250
"	Tairā County Council	200	"	..	200
18/9/11	Mangorei Road Board	200	"	..	200
"	Masterton County Council	12,000	Incomplete	..	..
"	Westport Borough Council	350	Finally approved	..	..
"	Manawatu County Council	3,500	£3,340 finally approved	..	..
26/9/11	Waitomo County Council	500	"	..	..
"	Waimarino County Council	5,000	"	..	..
"	Waitotara County Council	120	£4,000 finally approved ; loan reduced	..	2,000
"	Warkworth Town Board	1,200	Incomplete	..	..
2/10/11	Waipa County Council..	630	"	..	..
"	Ingleswood Borough Council	20,000	Finally approved	..	..
"	Te Awamuru Town Board	300	Incomplete	..	..
"	Tauranga County Council	..	"	..	..
"	"	..	£4,620	..	..
"	"	..	£6,720	..	2,620
"	"	..	£7,560	..	2,720
2/10/11	Otamatea County Council	45,000	£18,900 finally approved ; balance rejected at polls	..	2,560

## RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED, ETC.—continued.

Provisionally approved.	Local Body.	Amount.	Position.	Present Position, 17th October, 1912.	Payments to 17th October, 1912.
4/9/11	Wairau Road Board	£ 630	Finally approved	..	630
10/10/11	Stratford County Council	1,250	"	..	1,250
"	Sumner Borough Council.	10,000	"	..	8,000
"	Cambridge Borough Council	3,800	"	..	1,800
"	Waitotara County Council	1,700	Incomplete	..	..
16/10/11	Horowhenua County Council	1,800	Finally approved	..	1,800
"	Eketahuna Borough Council	12,700	Incomplete	..	..
"	Castlepoint County Council	600	Finally approved	..	600
"	Havelock Town Board..	500	"	..	500
"	Newcastle Road Board	150	"	..	150
"	Waitomo County Council	1,250	"	..	1,250
"	Arch Hill Road Board	3,500	"	..	2,500
24/10/11	Waimarino County Council	1,250	"	..	1,250
"	Karaka Road Board	6,000	Incomplete	..	..
"	Featherston County Council	2,000	Finally approved	..	2,000
"	Oakura Road Board	60	Incomplete	..	60
"	Otane Town Board	1,500	"	..	..
"	New Brighton Borough Council	4,500	£4,355 finally approved as rate was insufficient	..	4,355
"	Waimate Borough Council	850	Finally approved	..	800
"	One Tree Hill Road Board	20,000	£19,470 finally approved	..	4,000
"	Christchurch Drainage Board	200	£195 finally approved	..	195
"	Waipukurau Town Board	929	£925 finally approved	..	925
"	Waimarino County Council	500	Finally approved	..	500
"	Frankton Town Board..	5,000	"	..	2,000
30/10/11	Nil.				
6/11/11	Waikouaiti Borough Council	9,000	Incomplete	..	..
"	Otahuhu Road Board	1,500	Finally approved	..	1,500
"	Raglan County Council	3,000	£2,970 finally approved	..	2,970
"	Hawera County Council	600	£595 finally approved	..	595
30/11/11	Dargaville Borough Council	900	Finally approved	..	900
"	"	600	"	..	..
"	"		Declined	..	..





RETURN SHOWING LOANS WHICH WERE PROVISIONALLY APPROVED, ETC.—*continued.*

Provisionally approved.	Local Body.	Amount.	Position.	Present Position, 17th October, 1912.	Payments to 17th October, 1912.
13/2/12	Waikou Road Board ..	£ 850	Incomplete ..	Finally approved	£ 250
19/2/12	Birkenhead Borough ..	400	Finally approved	..	400
"	Waimate Borough ..	300	"	..	300
"	Te Rapa Drainage Board ..	800	"	..	800
26/2/12	Marton Borough ..	1,700	"	..	1,700
26/2/12	Marton Borough ..	800	"	..	800
"	Stratford County Council ..	1,250	"	..	1,250
4/3/12	Lower Hutt Borough Council ..	1,000	"	..	1,000
"	Eltham County Council ..	3,000	Incomplete ..	Incomplete ..	..
11/3/12	Devonport County Council ..	1,250	£1,195 finally approved	..	1,195
"	Pahiatua County Council ..	200	Incomplete ..	..	..
"	Oroua County Council ..	2,000	Finally approved	..	2,000
"	Lyttelton Borough Council ..	1,000	Incomplete ..	Incomplete ..	..
"	Waitomo County Council ..	2,000	£1,905 finally approved	..	1,905
"	"	1,000	Incomplete ..	..	1,000
"	Amuri County Council ..	500	"	..	..
19/3/12	Waitara Road Board ..	80	"	..	80
"	Clutha County Council ..	3,000	"	..	..
"	Moutoa Drainage Board ..	600	£595 finally approved	..	595
25/3/12	Makara County Council ..	2,300	Incomplete ..	..	300
"	Heathcote County Council ..	800	Finally approved	..	800
1/4/12	Manawatu County Council ..	60	Incomplete ..	Incomplete ..	..
15/4/12	Amuri ..	1,300	"	..	..
"	Waikou County Council ..	200	Finally approved	..	200
"	Waimate County Council ..	4,000	Incomplete ..	..	..
22/4/12	Heathcote County Council, considered on the 25th March, 1912.			..	..
29/4/12	Hawera County Council ..	300	Incomplete ..	Incomplete ..	..
"	Tauhei Drainage Board ..	425	"	..	..
"	Parihaka Road Board ..	400	"	..	400
"	Kaitieke County Council ..	4,400	"	..	..
"	Hobson County Council ..	1,150	"	..	1,150
6/5/10	Waihokau Drainage Board ..	40	"	..	..
"	"			..	..

6/5/10	Levels County Council..	1,000	Finally approved	..	..	..	Abandoned ..	1,000
13/5/12	Clifton County Council	1,000	Incomplete	..	..	..	Incomplete ..	..
"	Levels County Council	1,400	"	..	..	..	Finally approved	..
20/5/12	Kiwitea County Council	1,600	"	..	..	..	Incomplete ..	..
"	Purimu Road Board ..	450	"	..	..	..	Finally approved	..
"	Kiwitea County Council	100	"	..	..	..	Loan increased to £3,000; incomplete	..
27/5/12	Omaka Road Board ..	2,500	"	..	..	..	Incomplete ..	..
"	Eketahuna County Council	260	"	..	..	..	"	..
"	"	800	"	..	..	..	"	..
"	Hawera County Council	250	"	..	..	..	"	..
4/6/12	Upper Hutt Town Board	600	"	..	..	..	Finally approved	695
"	Hutt County Council ..	700	"	..	..	..	£695 finally approved ..	1,350
"	"	1,350	"	..	..	..	Finally approved	..
10/6/12	Northcote Borough Council	200	"	..	..	..	Incomplete ..	..
"	Tamaki West Road Board	1,200	"	..	..	..	"	..
17/6/12	Matamata County Council	115	"	..	..	..	Finally approved	115
"	Tauranga Borough Council	1,200	"	..	..	..	Incomplete ..	..
"	Manaia Town Board ..	200	"	..	..	..	Finally approved	200
"	Mangatarata Road Board	300	"	..	..	..	"	..
1/7/12	Pahiatua County Council	95	"	..	..	..	"	..
"	Pukekohe Borough Council	1,250	"	..	..	..	"	..
"	Dannevirke County Council	175	"	..	..	..	Incomplete ..	..
"	Hawera Borough Council	5,000	"	..	..	..	"	..
8/7/12	Whangarei County Council	520	"	..	..	..	"	..
"	Castlepoint County Council	900	"	..	..	..	"	..
"	Rangitikei County Council	500	"	..	..	..	"	..
"	"	500	"	..	..	..	"	..
"	"	400	"	..	..	..	"	..
"	"	450	"	..	..	..	Loan increased to £500; incomplete	..
		£598,669						£224,680

*Summary, Period from 10th July, 1911, to 10th July, 1912.*

Total loans provisionally approved during above-stated period	..	..	..	..	..	..	..	..	£	598,669
Provisional approvals subsisting on the 10th July, 1912	..	..	..	..	..	..	..	..	..	162,590
Provisional approvals granted within above period merged into final approvals	..	..	..	..	..	..	..	..	..	403,530
Balances (lost) comprised of excess of provisional approvals over final approvals in last paragraph	..	..	..	..	..	..	..	..	..	32,549
										£598,669

JAS. A. MARTIN.

## EXHIBIT P.

RETURN SHOWING AMOUNTS LENT (*i.e.*, FINALLY APPROVED) TO BOROUGH COUNCILS FOR PURPOSES OF SEWERAGE, DRAINAGE, WATER-SUPPLY.

Name of Borough.	Amount of Loan.	Sewerage.	Drainage.	Water-supply.
	£	£	£	£
Balclutha .. .. .	7,500	..	..	7,500
Birkenhead .. .. .	24,880	..	..	21,230
Blenheim .. .. .	65,000	36,500	..	28,500
Cambridge .. .. .	3,800	..	600	200
Dannevirke .. .. .	4,000	4,000	..	..
Dargaville .. .. .	600	600	..	..
Devonport .. .. .	12,500	..	4,000	8,000
" .. .. .	1,195	..	1,195	..
Eketahuna .. .. .	12,700	..	..	12,700
Eltham .. .. .	3,500	..	930	..
Feilding .. .. .	4,340	..	4,340	..
Greymouth .. .. .	23,610	..	1,500	2,000
Hamilton .. .. .	2,100	..	..	2,100
" .. .. .	1,500	..	..	1,500
Hastings .. .. .	78,000	30,000	..	33,000
Hokitika .. .. .	2,000	..	2,000	..
Levin .. .. .	2,200	..	..	2,200
" .. .. .	1,200	..	..	1,200
Lower Hutt .. .. .	10,000	..	10,000	..
" .. .. .	1,000	..	1,000	..
Lytelton .. .. .	4,000	..	..	4,000
Marton .. .. .	17,000	..	..	17,000
" .. .. .	1,700	..	..	1,700
" .. .. .	8,000	8,000	..	..
" .. .. .	800	800	..	..
Masterton .. .. .	1,605	1,605	..	..
Mataura .. .. .	7,000	..	..	7,000
Miramar .. .. .	48,000	25,000	..	23,000
Mount Albert .. .. .	30,000	400	..	9,230
Mount Eden .. .. .	31,700	..	..	2,000
Napier .. .. .	10,000	..	10,000	..
Newmarket .. .. .	5,935	..	5,935	..
New Plymouth .. .. .	*11,225	*11,225	..	..
Onehunga .. .. .	42,500	..	42,500	..
" .. .. .	3,450	..	..	3,450
Onslow .. .. .	4,500	..	..	4,500
Petone .. .. .	6,550	..	6,550	..
Pukekohe .. .. .	12,500	..	..	6,500
" .. .. .	1,250	..	..	1,250
Roxburgh .. .. .	600	..	..	600
Taihape .. .. .	4,000	..	..	4,000
Taumarunui .. .. .	21,845	..	3,183	13,000
Tauranga .. .. .	12,000	..	..	12,000
Te Aroha .. .. .	200	..	200	..
Te Kuiti .. .. .	27,275	..	3,128	11,000
Temuka .. .. .	11,290	..	..	11,290
Timaru .. .. .	*60,700	*42,700	..	18,000
" .. .. .	*4,270	*4,270	..	..
" .. .. .	*36,000	*36,000	..	..
Waimate .. .. .	850	..	..	850
" .. .. .	3,000	..	3,000	..
" .. .. .	300	..	300	..
Waipawa .. .. .	2,500	..	..	2,500
Waitara .. .. .	18,570	..	1,000	16,000
" .. .. .	1,855	..	1,855	..
Wanganui .. .. .	29,000	..	2,377	10,159
" .. .. .	6,000	..	6,000	..
" .. .. .	*14,125	..	*14,125	..
" .. .. .	*9,250	..	*9,250	..
Wanganui East .. .. .	*12,000	..	*12,000	..
Westport .. .. .	10,000	..	..	10,000
Woodville .. .. .	12,500	..	12,500	..
<b>Totals .. .. .</b>	<b>..</b>	<b>201,100</b>	<b>159,468</b>	<b>309,159</b>

NOTE 1.—The amounts that are accompanied by an asterisk (\*) are for two of the above purposes, but the voting-paper does not show any separate allocation.

NOTE 2.—In the cases in which the total amount of the loan is not exhausted by the amount or amounts set under any or all the above headings, the balance is for purposes other than those requested to be shown in the return.

		<i>Summary.</i>	£
Sewerage	.. .. .	.. .. .	201,100
Drainage	.. .. .	.. .. .	159,468
Water-supply	.. .. .	.. .. .	309,159
			<u>£669,727</u>

22nd October, 1912.

JAS. A. MARTIN.

### EXHIBIT Q.

RETURN SHOWING AMOUNTS PROVISIONALLY AND FINALLY APPROVED FOR EACH MONTH FROM THE DATE OF THE ACT BECOMING OPERATIVE TO THE 19TH OCTOBER, 1912.

These amounts are taken from the minute-books of the Advances Board. The payments to the above date are also shown.

—	Amounts provisionally approved.	Amounts finally approved.	Amounts paid over.
1910.	£	£	£
March .. .. .	525,085	Nil	Nil
April .. .. .	143,606	23,986	"
May .. .. .	124,170	20,400	13,500
June .. .. .	213,427	140,105	15,070
July .. .. .	161,936	72,015	13,000
August.. .. .	91,130	147,965	39,130
September .. .. .	193,658	35,700	88,210
October .. .. .	147,930	44,520	36,690
November .. .. .	166,975	61,435	20,930
December .. .. .	24,645	41,545	12,785
1911.			
January .. .. .	115,099	75,255	38,335
February .. .. .	76,165	202,205	56,890
March .. .. .	238,299	90,485	70,655
April .. .. .	11,350	66,115	61,545
May .. .. .	17,255	120,915	44,255
June .. .. .	61,110	147,094	31,445
July .. .. .	89,354	117,350	88,435
August.. .. .	234,645	83,900	55,665
September .. .. .	107,150	37,525	56,765
October .. .. .	148,969	74,560	61,145
November .. .. .	26,770	124,440	43,630
December .. .. .	12,550	45,080	85,890
1912.			
January .. .. .	38,185	212,550	76,685
February .. .. .	17,365	18,400	104,020
March .. .. .	24,930	21,555	81,005
April .. .. .	11,885	16,440	65,815
May .. .. .	10,550	20,005	53,005
June .. .. .	5,865	29,820	57,140
July .. .. .	22,405	47,220	35,105
August.. .. .	11,240	22,600	74,955
September .. .. .	60,785	42,760	44,100
October (19th) .. .. .	50	..	41,265

## EXHIBIT R.

New Zealand State-guaranteed Advances Office,  
Loans to Local Authorities Branch, Wellington, 5th November, 1912.

Memorandum for the Chairman, Public Accounts Committee, Parliament Buildings.

I am in receipt of your letter of the 4th instant, and in reply have to inform you that the total loss sustained by this Branch is  $3\frac{1}{2}$  per cent. on all uninvested bank balances. The loss for the year ended 31st March last was £10,578 10s. 10d. Had the amount £10,000 not been paid over to the Remuera Road Board on the 16th December last, and remained uninvested till the end of the financial year, the loss for the year would have been increased by £101 17s. 8d.

J W. POYNTON,  
Superintendent.