

CONTENTS.

PRIME MINISTER'S STATEMENT.	PAGE	ADMINISTRATION OF ESTATES— <i>ctd.</i>	PAGE
New Business	1	Intestate Estates	29
Organization	2	Mental-patient Estates	30
Representation	2	Aged and Infirm Persons Protection Act	52
Decentralization	2	Convicts	32
Investments	2	Agencies	33
Interest on Advances	3	Resealing	33
Wills deposited	4	Administration Abroad	34
Common Fund	4	Unclaimed Lands	34
Powers of Public Trustee	4	Unclaimed Property	35
Investigation and Audit of Accounts of Private Trustees	5	Absentee Mortgages	35
Sharing of Benefits from Successful Working	5	Claims under Workers' Compensation Act, 1922	36
Charges	5	Claims for Damages for Personal Injury or Death	37
Advisory Trustees	6	Minors' Policies	37
Safe-deposit Repositories	6	Education Reserves Amendment Act, 1910	38
STATE TRUSTEESHIP	7	Charitable and Public Trusts	38
ORGANIZATION	7	WILLS DEPOSITED	41
COMMON FUND	8	LEGAL DIVISION	42
LEGISLATION	12	MORTGAGE DIVISION	43
FINANCE	13	Investments from Common Fund	43
Investments	13	Selection of Securities	44
Annual Accounts	13	Loans on Country Properties	44
Value of Estates	13	Corporate Lending	45
Table illustrating Progress	14	Loans on Instalment System	46
Advances to Estates and Beneficiaries ..	14	Loans for Erection of Business Blocks ..	46
Government Superannuation and other Funds	15	Tongariro National Park Board	47
Local Bodies' Superannuation Funds ..	15	Local Bodies' Loans	47
Insurance Companies' Deposits	15	Earthquake Disaster	47
Local Bodies' Sinking Funds	15	Overdue Interest	47
Depreciation Funds	16	Investment of Superannuation Funds ..	48
Miscellaneous Accounts	16	Total Investments	48
Trustee for Debenture-holders	16	Renewals of Existing Mortgages	48
General Legal Expenses Account	16	Decentralization	48
Internal Check	16	Custody of Deeds	49
OFFICE BUILDINGS	16	Review of Investment Work	49
SAFE-DEPOSIT LOCKERS	17	Doubtful Securities	50
STAFF	17	Mortgage Registrations	50
CORRESPONDENCE	18	RURAL INTERMEDIATE CREDIT	51
RECORDS	19	INSPECTIONS	52
ADMINISTRATION OF ESTATES	19	ENEMY PROPERTY IN NEW ZEALAND, AND CLEARING OFFICE OPERATIONS	54
Statistics	19	Realization and Disposal of Ex-enemy Property in New Zealand	55
New Business	19	Amalgamation of Accounts under Articles 296 and 297 of Treaty of Versailles ..	55
Expeditious Administration	20	Clearing Office Duties—Progress regard- ing Disposal of Claims	56
Administration Accounts	21	Releases	57
Real Estate	22	Clearing Office and Enemy Property Work in United Kingdom	58
Businesses in Estates	24	CONCLUSION	58
Realizations	25		
Shares	26		
Claims against Estates	27		
Correspondence in Estates	28		
Protection of Beneficiaries	28		

CONTENTS

<p>ADMINISTRATIVE PROCEDURE 1</p> <p>Interest in Property 2</p> <p>Mental-Paralysis 3</p> <p>Aged and Infirm 4</p> <p>Convicts 5</p> <p>Profits 6</p> <p>Resolving 7</p> <p>Administrative 8</p> <p>Unclaimed 9</p> <p>Unclaimed 10</p> <p>Unclaimed 11</p> <p>Unclaimed 12</p> <p>Unclaimed 13</p> <p>Unclaimed 14</p> <p>Unclaimed 15</p> <p>Unclaimed 16</p> <p>Unclaimed 17</p> <p>Unclaimed 18</p> <p>Unclaimed 19</p> <p>Unclaimed 20</p> <p>Unclaimed 21</p> <p>Unclaimed 22</p> <p>Unclaimed 23</p> <p>Unclaimed 24</p> <p>Unclaimed 25</p> <p>Unclaimed 26</p> <p>Unclaimed 27</p> <p>Unclaimed 28</p> <p>Unclaimed 29</p> <p>Unclaimed 30</p> <p>Unclaimed 31</p> <p>Unclaimed 32</p> <p>Unclaimed 33</p> <p>Unclaimed 34</p> <p>Unclaimed 35</p> <p>Unclaimed 36</p> <p>Unclaimed 37</p> <p>Unclaimed 38</p> <p>Unclaimed 39</p> <p>Unclaimed 40</p> <p>Unclaimed 41</p> <p>Unclaimed 42</p> <p>Unclaimed 43</p> <p>Unclaimed 44</p> <p>Unclaimed 45</p> <p>Unclaimed 46</p> <p>Unclaimed 47</p> <p>Unclaimed 48</p> <p>Unclaimed 49</p> <p>Unclaimed 50</p> <p>Unclaimed 51</p> <p>Unclaimed 52</p> <p>Unclaimed 53</p> <p>Unclaimed 54</p> <p>Unclaimed 55</p> <p>Unclaimed 56</p> <p>Unclaimed 57</p> <p>Unclaimed 58</p> <p>Unclaimed 59</p> <p>Unclaimed 60</p> <p>Unclaimed 61</p> <p>Unclaimed 62</p> <p>Unclaimed 63</p> <p>Unclaimed 64</p> <p>Unclaimed 65</p> <p>Unclaimed 66</p> <p>Unclaimed 67</p> <p>Unclaimed 68</p> <p>Unclaimed 69</p> <p>Unclaimed 70</p> <p>Unclaimed 71</p> <p>Unclaimed 72</p> <p>Unclaimed 73</p> <p>Unclaimed 74</p> <p>Unclaimed 75</p> <p>Unclaimed 76</p> <p>Unclaimed 77</p> <p>Unclaimed 78</p> <p>Unclaimed 79</p> <p>Unclaimed 80</p> <p>Unclaimed 81</p> <p>Unclaimed 82</p> <p>Unclaimed 83</p> <p>Unclaimed 84</p> <p>Unclaimed 85</p> <p>Unclaimed 86</p> <p>Unclaimed 87</p> <p>Unclaimed 88</p> <p>Unclaimed 89</p> <p>Unclaimed 90</p> <p>Unclaimed 91</p> <p>Unclaimed 92</p> <p>Unclaimed 93</p> <p>Unclaimed 94</p> <p>Unclaimed 95</p> <p>Unclaimed 96</p> <p>Unclaimed 97</p> <p>Unclaimed 98</p> <p>Unclaimed 99</p> <p>Unclaimed 100</p>	<p>ADMINISTRATIVE PROCEDURE 1</p> <p>Interest in Property 2</p> <p>Mental-Paralysis 3</p> <p>Aged and Infirm 4</p> <p>Convicts 5</p> <p>Profits 6</p> <p>Resolving 7</p> <p>Administrative 8</p> <p>Unclaimed 9</p> <p>Unclaimed 10</p> <p>Unclaimed 11</p> <p>Unclaimed 12</p> <p>Unclaimed 13</p> <p>Unclaimed 14</p> <p>Unclaimed 15</p> <p>Unclaimed 16</p> <p>Unclaimed 17</p> <p>Unclaimed 18</p> <p>Unclaimed 19</p> <p>Unclaimed 20</p> <p>Unclaimed 21</p> <p>Unclaimed 22</p> <p>Unclaimed 23</p> <p>Unclaimed 24</p> <p>Unclaimed 25</p> <p>Unclaimed 26</p> <p>Unclaimed 27</p> <p>Unclaimed 28</p> <p>Unclaimed 29</p> <p>Unclaimed 30</p> <p>Unclaimed 31</p> <p>Unclaimed 32</p> <p>Unclaimed 33</p> <p>Unclaimed 34</p> <p>Unclaimed 35</p> <p>Unclaimed 36</p> <p>Unclaimed 37</p> <p>Unclaimed 38</p> <p>Unclaimed 39</p> <p>Unclaimed 40</p> <p>Unclaimed 41</p> <p>Unclaimed 42</p> <p>Unclaimed 43</p> <p>Unclaimed 44</p> <p>Unclaimed 45</p> <p>Unclaimed 46</p> <p>Unclaimed 47</p> <p>Unclaimed 48</p> <p>Unclaimed 49</p> <p>Unclaimed 50</p> <p>Unclaimed 51</p> <p>Unclaimed 52</p> <p>Unclaimed 53</p> <p>Unclaimed 54</p> <p>Unclaimed 55</p> <p>Unclaimed 56</p> <p>Unclaimed 57</p> <p>Unclaimed 58</p> <p>Unclaimed 59</p> <p>Unclaimed 60</p> <p>Unclaimed 61</p> <p>Unclaimed 62</p> <p>Unclaimed 63</p> <p>Unclaimed 64</p> <p>Unclaimed 65</p> <p>Unclaimed 66</p> <p>Unclaimed 67</p> <p>Unclaimed 68</p> <p>Unclaimed 69</p> <p>Unclaimed 70</p> <p>Unclaimed 71</p> <p>Unclaimed 72</p> <p>Unclaimed 73</p> <p>Unclaimed 74</p> <p>Unclaimed 75</p> <p>Unclaimed 76</p> <p>Unclaimed 77</p> <p>Unclaimed 78</p> <p>Unclaimed 79</p> <p>Unclaimed 80</p> <p>Unclaimed 81</p> <p>Unclaimed 82</p> <p>Unclaimed 83</p> <p>Unclaimed 84</p> <p>Unclaimed 85</p> <p>Unclaimed 86</p> <p>Unclaimed 87</p> <p>Unclaimed 88</p> <p>Unclaimed 89</p> <p>Unclaimed 90</p> <p>Unclaimed 91</p> <p>Unclaimed 92</p> <p>Unclaimed 93</p> <p>Unclaimed 94</p> <p>Unclaimed 95</p> <p>Unclaimed 96</p> <p>Unclaimed 97</p> <p>Unclaimed 98</p> <p>Unclaimed 99</p> <p>Unclaimed 100</p>
--	--

DETAILED INDEX.

	PAGE		PAGE
A.			
Absentee mortgagees	35	Electric-power Schemes Deposits Act	16
Accounts—		Enemy debts	54
Estate	21	Enemy property	54, 55
Office	13	Estates—	
Trustee	21	Accounts	21
Administration—		Administration of	19
Assets abroad	34	Aged and infirm persons	32
Estates	19	Bankrupt	35
Farming estates	23	Borstal inmates	33
Personal element	8	Businesses in	24
Supervision of	31, 32	Claims against	27
Advances—		Convicts	32
Amortization	4, 46	Correspondence	28
Estates and beneficiaries, to	14	Intestate	29
Advisory Trustees	6	Mental patients	30
Aged and Infirm Persons' Protection Act, 1912	32	Missing persons	34, 35
Agencies	33	Review of	53
Agency fees	6	Testate	19
Agricultural research	24	Unclaimed	34, 35
Amortization advances	4, 46	Value of	1, 13
Audit	53	Expedition administration	2, 20
Audit of private trustees' accounts	5		
Appreciation, expressions of	6	F.	
B.			
Bankrupt estates	35	Farm Inspectors	24, 26
Beneficiaries, protection of	28	Farms	22, 23
Benefits of successful working	5	Farms, loans on security of	44
Borstal inmates, estates of	33	Farming operations—	
Brunner Disaster Fund	39	Change in nature of	22
Business blocks, loans for	46	Costs	24, 25
Business, new	1, 14, 19	Financial adviser	26, 27
Businesses in estates	24	Finance	13
Buildings, Office	16	G.	
C.			
Carterton Home for Aged Poor	39	Government Departments—Services	5
Charitable trusts	38	Government Fire Insurance Fund	16, 53
Charges	5	Government Stores Marine Insurance Fund	16
City properties	22	Growth of Public Trust Office	1, 14
Claims against estates	27	H.	
Clearing Office—Enemy debts	54	Hardship	5
Coal-miners' Relief Fund	40	I.	
Comforts, mental patients	31	Income-tax paid by Office	5
Compensation, workers'	36	Instalment system for repayment of loans	4, 46
Complaints, absence of, justified	6	Inspections	52
Committees—Private, mental patients	30	Inspectors—	
Common Fund—		Farm	24, 25
Adoption overseas	4, 10	Property	22
Essential features	9	Reviewing	53
General reference to	4	Insurance companies' deposits	15
Guarantee, State	9, 13	Interest—	
Interest	10, 11	Allowed on Common Fund	10, 11
Liquidity	10	Charged on loans	3, 43
Optional nature	11	Overdue	47
Origin	9	Internal check	16
Safety	11	Intestate estates	29
Sinking funds, investment for	10	Investigations of private trustees' accounts	5
Conclusion	58	Investments	2, 13, 43, 48
Convicts	32	J.	
Corporate lending	45	Japanese Government's inquiry re Public Trust Office	7
Correspondence	18, 28	Juniors, training of	18
Costs records	24, 25	K.	
Country properties, loans on	44	Kaitangata Relief Fund	39
D.			
Damages	37	Kirkpatrick's Masonic Home for Girls	40
Debenture-holders, trustee for	16	L.	
Decentralization	2, 8, 48, 49	Land Transfer Act, 1915, section 117	35
Deeds, custody of	49, 54	Land-prices	23
Depreciation funds	12, 16	Legal Expenses Account—General	16
Discharge, mental patients	32	Legal work	42
Distribution, intestate	29, 30	Legislation	12
Dobson Relief Fund	39		
Duties of trustees	25	E.	
E.			
Earthquake disaster	47		
Economics, agricultural	24		
Education Reserves Amendment Act, 1910	38		
Elections to administer	42		

DETAILED INDEX—continued.

	PAGE		PAGE
Liability under personal covenant in mortgages ..	28	Real estate	22
Life Insurance Act, 1908, section 75 ..	37	Realizations	25
Life policies, minors'	37	Records	19
Loans work	43	Releases, enemy property	57
Local bodies' loans	47	Relief funds	38
Lockers, safe-deposit	17	Representation of Office	2
Long-term advances	4, 46	Resealing	33
		Research, agricultural	24
		Review—	
M.		Correspondence	18
Macarthy Trust, Thomas George	40	Estates	53
Magistrates' Courts Act, 1928	12	Investments	49, 53
Maintenance, mental patients'	31	Rural intermediate credit	51
Manager, private—Aged and infirm persons' estates	33		
Mental Defectives Amendment Act, 1928 ..	12	S.	
Mental patients	30	Safe-deposit lockers	6, 17
Mexico—Inquiry re Public Trust Office ..	7	Securities—	
Minors' life policies	37	Doubtful	50
Missing persons	35	Farming	44
Mortgage work	43	Selection of	44
Renewals	48	Service to public	20
Registrations	50	Services of Government Departments ..	5
Municipal Corporations Amendment Act, 1928	12	Share-market	27
		Shares	26
N.		Sinking funds, local bodies'	10, 15
New Zealand Sheepowners' Acknowledgment of Debt	16	Staff	17
to British Seamen Fund	16	Stamp duty	5
Next-of-kin	30	State trusteeship	7
		Statistics	19
		Superannuation funds	15, 48
O.			
Organization	7, 17	T.	
		Tongariro National Park Board	47
P.		Training-classes	18
Personal covenant in mortgage, liability under ..	28	Transfer of trusts to Public Trustee ..	20
Personal element in administration	8	Trustee accounts	21
Personnel, Office	17	Trustee for debenture-holders	16
Powers of Public Trustee	4	Trustees duties of	25
Private committees, mental patients	30	Trusteeship, State	12
Private managers, aged and infirm persons' estates	32		
Private trustees, investigation of accounts ..	5	U.	
Properties, range of	21, 24	Unclaimed lands	34
Property Inspectors	22	Unclaimed property	35
Property Law Act, 1908, section 75	35		
Property Law Amendment Act, 1928	12	W.	
Property Section, Wellington Branch	23	Wills deposited	6, 41
Protection of beneficiaries	28	Wills—Minors' disposing of life-policy proceeds	38
		Workers' compensation	36
Q.			
Qualifications of staff	17		

1929.
NEW ZEALAND.

PUBLIC TRUST OFFICE

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1929.

Presented to both Houses of the General Assembly in accordance with Section 47 of the Public Trust Office Amendment Act, 1913.

PURSUANT to section 47 of the Public Trust Office Amendment Act, 1913, I have the honour to lay before Parliament the attached report on the working of the Public Trust Office for the year ended 31st March, 1929.

1. It will be seen that the new business reported for the year constitutes a further record for the Office. During the period under review 3,508 new estates and funds of a total value of £7,091,350 were accepted for administration, as compared with 3,526 of a total value of £6,511,928 accepted during the preceding year. This is the first occasion upon which the new business for any one year has exceeded £7,000,000. The value of estates and funds under administration on the 31st March, 1928, was £44,155,548, whilst the corresponding figure on the 31st March, 1929, was £48,334,790—an increase of £4,179,242 during the year. The average annual increase in the total value of estates and funds under administration for the past eight years has been over £3,000,000, but this is the first time on which the increase has exceeded £4,000,000. The following table shows the growth of the business conducted by the Public Trust Office over the last twenty-five years:—

Year.	Value of Estates and Funds under Administration. £
1904	3,152,882
1909	6,399,567
1914	12,282,883
1919	19,242,347
1924	32,404,724
1929	48,334,790

The figures for the new business accepted during the past six years are impressive, and are as follows:—

Year ended 31st March,	Business. £
1924	3,781,155
1925	4,621,869
1926	4,651,447
1927	5,551,019
1928	6,511,928
1929	7,091,350
	<u>£32,208,768</u>

which approximately equals the total value of estates and funds under administration five years ago—*i.e.*, as at 31st March, 1924—when the value stood at £32,404,724.

2. The difference between the net increase in the value of estates and funds and the value of the new business for the year is represented in a large measure by the value of estates the administration of which was closed during the year by reason of expeditious administration and distribution. During the year the administration of 2,247 estates and funds valued at £1,829,584 was carried to completion, and of these estates 535 had been accepted for administration since the 1st April, 1928. This speedy administration testifies to the despatch with which the business of the Department is conducted.

3. In his report the Public Trustee deals fully with his administration of estates and funds in all its phases, the loans work, and the other duties of the Office. The business being handled has now reached very large proportions, and the organization of the Department has been built up to deal with all branches of the difficult and technical work involved. A qualified staff, including specialists in all phases of administration, accounting, investment, and legal work, is employed, and the services of experts in regard to financial, business, and farming matters are retained. The Office is self-contained, and has on its own establishment officers capable of carrying on all branches of its work. A very wide scheme of representation has been provided, and the Office has branches and agencies in 110 cities and towns throughout the country. Clients are thereby enabled without difficulty to consult an Office representative and obtain his advice or transact their business with him.

This wide representation results in speedy administration, prevents an undue traffic in correspondence and documents, and ensures that no matter where the assets of an estate may be situated there is an Office representative near at hand to protect them.

4. Coupled with this extensive representation, the Office system of decentralization plays an important part in the speedy and effective handling of the administration work. Under this scheme the administration of estates and other kindred duties are, subject to proper control by the Head Office, carried out at the various branch offices throughout the country. The estate accounts are kept at the offices conducting the administration, and payments to beneficiaries, creditors, and others are arranged by these offices. Thus the whole of the detail work in estates is carried on in the district offices in close proximity to the beneficiaries or other interested persons, and the Office is easily and promptly accessible to those for whom it acts. Beneficiaries are kept closely advised of the progress made in the administration, are freely consulted with regarding all matters pertaining to the estates, and their directions obtained whenever possible.

5. Unremitting attention on the part of the Public Trustee is required to find investments both for the continuous flow of money into the Common Fund, representing cash at credit of estates and funds, and for those estates and funds whose moneys do not fall into the Common Fund. During the year the volume of investments has been heavy, and the money invested amounts to £3,190,642. The investments controlled by the Office, which at the 31st March, 1928, stood at £28,465,963, had reached a total of £30,935,141 on the 31st March last. These figures afford evidence that it is not only as administrator and trustee that the Office serves the public of New Zealand: it is also one of the largest lending institutions in the country, and takes an important part in maintaining the supply of funds necessary to meet the requirements of an expanding community in its changing conditions and development. Critics have at times implied that moneys coming into the hands of the Public Trustee are diverted from channels which are useful to the community as a whole. This, however, is not the case, and, as the Public Trustee shows in his report, advances are made for the erection of houses by dwellers in the towns, to farmers on the security of their lands, to business men on their city properties, to local bodies, Harbour Boards, Hospital Boards, &c., to finance works of public utility. The funds are thus placed where they will assist the business community and the farming industry, as well as public bodies throughout the country.

6. Under its long-term amortization system of advances, which provides for payment of interest and repayment of principal by means of fixed half-yearly instalments over a given period, a valuable mode of finance is afforded by the

Office to people throughout New Zealand. The system of short-term mortgages hitherto largely in force has imposed heavy recurring charges which have added greatly to the cost of the borrower. Under the long-term system as now adopted by the Public Trustee, once the initial expense of valuation and cost of mortgage has been met the only further expense is a small fee charged for a periodical inspection of the security at five-yearly intervals. Apart from this, the ever-present worry regarding financing attendant on the short-term system is removed. Moreover, a valuable compulsory form of saving is introduced by the periodical instalments on account of principal.

7. In view of what is considered by many as an easing tendency in the current rate of interest on mortgages, it has been urged on more than one occasion that a reduction should be made in the rate charged by the Public Trustee on loans made by him. In the closing months of the past year representations reached me to the effect that the Public Trustee should be required to reduce the rate of interest charged to applicants for loans from the Common Fund of the Office. As considerable misconception prevails on this point, it is desirable that the special position which the Public Trustee occupies, so far as the investment of funds is concerned, should be made clear.

8. The funds available to the Public Trustee are not Government moneys, but represent assets in estates which are entrusted to him for administration. Both in the administration of estates and in the investment of moneys derived from those estates the obligations of the Public Trustee correspond with those of a private trustee, and include the duty of seeing that the maximum rate of interest is obtained consistent with the security of the trust funds. Testators who have entrusted the administration of their estates to the Public Trustee rightly expect him to safeguard the interests of their dependants by securing to them the fullest income their estates can earn, consistent with the security of the funds invested. Thus it is the duty of the Public Trustee to invest the funds at the highest current rate obtainable on first-class trustee securities, and the amount so derived, after a small deduction made to cover the cost of working-expenses and the provision of the necessary reserves, is made available to the beneficiaries who are entitled to it.

9. It will thus be seen that the principles by which the Public Trustee must be guided in the investment of funds are three in number—

- (1) The general economic conditions prevailing from time to time and the extent to which there is a demand for money on mortgage :
- (2) The special statute law under which the Public Trust Office is established and by which the Public Trustee is bound :
- (3) The general law governing the rights and duties of trustees.

10. There is no doubt that a lowering of the rate of interest on loans by the Public Trustee in order to make cheaper money available to borrowers would be a grave breach of trust, and if any grounds existed for the belief that the funds invested by the Public Trust Office were not being invested at the current rate obtainable on good trustee securities confidence in the Office would be shaken. A reduction in the present rate charged to borrowers would be followed by a reduction in the income of those persons whose interests the Public Trustee is bound to safeguard, many of them women and young children already inadequately provided for and dependent for their living on the income derived from the funds held by the Public Trustee on their behalf. Any reduction in the rate charged by the Public Trustee must therefore follow, and not precede, any general fall in interest rates in the open market.

11. So far as the Government are concerned, their duty is to see that whoever occupies the position of Public Trustee carries out faithfully and efficiently the duties laid upon him by statute and the general law governing the conduct of trustees. The Government have not the power, even if they had the desire, to control the Public Trustee either in the administration of the estates entrusted to him or in the investment of the funds derived from those estates.

12. Any attempt to bring political influence to bear on the Public Trustee in the direction of interfering with the administration of estates, or with the investment of the Office funds would be improper, and would seriously undermine the public confidence which the Office at present enjoys and which it is essential that it should continue to possess.

13. A notable service rendered by the Public Trustee is the facility provided for the preparation and safe deposit of wills. Any person may have his will prepared by the Public Trustee free of charge, provided that the Public Trustee is appointed executor thereof, and wills of living persons may be deposited free of charge with the Office for safe custody. During the year wills numbering 6,053 were deposited with the Public Trustee, and on the 31st March last 62,841 wills of living persons were held in safe custody, an increase of 4,776 for the year. The difference between the number of wills deposited and the increase in the total is, of course, represented by wills withdrawn through the deaths of testators or for other reasons. It is estimated that the wills on deposit represent prospective business worth over £250,000,000. These figures show that a very considerable percentage of the property-holders of the Dominion are availing themselves of the advantages afforded by this branch of the Office services.

14. The Public Trustee deals in his report with the Common Fund system of the Office for the investment of moneys belonging to estates and funds under his control. Of recent years considerable attention has been directed to the Office Common Fund, and some misconception appears to exist in regard thereto. The experience of the Public Trustee over a very long period of years has been that the Common Fund returns to estates and funds the highest possible rates of interest compatible with the absolute security of the moneys invested, which is the outstanding feature of the Common Fund system. Under it investments are not earmarked to any particular estate; the moneys coming in for investment fall into one common fund, and the rate of interest thereon depends on the amount earned by the fund, which, of course, is determined by the prevailing economic and financial position at any particular period.

15. It has been brought under my notice that corporate trustees in other parts of the world are finding it increasingly necessary to adopt investment systems somewhat similar to the Common Fund. These systems have adopted the essential features of the Common Fund of the Public Trust Office—namely, the pooling of the funds, the investment thereof in first-class securities, and the allowing of a fixed rate of interest on the moneys falling into the pool.

16. It must not be overlooked that the Common Fund is not the only form of investment available to clients of the Public Trust Office. It is purely optional to testators and settlors whether they select that system for the investment of their trust funds or investment outside the Common Fund in the same manner as is followed by private trustees.

17. There is recurring reference to the Office in regard to certain of the powers granted to the Public Trustee and the extension of the scope of the work of the Department. The question has been dealt with at length on so many occasions in the past that it is not necessary to traverse the whole ground here. All that has been done has been in an endeavour to make the Public Trust Office more useful to the community, and it may fairly be said that the powers which have been made available to the Public Trustee are intended either to promote the interests of the estates and beneficiaries or to afford reasonable facilities for the conduct of the public services of the Department. As the Public Trustee points out, the public generally expects—and, I think, with justification—to receive at the hands of a public Department the best possible service.

18. Generally speaking, the powers relating to estates merely permit, within prescribed limits, what the Supreme Court would authorize upon proper application being made to it. These, for example, are the discretionary powers of selling, leasing, managing, and otherwise dealing with estate assets, and powers of applying estate funds for the benefit of widows, minors, and other dependants. Even though the Public Trustee possesses a number of powers in connection with the administration of estates, as a matter of recognized practice he freely consults the beneficiaries and obtains their written directions regarding any proposed course of action whenever it is at all possible to do so. The Public Trustee may safely be relied upon to see that the interests of no one concerned in an estate under his control suffer by the improper exercise of his powers; and, moreover, he is an officer of the State, whose actions are subject to public inquiry and criticism. In addition, the Legislature has provided a simple and inexpensive process whereby beneficiaries opposing any proposed course of action on the part of the Public Trustee may refer the matter to a Judge in Chambers for consideration and direction. It is a significant fact that

complaints as to the exercise of the Public Trustee's powers are not received from those most intimately concerned—namely, the beneficiaries. I think that the confidence and faith reposed in the Public Trustee by ever-increasing numbers of persons is a sufficient answer to the suggestion that the legislation governing the Public Trust Office in any way makes for arbitrary or harsh treatment of the legatees and the beneficiaries. It is worthy of note that Commissions of Inquiry in connection with the Public Trust Office of this country and in England have pointed out the desirability of giving special facilities for the carrying-on of the class of work entrusted to these institutions.

19. A useful service of wholesome effect provided by the Office is that in connection with the investigation and audit of the accounts of the administration of estates by private trustees. A beneficiary or trustee dissatisfied with the administration of any estate or trust privately administered, and who has grounds for complaint, may by means of a provision in the Public Trust Office Amendment Act, 1913, secure an investigation and audit of the accounts in the estate in which he is interested. When an application is made under this provision, the investigation and audit is carried out by a solicitor or a public registered accountant agreed upon between the parties concerned and the Public Trustee, or, in default of agreement, by a solicitor or accountant appointed by the Public Trustee. It is provided that upon completion of the investigation and audit the auditor is to forward to the parties concerned and the Public Trustee a copy of the accounts of the estate or trust and a report thereon, together with a certificate in the form prescribed by the Act. A beneficiary or trustee is thus afforded a means of obtaining an investigation and audit, together with accounts of the estate and a report thereon. From complaints which have come under the notice of the Public Trustee, it seems that this provision for the obtaining of an investigation is not as generally known as it might be.

20. There is widespread an impression that the Public Trust Office does not pay income-tax or stamp duty, and that the Office secures a large amount of gratuitous services from other Government Departments. This is totally incorrect. The Office pays income-tax on the same scale as any company or person with a similar income, pays stamp duty, and is charged by other Departments for the services rendered by them.

21. Those who at times view with disfavour the actions of the Public Trustee on the ground that they involve hardship on certain persons, generally those indebted in one way or another to estates under his control, fail to recognize that the first duty of a trustee must necessarily be to the estates and interests he represents, and that he would not be justified in making concessions which would detrimentally affect these rights and interests. If the relationship and responsibility of the Public Trustee, as trustee, are taken into account in those cases where he is accused of being harsh, it will readily be acknowledged that he is bound to be diligent in compelling the fulfilment of legal obligations to the estates handled by him, especially when it is realized that the financial circumstances of the beneficiaries in these estates are often no more fortunate than those of the persons indebted to them.

22. It is the settled policy of the Department to share with its clients the benefits accruing from improved systems and economical management. Provision, of course, must be made for working-expenses, including depreciation of Office property, and allocations to the reserves required by prudent finance and to provide for the guarantee of investments in the Common Fund, but it is not the object of the Office to retain earnings remaining after these requirements have been met. In previous years the benefits accruing from successful working have been shared with clients by the payment of bonus interest, and latterly by substantial concessions involving reductions in commission charges and increases in the rates of interest allowed on funds held.

23. The Public Trustee's scale of charges is a moderate one, and has been drawn as a result of the experience of years of administration of estates of all classes. By regulations issued under the hand of the Governor-General in Council the rates of commission applicable to the various classes of estates are shown in detail, so that a testator or other client may at any time calculate for himself the charges for which his estate would be liable if placed in the Office for administration. Where the circumstances of an estate and the work involved in the administration

warrant it, the Public Trustee may and does depart from this scale and make a reduction in his charges. Moreover, the Public Trustee's commission is inclusive, and covers all the work appertaining to the administration of the estates placed in his control. No additional charges are made for such services as obtaining probate or letters of administration, filing stamp accounts, and land and income returns, for which private trustees have to employ solicitors or accountants, with resulting increases in the cost of administration. The Public Trustee's organization is self-contained and can itself deal with all these matters. Wide representation throughout the Dominion enables the Public Trustee to save agency fees for estates under his control.

24. The Office, by reason of its long experience in the administration of all classes of estates and by the qualifications of its staff, can assure a satisfactory performance of testators' wishes. However, it may happen in the case of a business or farming estate, or an estate of a complex nature in which the assets present unusual difficulties of management, that a testator, while desiring to obtain for his estate the security afforded by the Public Trustee's administration, desires nevertheless to secure for the estate the benefit of the advice of some friend or business associate familiar with his affairs. The Public Trust Office Amendment Act, 1913, provides a means whereby this may be done. An advisory trustee or several advisory trustees may be appointed to co-operate with the Public Trustee in the administration. One advisory trustee may be appointed for consultation on business matters; another may be concerned with the maintenance and education of children. When the Public Trustee acts with advisory trustees the trust property vests in him, and, whilst he has all the powers of a sole trustee, he is authorized to consult with the advisory trustees upon any matters relating to the estate.

25. The Public Trustee's system of safe-deposit repositories, to which he refers in the course of his report, affords a valuable service to those who have papers or valuables which they desire to place in safe keeping.

26. Apart from the foregoing, special attention is directed to the following matters, mention of which is made in the Public Trustee's report:—

- (1) The increase in the balance at credit of estates and funds from £28,485,442 to £31,043,172 — an increase of over £2,500,000 for the year.
- (2) The progress made in regard to the duties imposed on the Public Trustee in connection with the disposal of enemy property and the settlement of pre-war debts between New Zealand and German nationals. A full statement in regard to this work is included in the Public Trustee's report.
- (3) The Public Trustee's statement in regard to his work in connection with claims arising under the Workers' Compensation Act, 1922.
- (4) The Public Trustee's statement regarding public and charitable trusts under administration by him.
- (5) The Public Trustee's statement regarding realizations.
- (6) The operation of the system of inspection and supervision in force, and also the system of audit in regard to the accountancy work of the Department.

27. When regard is paid to the success achieved by the Office, there can be no doubt that it is fulfilling a public need, and that it is of the highest utility to the community. I am satisfied that the sustained growth of the Department is due to the safety afforded by its administration, the efficiency of its methods, and its prompt and satisfactory conduct of the business entrusted to it. The results of the past year bear witness to the fact that it has, in the fullest measure, the confidence of the public.

28. The operations for the year under review have proceeded smoothly. The services rendered have evoked numerous expressions of appreciation from satisfied clients, and there is an entire absence of justified complaints regarding the Office administration.

29. I am pleased to place on record that during the year His Majesty the King conferred on the Public Trustee the distinction of a Companion of the Most Distinguished Order of St. Michael and St. George.

Wellington, 17th September, 1929.

JOSEPH WARD,
Prime Minister.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR ENDED 31ST MARCH, 1929.

SIR,—

Pursuant to section 47 of the Public Trust Office Amendment Act, 1913, I have the honour to submit a report on the working of the Public Trust Office for the year ended 31st March, 1929.

1. The result of the year's operations is very satisfactory, and discloses a gratifying all-round increase. The rapid augmentation in the new business reported year by year points to an increased confidence in the Office on the part of the public, and may be accepted as evidence of their appreciation of the benefits offered to them by the Department.

EXTENSION OF STATE TRUSTEESHIP.

2. In previous reports I have referred to the difficulties surrounding the choice of a suitable trustee, and, far from waning, these difficulties are intensifying with the growing complexity of modern property interests. As a result we find that in many countries more and more consideration is being given to the providing of State services for the conduct of trustee work. The creation of such a service is now beyond the experimental stage, for it has been successfully instituted in various parts of the Empire. The advantages offered in administration and trustee work by a trustee who combines with a corporate status the qualities of a responsible State official are becoming widely recognized. The Public Trust Office of New Zealand, which was established in 1872, was the first corporate trustee to commence operations in this country, and ever since its establishment it has been conducted with success. A similar office was constituted in South Australia in 1880, and since then the system has spread to various sister colonies and Dominions. The English Public Trust Office commenced its operations on the 1st January, 1908, and has made astonishing progress. Each year brings under my notice other countries, some of them outside the British Empire, where an interest is being taken in the system of State trusteeship. During the year inquiries have been received from other parts of the world regarding the origin, functions, and working of the Public Trust Office of New Zealand. Notable amongst these were an inquiry on behalf of the Japanese Government, and another from a Mexican source which, I gather, was advising the Government of that country in regard to the establishment of a State trustee there.

An important point to recollect in connection with the institution of the Public Trust Office system is that no monopoly is bestowed upon the Public Trustee, but that individuals are perfectly free to employ other agencies if they feel disposed to do so. The object of establishing such a State trustee is to provide safe, inexpensive, and convenient recourse to all persons desiring to avail themselves of the service.

ORGANIZATION.

3. The organization which has been carefully built up and developed plays no small part in bringing about the satisfactory results shown in this report and in maintaining the high standard of service which the Office renders to the community. The existing organization has worked quite smoothly, and no important changes in it or in the Office practice have been found necessary during the year. Minor changes are being constantly carried out wherever circumstances require them. The absence of drastic change does not mean that there has been any diminution in the attention bestowed upon this important question, which increases in difficulty as the operations of the institution extend. On the contrary, constant and careful consideration is given to it, but the reorganization of the work has been so thorough during the past eight or nine years that the system is adequate, for the present at any rate, and enables the work to be promptly and properly carried

out. A period of quiescence wherein there is rest from the upheaval and turmoil of reorganization is very necessary, for it affords time to reflect upon the effect of what has been accomplished and to consolidate the position before embarking further on remedial or experimental organization.

The handling of thousands of estates and individual trusts which involve the peculiar concerns and welfare of numbers of beneficiaries raises problems of a very special nature and widely different from those arising in a strictly commercial business. Apart from the question of safety, not the least amongst these is that of assuring the efficient and personal attention to which each estate is entitled. I have shown in earlier reports the serious thought and planning which have been given to the preservation of continuity and of the personal element in the Public Trustee's administration of estates. At all times officers of the Department strive to come into close and personal contact with the beneficiaries and other parties interested in the estates. I cannot do better than repeat what I said on a previous occasion:—

The work in all the larger offices is divided into alphabetical sections, irrespective of the class of estate under administration. This arrangement possesses advantages both for the public and for the staff, enabling an inquirer to be directed without difficulty to the officer dealing with the estate concerned, and permitting each officer to be trained in all classes of administration. In charge of each section is an experienced officer who checks the administration, subject to the direction of the controlling officers. Care is taken to assign to an officer only such a number of estates as he can conveniently handle. This permits him to be acquainted with the special features of each estate under his care, and, moreover, he acquires the "personal touch" with the relatives and beneficiaries.

As early as possible the beneficiaries who reside in the neighbourhood are interviewed by responsible officers whom they will be able to consult in the future concerning administration matters. Where the beneficiaries reside elsewhere the same principles are observed in the correspondence incidental to the administration. Letters of a stereotyped and machine-made type are avoided, and the position put before the interested parties as clearly and simply as possible. In other words, it is the aim of the Office to conduct the administration in as efficient a manner as possible, and at the same time by close individual attention and sympathy to encourage cordial relations with its clients and to inspire confidence in its administration.

The various branches of the Office are co-ordinated in a simple and effective manner, and there is no basis for any suggestion that the conduct of the Office is bureaucratic or that the business is "enmeshed in a web of red-tape." The scheme of decentralization which was established some years ago is in full operation, and has proved of very great benefit to the Office and its clients. Subject to certain safeguards, the administration of the estates and of a large portion of the investment work, details of which are supplied later in this report, is completed at the various branches, thus facilitating and expediting the conduct of the business to a very marked extent.

4. In order to prevent branch offices in the more important centres from becoming "top heavy" and repeating the faults which prevail in a centralized system, districts are subdivided and additional District Public Trustees established as soon as the volume of business warrants such a course being taken. It is felt that it is much more satisfactory in every way to limit the size of the units of management which are much more easy to handle and which enable the controlling and administration officers to come into closer touch with the clients with whom they deal. In conformity with this policy it has been found necessary since the close of the financial year to subdivide the Napier district, and appoint District Public Trustees at Waipukurau and Hastings. Fuller details of the establishment of these new District Public Trustee Offices will be included in next year's report.

In order that the benefits of decentralization may be extended as widely as possible, there is in operation a system whereby the administration of certain estates is conducted by District Managers, subject to the control and supervision of the District Public Trustees.

COMMON FUND.

5. A notable feature of the administration of trust funds by the Public Trustee is the system of investment in the Common Fund. As this has recently attracted a certain amount of attention, and as it is a unique creation in the sphere of trust

administration the nature of which is not as well known as it should be, I take this opportunity of giving some information as to its creation and administration, and the advantages it offers in the investment of numerous and varying sums, large and small, which in the management of estates and funds become available for investment.

6. Normally, in the absence of any specific directions in the trust instrument, whether statute, deed, or will, a trustee invests his trust funds in selected classes of securities specified in the Trustee Act and other statutes bearing on trusteeship. Certain safeguards are imposed to ensure that the investments shall be made with reasonable care and on good security, and, if these requirements are observed, the whole of the risk of the investment is borne by the beneficiaries. Thus, if in any such investments interest cannot be recovered, or if, without negligence or fraud on the part of the trustee, the whole or any part of the capital invested is lost, the loss falls on the beneficiaries.

In the earlier history of the Office this system was the only one available to the Public Trustee, in common with private trustees, for investment of trust funds. In 1891, however, a Commission composed of well-known business and professional men was set up by the Government of the day to inquire into the organization and working of the Department. In conducting the investigation the Commission made a careful survey of the investment system, and found the existing statutory modes of investment hampering to, and inadequate for, the conduct of a business of this kind. The Commission strongly recommended the providing of an additional optional system of investment so far as the Public Trust Office was concerned. The effect of this recommendation was that power was to be given to create a "Common Fund" to absorb all cash balances in estates, unless this was expressly forbidden, and to invest the moneys from this Common Fund on securities of a specified nature. It is to be noted that the question whether moneys were to fall into the Common Fund then, as now, was optional on the part of the creator of the trust.

The system recommended was further to provide that the rate of interest to be allowed to the estates whose moneys were held in the Common Fund should be fixed from time to time by the Governor in Council, and that both capital and interest should be guaranteed by the State.

The principles underlying the new departure are set forth in the following statement made by those responsible for the recommendation on which it was based :—

If the colony were to guarantee 5 per cent. per annum on the daily credit balance of a hotchpotch account in the name of the Public Trustee, to be called the "General Estates Account," and to be composed entirely of balances belonging to intestate estates, then from this "General Estates Account" the Public Trustee, with the advice of his Board, could more easily and safely advance any sum or sums of money at a marginal higher rate of interest—say, from 1 to 2 per cent.—and so provide for the guarantee and expenses. It would also be much more satisfactory to beneficiaries, particularly those interested in the smaller intestacies, to know that their moneys were safely invested at 5 per cent., and that the half-yearly or annual income, clear of all deductions for legal charges, was secure to them, and that their principal moneys were safe.

The recommendation was promptly given effect to by the Legislature in 1891, and, although originally intended only for intestate estates, was extended to all classes of estates. Thus was created the Common Fund of the Public Trust Office, which at the 31st March, 1929, held moneys to the total of £21,943,047. Throughout all its extensions its use has been left at the option of the owners of the moneys.

7. The Act of 1891 was remarkable in pledging the Dominion to maintain the integrity of the funds of the estates placed in the Common Fund of the Public Trust Office for investment as specified. The essential features of the Common Fund system are that the pooled funds are invested in first-class securities, and that interest allowed to estates on moneys falling into the fund is fixed according to the conditions of the money-market of the Dominion prevailing from time to time. It would be difficult to find a comprehensive system of investment which has operated so successfully over a long period of years, or to devise one better suited to the investment of the varying sums of money coming under the control of the Public Trust Office, and at the same time combining so many substantial advantages to the beneficiaries in estates.

Not only has the Common Fund system fully justified itself, but corporate trustees in other parts of the world are being driven to adopt what is in fact practically the same system. It is interesting to record that a scheme of pooling trust investments, which is the basis of the Common Fund system, has now been adopted by some of the largest trust companies operating in the United States of America. Advice has been received from an authoritative source that the arrangement arrived at has followed to a great extent upon information gathered from New Zealand in regard to the Common Fund of the Public Trust Office in this Dominion, and has been influenced by the reputation for convenience and security which the system bears and the experience gained in its operation.

8. In comparing the rates of interest earned by investments made by private trustees with those allowed in the Common Fund, it has to be borne in mind that there are serious disadvantages connected with the former mode of investment. In the first place, the rate of interest at which the investment is made is not the net return received by the beneficiary in the trust, since a charge is necessarily made for the collection of interest and the management of the trust. Moreover, in many cases a private trustee cannot find a suitable security immediately the moneys fall in for investment, and thus valuable periods of time are occupied in finding investments, with consequent loss of interest to the beneficiary concerned. Frequently where sums of money are held waiting investment on suitable securities practically no interest is earned. The difficulty of finding suitable investments without loss of interest is marked where sums to be invested are either very large or very small. Even if an investment is satisfactorily made the money is tied up for a definite period, and if it becomes necessary that the whole or any portion should be made available during the currency of the investment difficulty may be experienced in arranging the necessary advance, and the securities may have to be realized at a loss.

9. On the other hand, interest on amounts invested for definite periods in the Common Fund runs, at latest, from the first of the month following their receipt and continues without interruption until the moneys are required. No matter how large or how small are the sums resulting from the realization of trust assets, they can be immediately invested without difficulty. Where moneys are needed in the course of administration they are readily available. There are numerous ways in which the necessity for disbursement of invested capital funds may arise—*e.g.*, distribution on the termination of a life interest, redemption of debentures in the case of sinking funds, payment to a beneficiary on his coming of age, provision for the maintenance, education, and welfare of children and dependants, payment of legacies, &c. Whenever for any cause moneys are needed for disbursement in connection with a trust, the exact amount can be withdrawn from the Common Fund at once. Interest ceases only on the amount so withdrawn from the date of withdrawal, and the balance, however small or broken it may be, is in no way affected.

10. The Common Fund is especially suited for the investment of sinking funds on behalf of local bodies. It ensures that the instalments (even though small and trifling in amount) as they become payable shall be immediately and continuously invested, and also that the requisite moneys for the redemption of the debentures shall be available at maturity. Moreover, the smallest accumulations of interest themselves become interest-bearing immediately they are capitalized. These facilities are of very great value in the investment of those sinking funds where the instalments are so small as to make investment in other directions impracticable, and the interest earned in the earlier stages could find no opening for investment except at a low rate of interest.

In contrast to the advantages of the Common Fund for the investment of sinking funds, it may be pointed out that the greatest difficulties exist where such funds are entrusted to private commissioners for investment, as obviously it is practically impossible to find suitable forms of investment which will absorb, without loss of interest, the instalments as they are paid in by the local bodies, and that will be sufficiently liquid to permit of the requisite funds being available for the redemption of the debentures immediately the maturity date arrives. Thus it is often found that considerable sums are held by private commissioners awaiting

investment in suitable securities, and necessarily difficulty is at times experienced by such commissioners in having the requisite moneys available for redemption of the debentures at maturity. It is almost impracticable to arrange investments the termination of which will coincide with the maturity of the debentures. The result is that in many cases the investments fall in before the funds are required, so that they have to be held for longer or shorter periods uninvested or temporarily invested at low rates of interest. In other cases, where the investments consist of mortgages of land, it is often impossible to obtain payment of the moneys on the date they are required for the repayment of the debentures. Even where the sinking funds have been invested in other forms of securities forced realization on the date the moneys are required may prove very disadvantageous.

11. With the advantages which the Common Fund affords, the rate of interest must necessarily be lower than that obtainable from the investment of the pooled moneys in specially selected securities at the highest rates. When, however, it is recalled that interest is being allowed at the present time at the rate of $5\frac{1}{4}$ per cent. per annum, notwithstanding the decline in the rate of interest obtainable on first-class investments, it will be admitted that this is an excellent return and the highest compatible with security of the moneys invested. This return is free from all charges, and, moreover, it must be remembered that even with the most conservative selection of securities there is a possibility of loss, from which risk investment in the Common Fund is entirely free.

12. The advantages which I have outlined are real and valuable, but the outstanding advantage is the absolute safety of capital and interest. It is well known that many beneficiaries whose funds have been invested on mortgage by trustees during the past few years have, as a consequence of the depreciation in securities, suffered serious loss not only of interest which could not be collected, but also of a substantial portion of the capital funds invested. Indeed, cases are not wanting where practically the whole of the principal sums have, from one cause or another, disappeared. In marked contrast with this is the experience of beneficiaries whose funds have been invested in the Common Fund of the Public Trust Office, and who during the difficult times through which the Dominion has recently passed have not lost one penny of capital or interest, or been obliged to wait a day beyond the due date for payment.

13. The impression is sometimes conveyed that investment in the Common Fund is the only mode of investment available to estates under administration by the Public Trustee. It cannot be too strongly emphasized that any testator or settlor who desires to place his estate in the hands of the Public Trustee for administration has a free choice whether he will adopt the Common Fund system of investment or whether he will have the funds of his estate or trust invested in the same mode as that adopted by private trustees. The Public Trustee is quite as capable of investing estate funds in mortgage or other selected forms of investment as any private trustee, and is in a much better position than a great majority of such trustees to obtain good investments. Where funds are entrusted to him for special investment he will obtain just as high a rate of interest as can be obtained by any private trustee. No bias is shown by the Office in favour of the Common Fund system as against the special-investment system, and the relative advantages of each are fully and honestly explained to testators at the time of making their wills. Instructions for the preparation of wills are given and signed by testators on a special form provided by the Office, and in order that they may be fully aware of the position a summary of each system appears on the form, so that the whole of the facts are fully before testators when arriving at a decision. Thus the sole factor in determining which mode of investment shall be adopted is the will of the testator, and the Public Trustee will faithfully and honourably observe any directions conveyed by the will. Special investments are protected against any discrimination on the part of the Public Trustee in favour of the Common Fund by statutory provisions. The vast majority of testators, after having both methods of investment fully explained to them, adopt the Common Fund as the better one, providing, as it does, a very fair return of interest, with complete liquidity of the funds and State guarantee of principal and interest, without any charge being made for the collection of interest or for the making or the supervision of investments.

LEGISLATION.

14. During the last session of Parliament there was very little legislation which intimately affected the operations of the Public Trust Office in its administration work. There was, however, a certain amount which, in varying degrees, affected the Office and its work.

MENTAL DEFECTIVES AMENDMENT ACT, 1928.

By this amendment to the Mental Defectives Act, 1911, is constituted a special Board to have supervision over certain classes of mentally defective persons. The Board is to be concerned with promoting the welfare of these persons, who, not being persons of unsound mind or persons mentally infirm, may in the opinion of the Board be classified under the Mental Defectives Act, 1911, in certain ways. In fulfilment of the end with which it is concerned, the Board is to secure that proper provision is made for the supervision of these persons, and, where they are detained in institutions, to assist in such manner as seems fit in the conduct of the institutions in the best interests of the inmates. Special institutions may be provided exclusively for persons coming under the supervision of the Board. Generally, the persons who will come under the supervision and the protection of the Board are those who may be classified as "socially defective."

PROPERTY LAW AMENDMENT ACT, 1928.

This enactment is framed to afford relief to a lessee against an inequitable refusal on the part of a lessor to grant a renewal of a lease on the ground of the lessee's breach of covenant. It is provided that where a lessor has covenanted with a lessee that, subject to the fulfilment of certain covenants, the lessor will on the expiry of the lease grant a renewal or a new lease to the lessee, and the lessor has refused to grant such renewal or new lease on the ground that the lessee has failed to fulfil the stipulated covenants, the lessee may apply to the Court for relief. The Court, having regard to all the circumstances, may grant or refuse relief as it thinks fit, and may order that a renewal or a new lease be granted to the lessee on the same terms as if all the covenants stipulated had been performed.

MUNICIPAL CORPORATIONS AMENDMENT ACT, 1928.

In several boroughs in New Zealand there are lands which, though situated inside the borough boundaries, are still used solely for farming purposes, and will not be suitable for subdivision for many years to come. As farming properties the local taxation upon these lands is often too heavy an imposition, and so provision is now made for a measure of relief from this burden to be afforded them. Section 8 of the Municipal Corporations Amendment Act, 1928, provides for a reduction in the valuation of such lands for borough rating purposes only, provided that the Borough Council and the Valuer-General are satisfied that the land is not likely to be required for building purposes within a reasonable period, and provided that the land is of an area not less than three acres.

This amending Act also makes it obligatory on Councils to provide for depreciation in respect of their trading undertakings. The amount of the charge for depreciation is to be credited to a Depreciation Fund, and where a Council has credited a Depreciation Fund with the amount of a charge for depreciation it shall appoint three Depreciation Fund Commissioners, save that the Public Trustee may, if the Council so decides, be appointed sole Commissioner of the Depreciation Fund. The moneys received by the Commissioner or Commissioners in respect of any Depreciation Fund are, together with the accumulations thereof, to be held upon trust for payment to the Council for the purpose of renewing or replacing the plant of the trading undertaking.

MAGISTRATES' COURTS ACT, 1928.

This Act consolidates the previous enactments relating to the jurisdiction of Magistrates and Justices of the Peace in civil matters.

FINANCE.

15. The balances at credit of estates and funds whose moneys fall into the Common Fund for investment now amount to £21,943,047, and this sum is being steadily increased as additional estates and funds are accepted for administration. I have already shown in the report that, although some testators and settlors direct investment outside the Common Fund, the greater number prefer the solid advantages of this system as being more suitable to the requirements of themselves and their beneficiaries or dependants. The arrangements for investment of so large a sum, and the necessity of providing further investments to absorb accretions to the Common Fund and sums that become available on repayment of existing investments, call for very careful and constant attention. While provision must be made to meet the heavy commitments in connection with the distribution of estates and the payment of income to beneficiaries, it is important that the moneys in hand from time to time should be kept closely invested, so that the best possible results may be secured to clients.

The position regarding estimated receipts and commitments is constantly surveyed, so that the amount of the funds to become available may be ascertained so far as possible and suitable investments be arranged in advance. During the past year, notwithstanding the difficult conditions which prevailed towards the end of the year, all moneys were kept closely invested in satisfactory securities.

The rate of interest and the general conditions of investment in the Common Fund are so favourable to estates that a prompt investment of all moneys falling into it has been essential to ensure the continuance of these advantageous conditions, and to provide for the cost of management and reasonable contribution to the reserves against possible losses or depreciation of securities. The State has guaranteed the integrity of principal and interest of estate moneys held in the Common Fund, but it is only right that the system itself should provide, in return for this security, some safeguard against any possible claim on the general funds. It is gratifying to know that never since the inception of the Common Fund has such a claim been made. The present liberal rates of interest can, of course, be maintained only as long as the income earned by the Fund is sufficient to permit of this being done.

INVESTMENTS.

16. The investments completed during the year amounted to £3,190,642. A careful choice of farming, city, and residential securities has been made, but it is necessary to hold a proportion of the investments in readily realizable form. This requirement has been met by taking up appropriate parcels of Government securities. At the 31st March, 1929, the total investments, including special investments, amounted to £30,935,141.

ANNUAL ACCOUNTS.

17. The Profit and Loss Account reveals that the net profit on the year's operations, after making all usual adjustments and provision for depreciation on the Office property on a proper basis, amounted to £29,467 9s. 8d. In pursuance of the Office policy of sharing with clients the benefits accruing from successful working, the rates of interest allowed in respect of certain classes of estates have recently been increased, and other concessions have been granted to beneficiaries. Considering the substantial nature of the concessions made in recent years, and the fact that their full effect was felt in the year under review, the result of the year's operations is entirely satisfactory.

TOTAL VALUE OF ESTATES, ETC., UNDER ADMINISTRATION.

18. At the 31st March, 1929, the gross value of estates and funds under administration by the Public Trustee was £48,334,790. This figure represents a net increase of £4,179,242 during the year. For the past eight years the value of estates under administration has increased at an average rate of over £3,000,000 per annum, the total value at the 31st March, 1921, being £22,364,319. This is, however, the first year in which a net increase of over £4,000,000 has been recorded.

VALUE OF NEW ESTATES, ETC., ACCEPTED.

19. New estates and funds of a gross value of £7,091,350 were accepted for administration during the year. This is the largest volume of new business which has ever been received during one year, and represents an increase of £579,422 over the new business for the previous year, which also constituted a record. The new business is practically double what it was five years ago, and actually exceeds the total value of all estates under administration by the Office in 1909, just twenty years ago.

COMPARATIVE TABLE ILLUSTRATING THE PROGRESS MADE BY THE PUBLIC TRUST OFFICE DURING THE DECENNIAL PERIOD 1920 TO 1929.

Year ended 31st March,	Total Value of Estates in Office, including Unrealized Assets.	Funds at Credit of Estates and Accounts.	Number of Wills of Living Testators deposited with the Office.
	£	£	
1920	20,860,686	11,911,290	25,792
1921	22,364,319	13,918,906	28,356
1922	25,497,779	15,329,125	31,839
1923	28,904,798	17,466,787	35,502
1924	32,404,724	19,215,388	39,682
1925	35,570,642	20,864,356	44,102
1926	38,009,480	24,426,009	48,957
1927	41,043,523	26,485,917	53,531
1928	44,155,548	28,485,442	58,065
1929	48,334,790	31,043,172	62,841
Net increase in preceding twelve months	4,179,242	2,557,730	4,776

The figures relating to the value of estates under administration and funds at credit of estates and accounts included in the foregoing table sufficiently illustrate the rapid and sustained growth of the Office business during the last ten years. When it is pointed out that in 1914 the total value of estates under administration was only £12,282,883, and that in the period of fifteen years since that date the volume of business has increased practically fourfold, and the funds at credit of estates and accounts nearly fivefold, from £6,366,707 to £31,043,172, it will be realized how remarkably rapid has been the progress of the institution and the favour in which it is held by the community.

The figures relating to the numbers of wills deposited for safe custody in the Office by living testators who have appointed the Public Trustee their executor are equally imposing, and afford a striking index of the prospects of future growth.

ADVANCES TO ESTATES AND BENEFICIARIES.

20. The Public Trustee's power to make advances to tide estates over until such time as the assets can be realized to the best advantage is undoubtedly of great service to the estates under administration and to the beneficiaries concerned. Where there are insufficient liquid assets in estates to provide for administration expenses, death duties, debts, legacies, &c., the Public Trustee is able, in appropriate cases, to make an advance on the security of the estate assets. The expenses incidental to raising a loan on mortgage are thus avoided, and, in addition, the funds required are available without delay. By this means the sacrifice of assets on an unfavourable market in order to provide funds urgently required is obviated, and opportunity afforded to "nurse" an estate until better conditions prevail. Proceeds of assets realized, as they come to hand, are applied in reduction of the advance, and the estate thus receives immediate benefit by way of a reduction in the interest charge.

Advances to beneficiaries on the security of their interests in estates are also made where circumstances warrant this being done. It frequently happens that the estate assets consist largely of mortgages which will not mature for several years, or real estate or other assets which, for some reason, it is difficult or in-

advisable to realize at once. In such cases beneficiaries are enabled to secure an advance to assist them with their finances until such time as the mortgages fall in or the other assets can be realized to advantage.

Advances to estates and beneficiaries at the 31st March, 1929, amounted to £371,031.

GOVERNMENT SUPERANNUATION AND OTHER FUNDS.

21. The administration of the investments of the National Provident Fund and of the three large Government Superannuation Funds—the Public Service Superannuation Fund, the Teachers' Superannuation Fund, and the Government Railways Superannuation Fund—is conducted by the Public Trustee.

An arrangement which has been of increased benefit to those funds is that by which the Public Trustee has made available suitable investments when the cash held for investment has been in excess of the amount of applications on hand. This arrangement has enabled all funds to be promptly invested, and has obviated delays which might otherwise have been experienced in finding suitable investments.

As the investments are scattered throughout almost every district in the Dominion, the widespread organization of the Public Trust Office affords every facility for conducting the large volume of work arising out of their administration.

In addition to these four funds the Public Trustee administers four smaller Government superannuation funds, the moneys belonging to which are invested in the Common Fund. The position of these funds at the 31st March, 1929, is indicated below :—

	£
Civil Service Act, 1908	9,831
Deferred Pay (Naval) Account	42,040
Post and Telegraph Act, 1908	4,442
Public Service Classification and Superannuation Act, 1908, (section 31)	4,369
	<hr/>
	£60,682
	<hr/> <hr/>

LOCAL BODIES' SUPERANNUATION FUNDS.

22. A total sum of £217,680 was held by the Office at 31st March, 1929, on behalf of four superannuation funds set up by local authorities in accordance with the provisions of the Local Authorities Superannuation Act, 1908.

As I have already shown, the Common Fund is eminently suitable for the investment of such funds. Small contributions received at frequent intervals commence to earn the maximum rate of interest at once, and any withdrawals required on the death or retirement of contributors are immediately available.

INSURANCE COMPANIES' DEPOSITS.

23. The deposits held under the provisions of the Insurance Companies' Deposits Act, 1921-22, on behalf of foreign insurance companies carrying on business in the Dominion, amounted at the 31st March, 1929, to £1,021,481, inclusive of interest accrued but not disbursed. These deposits are held on behalf of thirty-four different companies, and in accordance with the terms of the Act are invested in the Common Fund. During the year one new deposit of £20,000 was received, and one company, having ceased to carry on business in New Zealand, received a refund of its deposit, amounting to £35,000.

In addition to these deposits, during the year two companies deposited amounts totalling £20,000 for investment in the Common Fund in accordance with the provisions of the Life Insurance Act, 1908, and amendments.

LOCAL BODIES' SINKING FUNDS.

24. The Public Trustee has been appointed Sinking Fund Commissioner in respect of a large number of loans raised by local bodies for various purposes.

DEPRECIATION FUNDS OF MUNICIPAL CORPORATIONS AND ELECTRIC-POWER BOARDS.

25. By section 48 of the Municipal Corporations Amendment Act, 1928, Municipal Corporations are authorized to appoint the Public Trustee Depreciation Fund Commissioner. A similar provision regarding the Depreciation Funds of Electric-power Boards is contained in section 21 of the Electric-power Boards Amendment Act, 1927. The amount of Depreciation Funds held at the 31st March, 1929, was £54,337.

MISCELLANEOUS ACCOUNTS AND FUNDS ADMINISTERED.

26. At the 31st March, 1929, these included—

New Zealand Sheepowners' Acknowledgment of Debt	£
to British Seamen Fund	43,556
Electric-power Schemes Deposits Act	500
Government Fire Insurance Fund	51,275
Government Stores Marine Insurance Fund	6,723
	<hr/>
	£102,054
	<hr/> <hr/>

TRUSTEE FOR DEBENTURE-HOLDERS.

27. The Public Trustee is trustee for debenture-holders under forty deeds of trust relating to debentures issued of an aggregate nominal value of £1,145,916. These debentures are, of course, not included in the value of estates and funds under administration at the 31st March, 1929.

GENERAL LEGAL EXPENSES ACCOUNT.

28. It occasionally happens that in the course of administration of an estate a question of law will arise which, while it refers particularly to the position in the estate concerned, is also of general interest, as similar circumstances are apt to occur in other estates under administration. In such cases it is sometimes necessary to bring a test case before the Court to settle the point of law in dispute, or to take the opinion of leading counsel thereon. In order to avoid loading the particular estates concerned with the costs of such proceedings of general interest, provision was made in section 28 of the Public Trust Office Amendment Act, 1921, for the Public Trustee to set up a General Legal Expenses Account out of which the cost of such proceedings or the fees for such opinion might be paid. This provision has proved of benefit to estates by obviating the inequitable charges some estates would otherwise have been called upon to bear in connection with proceedings of general importance.

SYSTEMS OF INTERNAL CHECK.

29. For many years past the Office has been at pains to build up a system of accounts, and internal check in connection therewith, calculated to provide the maximum degree of security against errors or fraudulent dealings with property or funds in the custody of the Office. During the past year the system of check was again thoroughly overhauled, and a number of additional precautions instituted which have met with the approval of the Treasury and the Controller and Auditor-General. This system of internal check is referred to more fully elsewhere in this report.

OFFICE BUILDINGS.

30. When it is realized how confidential and personal so much of the business of the Department really is, it will be recognized how necessary it is to provide suitable accommodation where clients can be interviewed in privacy and comfort, and at the same time the convenient transaction of business facilitated, the time and labour of the staff economized, and proper supervision over the work maintained. This need for providing ample office room, with every convenience, has been stressed by independent authorities, and it has been said—

The real necessity for extensive fireproof accommodation in such an institution as the Public Trust Office, for the safe keeping of securities, deeds, and other important documents, cannot be questioned; and it is due alike to the clients and to the management that adequate provision should be made for the proper carrying-on of the important business of so valuable a Department of the State.

The erection of the Public Trust Office at Dunedin on the new site in Moray Place proceeded steadily during the year, and the building has been opened for business since the 31st March last. The unsatisfactory conditions under which the business was being carried out in Dunedin and the lack of proper accommodation for the staff were such as to make the construction of a modern building a matter of urgent necessity. Before the building was given over to business it was thrown open to the public for inspection, and aroused great interest in the thousands of people who took advantage of the opportunity of viewing a fine modern office with adequate equipment.

The continued expansion of the Office business has rendered necessary additional accommodation for the staff at certain branches, and during the year it has been found necessary to extend the accommodation at Wanganui, Hawera, Invercargill, Nelson, and Palmerston North.

SAFE-DEPOSIT LOCKERS.

31. At the Head Office and in the principal Branches of the Department there has been installed a system of safe-deposit lockers to afford economical storage of valuables in repositories specially designed to guard against theft or fire. The rental for these lockers is moderate, and access to them may be obtained by lessees at any time during ordinary business hours. By means of the lockers the Office provides at reasonable cost safe keeping for negotiable securities and other valuables, and so affords those who avail themselves of its service relief from the anxiety inseparable from the keeping of valuables in homes or offices, where there is the risk of loss through fire or by theft. The Office safe-deposit system has proved very popular, and from time to time additional installations have had to be provided. This demand for lockers has been specially marked in Christchurch, where it has been necessary to extend the accommodation on several occasions. There is no doubt that, with the growth of population, as the service becomes more widely known increasing numbers of people will avail themselves of it.

STAFF.

32. The work of the Office is of a peculiarly distinctive character, involving many difficulties and technical intricacies. Thus, in addition to a familiarity with general business and commercial principles, there is required on the part of the staff knowledge of a special nature, such as accountancy and law in relation to the administration of wills and trusts estates, intestacies, mental patients' estates, &c. In the conduct of the Office business, too, the personal equation is essentially a very important factor. Moreover, the public naturally expects, and I think is entitled to receive, from a public Department the best possible advice and assistance that can be rendered. It has also to be remembered that one of the incidental advantages accruing to the clients of the Public Trustee is the guarantee of the Consolidated Fund to make good all breaches of trust. The security thus afforded to estates and the liability imposed on public funds make it essential that the proceedings of the Public Trust Office should be conducted with scrupulous care and with the most competent assistance. Considerations such as these render the staffing of the Department a very important matter. It is clear that without a competent staff the most thoroughly organized system will fail to achieve its purpose, and therefore the greatest care has been bestowed upon the selection and distribution of the Office staff.

Included in the Office personnel are experts capable of carrying out its difficult and technical work, and, on those occasions when outside agencies have necessarily to be employed, capable of criticizing and, if required, of supervising the work done by them. The organization is self-contained, and the staff is equipped to undertake all the numerous administrative and technical duties involved in conducting the administration of the estates under the Office control. Included on the permanent establishment are specialists in the various branches of legal, accounting, administration, and investment work: there are on the staff 106 officers who have

completed the Law Professional Examination, a number of these also being qualified as barristers, and eighty-five officers who have passed the Professional Accountants Examination, three of whom have also graduated in commerce.

All branches are now well organized, and it is the object of the management of the Office to reduce staff changes to the lowest possible limit, both to save removal and travelling expenses and to secure continuity in the administration of the estates and the transaction of the business generally.

The principal appointments during the year were—

- (a) The appointment of Mr. D. O'Donoghue, Assistant District Public Trustee, Invercargill, to the position of District Public Trustee, Whangarei.
- (b) The appointment of Mr. F. C. Coombe, First Assistant District Public Trustee, Christchurch, to the position of Reviewing Inspector Wellington.
- (c) The appointment of Mr. F. M. Whyte, Second Assistant District Public Trustee, Christchurch, to the position of First Assistant District Public Trustee, Christchurch.

There has been an addition to the number of the staff during the year, rendered necessary by the ever-increasing volume of work handled by the Office.

It is with regret that I have to record the deaths of officers:—

- Rinaldi, S. J., Clerk, Christchurch.
- Lerke, J. V., Cadet, Hamilton.
- Webster, W. D., Clerk, Head Office.
- Choules, C. F., Clerk, Wanganui.

33. With the rapid growth of business during the years just past, and the prospects of an even greater volume in the future, the matter of staffing in the years to come is one which demands serious attention. Obviously the practice of obtaining temporary clerical assistance in times of exigency and pressure would not be satisfactory in a Department such as this. It is not always easy to recruit from outside sources men with the necessary qualifications, and so it is realized that special attention must be devoted to the training of junior officers. They are encouraged to take an intelligent interest in all sides of the Office work, and to qualify themselves by undertaking some course of study which will be of value to them in their work. In addition, there has been in operation for some time past a system of classes for the training of the junior members in theoretical and in practical work. These training classes are accommodated in the Christchurch office, and each year a number of promising juniors are selected for a course of training. The members of the previous year's class are allocated to the various branches throughout the Dominion to meet staffing requirements. The results of the classes have been very gratifying, and show that they are serving the purpose for which they were designed—namely, the training and developing of promising junior officers in order to fit them for the exacting duties which they will be called upon to perform.

CORRESPONDENCE.

34. A frequent source of trouble and anxiety on the part of large concerns is the existence of recurring delays in the handling of the work. This difficulty arises largely owing to an unsatisfactory record system and the absence of effective check on the answering of correspondence, or through understaffing. The main cause is usually in the dealing with and replying to correspondence, and this fault prevails not only in large concerns, but even in those of smaller proportions. In connection with the work of the Public Trust Office, some years ago very special consideration was given to the dealing with correspondence, with a view to eliminating avoidable delays. A system of review of unanswered correspondence was instituted in order to locate and remedy the causes of delay. The system has now been in force for over ten years, and its introduction has had a marked effect on the correspondence. The system is simple and inexpensive, and in every way justifies the little extra labour involved.

RECORDS.

35. The departmental record system aims at simplicity so far as is consistent with accuracy and safety. To facilitate the recording at Head Office and at the larger branches, where the volume of correspondence is heavy, there are special record branches, but at the smaller branches the duties are carried out by officers partly engaged on other work. A simple and complete system of filing and indexing is in use, and the effectiveness and accuracy of the recording have been favourably commented upon by numbers of outside persons who have come in contact with it.

ADMINISTRATION OF ESTATES.

STATISTICS.

36. During the year a total of 3,508 new estates and funds came into the Office. These were of the following classification:—

	Number.	Value. £
Wills estates	1,135	3,398,920
Trust estates	292	947,534
Intestate estates	592	460,521
Mental patients' estates	389	406,067
Miscellaneous	1,100	1,878,308
	<u>3,508</u>	<u>£7,091,350</u>

The estates closed during the year numbered 2,247. Of these, 535 were estates which came into the Office after the 1st April, 1928.

On the 31st March, 1929, there were 17,176 estates and funds under administration. These are classified as follows:—

	Number.	Value. £
Wills estates	3,997	12,276,482
Trust estates	2,243	7,438,875
Intestate estates	2,289	1,595,275
Mental patients' estates	1,549	1,729,302
Miscellaneous	7,098	25,294,856
	<u>17,176</u>	<u>£48,334,790</u>

NEW ESTATES BUSINESS.

37. The amount of new business reported for the year constitutes a record for the Office. New estates and funds numbering 3,508, and totalling £7,091,350 in value were accepted for administration. An interesting comparison is afforded in the fact that the new business for this one year is more in total than the value of the whole of the estates and funds under administration by the Office only twenty years ago. This imposing total will render the rapid development of the Department more apparent to the public, and show the great amount of care and attention falling upon the institution in the control and proper management of what is acknowledged to be the largest trust and administration business in the Dominion. The existing business of the Office is laying the foundation for an even greater volume of business in the years to come. Its business, if efficiently conducted, carries with it a distinct goodwill, in that each estate and trust brings the Office into contact with a number of persons—beneficiaries, creditors, and others—who through the estate dealings gain first-hand experience of the security and advantages offered by the Public Trustee in his administration of estates, and who in turn appoint the Public Trustee to administer their own estates.

38. The most noteworthy feature in regard to the new business continues to be the number of estates placed under the administration of the Public Trustee by testators in accordance with directions contained in their wills. During the

year 1,135 wills estates of a value of £3,398,920, were accepted for administration, comprising almost half of the total value of new business for the year. These figures constitute a remarkable instance of a purely voluntary recourse to the services of a State official. The great bulk of these estates arose from wills held on deposit by the Public Trustee, but in a number of cases the Public Trustee was named as executor in wills held by legal practitioners and others, and on occasions, too, private executors named in wills renounced in favour of the Public Trustee and requested him to undertake the administration of the estates of their testators. As will be gathered from the figures given, the amount of new estate business arising from wills held on deposit is now very considerable.

39. Circumstances which constantly present themselves lead me to believe that the advantages of the Office are being more largely made use of not only by testators resident in New Zealand, but also by trustees in England and other parts of the British Empire holding property in trust for persons residing here. It is obvious that, where permitted by the deed of trust or other trust instrument to do so, considerable advantage must accrue to beneficiaries by transferring the trusteeship in such cases to the Public Trustee. Apart from other considerations, greater convenience must result from such a transfer on account of the proximity of the trustee and the consequent greater ease of communication and reference.

There are a number of matters which by virtue of various statutes must be undertaken by the Public Trustee. In those cases, however, where there is a voluntary recourse to his services the new business offering has to be carefully scrutinized before being accepted. The pitfalls surrounding trustees and administrators are numerous, and, as I mentioned in my report last year, particular care must be exercised when transfers of partially administered estates or trusts are involved.

In dealing with new business the aims and objects of the founders of the Office are always kept in view. It is recognized that the institution is a State one, existing for the service of the public, and therefore no class of business falling within the scope of the Public Trustee's duties which can be properly undertaken is rejected. No estate is too small for acceptance, and it is evident that the services of the Office are being freely utilized by people of small means as well as by the wealthier testators and settlors. Indeed, special facilities are afforded for administration of small estates by the Public Trustee, and clients, whether their interests be large or small, receive equal consideration and attention.

EXPEDITIOUS ADMINISTRATION OF ESTATES.

40. It will be observed that there is a difference of £2,912,108 between the value of the new estates and funds accepted and the net increase, at the end of the year, in the value of the estates and funds under administration. This represents part of the value of the estates fully administered or partly distributed during the year. Actually the amount of the distributions in estates considerably exceeds this figure, as in addition to new business there is a continual growth in the value of some of the estates and funds under administration.

As a result of its long experience, its carefully-built-up organization, and the many special facilities it possesses, the Office is in a position to facilitate the realization of assets in estates and generally to ensure expeditious administration and speedy distribution to the beneficiaries entitled, where the trusts under which the estates are held permit, and the beneficiaries desire prompt settlement. During the past year the administration of 2,247 estates and funds valued at £1,829,584 was finally completed, and of these 535 estates had been accepted after the 1st April, 1928. It will be observed that despite the expeditious closing of so many estates the rate of intake very considerably exceeds the rate of distribution, and year by year the total continues to grow.

It will be realized that in many cases estates cannot be closed immediately, owing to continuing trusts (as in the case of life interests, and shares held for minor beneficiaries), so that while the administration of all estates is promptly attended to, and distribution made to those beneficiaries who are of age and *sui juris*, there are a great many cases in which the assets, or funds representing their realization, must remain in the Office for many years.

A capable and specially qualified staff is available to deal with all problems of administration which may present themselves, and beneficiaries are kept closely advised of the progress made, consulted regarding the realization of assets, and encouraged to confer with and assist the officers of the Department with any advice which by reason of their local knowledge and familiarity with the affairs of the estate they may be able to tender. While promptitude in administration is kept steadily in view, the interests of the beneficiaries are always regarded as of paramount importance, and where conditions for realization of assets are unfavourable precautions are taken to protect the estates against the sacrifice of such assets. I have pointed out elsewhere that, if necessary, the Department itself finances the estate temporarily, or assists beneficiaries in need with advances against their shares, where it is possible to do so.

ADMINISTRATION ACCOUNTS.

41. The accounts of the Public Trust Office are kept on an approved and well-tried system, from which, as has been said, "have been eliminated cumbrous and unreasonably circuitous expedients." The arrangements for carrying out the system are designed to ensure expedition, to lessen labour, and to facilitate the transaction of business. At the same time the system, though simple, is adequate and eminently suited for the peculiar business in which the Department is engaged.

Basically, the principles of accounting are the same, whatever the nature of the business concerned may be, and, of course, in essentials the accounting requirements of a trustee cannot be said to differ from those of any other person or business. However, as a trustee acts on behalf of others, his accounts must be drawn to show the manner in which he has fulfilled his responsibility, and it is here that a difference arises between trustee and other accounting. It has been said of this :—

Fiduciary accounting is different from other accounting because of the fact that the idea of proprietorship is almost, if not entirely, absent, and in its place is substituted responsibility or accountability to another party. It always arises from delegated authority, the matters being placed under the control of some person or representative of the actual owner, and the purpose of accounting is to prove that the fiduciary has faithfully performed its obligation. Therefore the test of proper trust accounting is the ability of the system fully to explain or set out the fact that the one charged with the responsibility has fully executed it.

In the administration of an estate an executor or administrator is responsible to see that the beneficiaries receive what they are entitled to under the will or under the intestacy, as the case may be. He must keep proper accounts and submit them regularly to the beneficiaries. These accounts involve much detail, and, except in the most straightforward and simple cases, require professional skill in their preparation. Where there is a will, its provisions must, of course, govern the distribution of the estate funds. It frequently happens that the will is not clear in some of its provisions. This necessitates, in the first place, a reference to legal advisers as to the proper meaning and effect of the document, and, in the second place, possible application to the Supreme Court to have the ambiguity explained. A class of will which most often requires an interpretation of the Court is the "home-made" document, the will drawn up without reference to a solicitor or other person qualified in this class of work.

Administration accounts must be concise and as easy as possible to follow, but it is necessary that at the same time they furnish an accurate statement of the position of the trust property.

42. In the conduct of its business the Office deals with a wide range of property interests, and has on its books businesses of many kinds and assets of every description. Consequently the accounting problems arising in the administration of estates are not only those peculiar to trustee accounting, which in themselves are varied and complex, but also those which confront business people in the conduct of their affairs. It is necessary that the accounting system of the Department and its personnel be equipped to handle these manifold tasks, and I think the results show that this end has been adequately achieved. The Office includes on its staff numbers of accountants who, in addition to ordinary accounting qualifications, have gained wide and unique experience of executorship, administration, and trustee accounts, as well as death-duty and taxing matters. Statements of

account are prepared as soon as possible after the commencement of the administration of an estate or fund, and thereafter at regular intervals as arranged with the parties interested. As has just been said, statements of account must be concise and as simply set out as possible, but at the same time fully informative. The accounts issued to beneficiaries consist, in the ordinary course, of a summarized cash statement, supported by a list of existing assets and liabilities—fixed and contingent. The cash statement is appropriately analysed, and in its setting-out a logical sequence is followed in the grouping of the debit and credit headings. Whenever necessary, explanatory memoranda accompany statements calling for any special explanation or comment.

I am pleased to report that the accounting-work is absolutely up to date, and that the accounting arrangements of the Department have evoked a considerable amount of favourable comment.

REAL ESTATE.

43. As will be readily conceived, in a country like New Zealand, where so large a proportion of the national wealth is in land, real properties of all classes, both town and country, of a very considerable value are controlled by the Public Trustee as assets of a large number of the estates administered by him. These properties represent all possible interests in land, and include freehold, various Crown leaseholds (almost all of which are nowadays convertible into freehold on easy terms), and all other kinds of leasehold, whether held from public bodies or private individuals. Moreover, the Public Trustee as mortgagee, both in estates and funds under administration and mortgages forming investments of the Common Fund, is interested in real estate to an even greater extent than as legal owner on behalf of estates. The Office is, therefore, closely associated with the property-market and deeply concerned with questions affecting real estate.

A notable feature of the business reported for administration is the number of farming estates which in recent years have come under the control of the Public Trustee, so that he now manages numerous holdings of rural lands throughout the country. In a number of cases, for one reason or another, farming operations are actively carried on on behalf of estates.

44. Of recent years a steady change in the nature of farming operations hitherto carried on has been taking place in many parts of New Zealand. It is true that much of the land is used for the same type of farming continuously—as, for example, the hill country of western Canterbury, which is used exclusively for sheep-grazing. In suitable localities, however, large holdings have been cut up and numbers of small holdings established where formerly there was probably but one run or station. Moreover, in certain districts there has been a change from pastoral to dairying pursuits. Economic necessities have brought about this change, and the extensive use of fertilizers and up-to-date machinery have made possible this intensive farming. The beneficial results are shown in the marked increase in production.

45. In the towns, too, the Public Trustee deals with many properties, numbers of them being valuable residential and business blocks. In some of our cities the demand for residential flats is becoming more apparent, and recently there has been a fairly extensive erection of buildings designed to meet this demand. If the demand increases, it may have an important effect on many city properties, and may even result in a diminution of the demand for house properties in suburban areas, of which large numbers have been built in the past few years.

In the cities the change in values, and in the uses to which properties are applied, has been even more marked than in rural areas. The rapid growth of some of our cities has resulted in sharp rises in values in some localities. Areas which a few years ago were of small value for residential purposes have become valuable shopping, warehouse, and business centres. The care and development of city properties necessitates very close attention on the part of a trustee. Periodical inspections are carried out by experienced officers of the Department, who make suggestions and recommendations regarding the courses to be pursued in dealing with the properties. They report also on the condition thereof, and draw attention to any action necessary either by the Office or by the tenant. The inspections ensure that

these assets are kept in good order, and that the best course of dealing with them is adopted.

46. During the past few years the difficulties in the administration of farming estates have been accentuated by the fact that the market value of farm lands has shown a downward tendency. Apart from any other considerations involved in the question of land-valuation in regard to the Office work, it is important in reference to its effect upon realization, retention, or leasing of properties held in estates. There is little doubt that the prices paid for farming-lands have been too high to enable purchasers buying them at these exorbitant figures to work them to economic advantage. Ever since 1896 prices have been rising, with only temporary checks, and during the war years the rise in prices of farming products was abnormally accelerated. Land-values also rose rapidly until 1920, when the peak was reached. By 1919, on account of the boom, stimulated by unhealthy speculation, land-values were rising with even greater rapidity than the prices of farming products. As an economic writer on the subject puts it—

In 1919 the tendency of land-values to rise relatively faster than prices was making itself evident, for the speculative boom had started, and instead of farming land properly men bought with the object of selling at a higher price. The operations of land-salesmen also materially increased the rapidity of this rise. In 1920 the value of land rose to a point relatively higher than that reached by prices, showing that the estimation of future profits was over-optimistic. Productivity again increased, but more slowly than in the previous year, which, in view of the fact that still more men were going on the land, shows that there was a considerable slackening in individual effort, due to rising prices, which were expected to take the place of increased production.

In the years 1919 and 1920 appear more sales of land than in any other years of this period. This, in conjunction with the very rapid rise in land-values during these two years, indicates the speculative nature of much of the buying. Profits were looked for not from the produce of the farms, but from the increase in value—an unearned increment—which could be realized by resale. In this way land would often not be farmed at all, or would perhaps be used only for grazing a few cattle or sheep, which would break down fences, damage buildings, &c., while no attempt was made to maintain the pasturage. This happened in several instances known to the writer. Such methods naturally resulted in a reduction in the productivity of the land.

The demand for land is only a derived one, dependent upon the fact that it is an agent of production. Its economic value should be measured only by the return which it yields to the farmer, after all costs of production and a reasonable recompense for the labour of himself and his family are deducted from the gross value of the products. In order, therefore, to re-establish the sound relationship between land-values and prices in this Dominion it is obvious that deflation to a reasonable basis of value is not only inevitable, but an economic necessity. At the same time, a combination of circumstances may operate to depress values unduly, and so at times of falling prices it is essential that a trustee should exercise the greatest care to ensure that properties are not sacrificed.

47. During the year the demand, for the most part, has been slack, and the market slow. Accordingly it has been necessary to postpone the realization of numbers of estate properties, both urban and rural, until values become more stabilized and the market improves. The country properties which have been most easily and favourably disposed of were those of small area and fertile soil. The larger areas have been more difficult of disposal. In some centres, too, the realization of residential properties has been a difficult matter; and, indeed, in most places the supply of houses has practically overtaken the demand, and rentals have shown a tendency to fall. That being so, prices will also be affected, and must inevitably fall in sympathy with the return which the properties yield.

48. There is such a large number of properties and tenancies controlled by the Public Trustee in the city and suburbs of Wellington that it has been found necessary to establish a special Property Section at the office of the District Public Trustee, Wellington. This section arranges tenancies and leases, supervises the collection of rents, and pays special attention to all cases of arrears. This Property Section has been in operation only a short time, but already the results have more than justified the experiment. The handling of the various matters in connection with properties and tenancies has been greatly facilitated, and it has been possible to afford tenants and others increased attention.

BUSINESSES IN ESTATES.

49. In the wide range of assets controlled by the Public Trustee on account of estates under administration are included businesses of all kinds. In addition, many estates have interests in businesses of different kinds which are not actively managed by the Public Trustee, but which nevertheless require a certain amount of supervision and control by him as trustee, administrator, &c. Often testators direct in their wills that businesses with which they are associated shall be continued, and frequently, in the absence of specific directions in the wills, beneficiaries who are *sui juris* desire this to be done.

Businesses may be carried on more or less permanently, as, for example, where an estate owns a business in a flourishing condition, returning good dividends for the capital invested, and perhaps bearing the family name. In other cases the active carrying-on may be only temporary until a purchaser can be found. Often it is clear that a better price can be obtained for a business as a going concern than for the sale of the trade name, stock-in-trade, and fixtures. In such a case the interests of the estate and the beneficiaries can best be served by continuing the business until disposal at a favourable figure can be effected.

Obviously, the classes of business controlled by a large trustee concern like the Public Trust Office vary greatly, and the Public Trustee becomes interested in all kinds of trading and commercial undertakings. As I have said, the Public Trustee manages numbers of sheep, dairying, and agricultural farming businesses, but there are also under his control hotels, and retail shops of many kinds—drapery, grocery, plumbing, bakery, boot and shoe shops, and stationery and soft-goods establishments. Some of the businesses are very large undertakings, the supervision and management of which entail a great deal of care and vigilance. The Office has, however, designed its organization to cope with all phases of administration work, and, moreover, has at its disposal the accumulated knowledge gathered from years of experience. In regard to farming businesses, Farm Inspectors with a wide knowledge of farming management and control, buying and handling of stock, are employed; for the ordinary commercial undertakings a staff trained in business methods, and the services of a Financial Adviser, skilled in questions of finance, commerce, and general business, are available.

50. The running of businesses demands special attention to the accounting arrangements requisite for efficient conduct and effective control. Rigid control is required in regard to handling of cash, selling arrangements, and the making of purchases. The installation of effective systems of check and supervision is also essential. Particular attention must be paid to the question of costs to ensure that overhead expenses are reduced to a minimum and that unproductive lines of trading are not carried on. The Office gives careful consideration to all these questions whenever the occasion arises. Contrary to the common opinion, this question of costs is a vital one in the farming industries, and, as New Zealand is essentially a primary producing country, a matter of vital importance to the Dominion generally. Due account is taken of this factor in the administration of farming estates. In the last decade great advances have been made in the application of technical and scientific research to all forms of production, and as a result the art of agriculture has become much more highly developed, although it has still a long way to go. The people of a country like New Zealand, where over 90 per cent. of the exports are agricultural products, should welcome the extension of the agricultural side of education and the development of scientific research in the agricultural industries. It is gratifying to know that in New Zealand during the past few years research work has been successfully carried on by agricultural colleges, by the Cawthron Institute, and other places. It is, however, not only on the technical side that investigation is required. As an economist recently said,—

Agriculture is a business as well as an art, and can be greatly assisted from the business aspect by the application of economic research. Had we in the past given as much attention to the economics of agriculture as we have to promoting closer settlement and stimulating production, many of the difficulties which have confronted some branches of agricultural production could have been anticipated and avoided.

The need for basic research in agricultural economics is manifest, and it is pleasing to know that the appreciation of this need has been shown in a practical

manner by a marked growth in the last ten or twenty years in agricultural economic-research institutions throughout the world. These institutions are for the most part associated with universities, Government Departments, and agricultural colleges. The United States has advanced a considerable distance in research in this field, and it is reported that during 1927 the appropriation for the Bureau of Agricultural Economics exceeded £1,000,000. Important work in agricultural economic research has also been undertaken for many years in Continental countries, notably Denmark, Sweden, and Germany. An Agricultural Research Institute has been established at Oxford since 1913, and since the war the scope of its work has been considerably extended. In Canada and South Africa also research in agricultural economics is being developed. In recent years, too, an increased interest has been devoted to the subject in New Zealand.

Circumstances are often such that the farmer is not in the same position as the ordinary business man in the matter of particulars for the keeping of costs and the maintaining of a close watch on his financial position. Apart from the investigation of the major economic problems in the agricultural industries in relation to the country as a whole, one of the objectives of the research work in the field of agricultural economics should be to furnish farmers with a background of economic information which will guide intelligent programmes of production, increase farm efficiency, and decrease production costs.

Numbers of farms which come under the Public Trustee's control are a combination of different enterprises—grain-growing, sheep-farming, stock-raising, dairying, &c.—which are interdependent. It is often found that farmers pursue unprofitable lines of business for years, working hard in cropping and other directions without realizing that these activities do not pay for the labour and materials involved. Without cost records it is often impossible to ascertain what lines of business are profitable and what are not, and if steps are not taken to ascertain this vital fact good businesses may be damaged by the drain imposed by unprofitable lines.

I am pleased to be able to report that the Office control and management of businesses has met with a large measure of success. Many of these concerns have been carried on for a number of years to the entire satisfaction of the interested parties.

REALIZATIONS.

51. The favourable realization of estate assets very properly merits a great deal of attention on the part of the Office. From its long experience it has acquired expert knowledge of the methods of realization, and in dealing with all kinds of assets it has grown familiar with the complexities and difficulties of the market. In determining the course of realization in the case of wills, the provisions thereof must be primarily the guide to the trustee. Sometimes a will directs immediate realization, and at other times authorizes postponement and the carrying-on of a farm or other business for a time. The Office is fully and anxiously alive to the various business considerations, combined with a trustee's duties, to be taken into account with reference to the realization of estate assets. In this matter, however, it must not be overlooked that a trustee cannot, without incurring uncalled-for responsibility, deal with another man's property and affairs without regard to what the law demands of a trustee. A trustee must be guided by the interests of the estate he administers, and cannot permit himself to embark on any risky or speculative course. The circumstances of a particular estate largely determine a trustee's course of action. Where liabilities are heavy and creditors pressing, realization may be forced, through no fault of the trustee, possibly at an unfavourable time. Where an estate is sound financially, or where financial accommodation can be arranged, the Public Trustee is, of course, in a position, if need be, to await favourable markets and improved conditions before attempting to dispose of the assets. Elsewhere in this report mention has been made of the facilities which the Office affords for financing estates in suitable cases, and thus preventing the sacrifice of assets by enforced realization. Apart from compulsory directions in the will or the paramount directions of creditors in insolvent estates, wherever it can possibly be done the action of the Public Trustee as to realization or to carrying

on is guided by the wishes of the beneficiaries where they are *sui juris* and available. It is the invariable practice to consult them in regard to the time and mode of realization, the agents to be employed in doing so, the reserves to be fixed, and so on. In realizing the greatest care is taken to prevent the interests of the beneficiaries from being prejudiced. The markets receive close and constant study, and experts are retained to assist in dealing with the various classes of assets calling for administration—*e.g.*, in addition to expert advice of competent independent valuers, Farm Inspectors are employed in connection with realty and farming properties, and the Financial Adviser in respect of shares and investments in joint-stock companies, businesses, and financial matters generally.

Where realization is optional, before a sale is decided upon the returns likely to be secured from the assets in their existing form are compared with those which would be forthcoming from the investment of the proceeds. Moreover, the question of prospective values of landed and other interests is always kept in view. In sales of realty the matter of subdivision receives due consideration. During the past year a number of successful sales have been effected through the adoption of schemes of subdivision. Numerous expressions of appreciation of the manner in which the work of realization has been carried on are on record.

52. It is highly improper for a trustee or for his agents to deal with trust property in their own interests, and officers of the Department are therefore at all times absolutely prohibited from dealing in estate property. A similar attitude is adopted in regard to advisory trustees.

SHARES.

53. The limited-liability company is an outstanding feature of modern finance and the conduct of industry, and with the extension of national and municipal development public bonds and debentures are a common form of asset in the community. A great many of the estates which come under administration are possessed of shares, stocks, and debentures in various public and private concerns, so that the Public Trustee in his official capacity controls wide and extensive interests in the Dominion and elsewhere. The handling of shares is frequently an important matter in the administration of an estate, and every effort is made to protect the interests of those on whose behalf the Public Trustee acts. The work involved in dealing with share investments has assumed large dimensions, and is rapidly increasing year by year. Very properly, shares are not trustee investments. Sometimes we find trustees criticized for not investing in stocks and bonds which would undoubtedly have appreciated in value and increased the amount of the estate. These critics fail to realize that a trustee's duty is plainly not to speculate with the funds of an estate, but to conserve the corpus and pay a reasonable income to life tenants and others. Quite a different problem presents itself to the average business man in his lifetime. He can afford to take risks with his own property, and if he loses in doing so the responsibility is his own. A trustee, however, must consider the interests of all the beneficiaries. Often the shares and stocks which offer the greatest opportunity for appreciation yield but a small return, and those which provide a large return may offer little in the way of appreciation in value. The Courts are uniform in declaring that a trustee must, at all costs, maintain the principal for the remaindermen and obtain a reasonable income for the life tenant.

In the ordinary course the duty of the Public Trustee, as of any other trustee, is to realize such assets and to invest the proceeds in legal securities. The will or trust instrument, however, may specifically direct investment in shares and other such forms of investment or may authorize the retention of those already forming assets of the trust, and, apart from this, for one reason or another it may be necessary or advisable to retain shares on behalf of estates. Thus, if there are good and sufficient reasons justifying the retention of shares, then, of course, provided the beneficiaries request it and the Public Trustee can properly do so, their wishes are complied with. For example, if shares are held in sound concerns returning good dividends they will be retained at the request of the interested parties if they have absolute interests and if proper indemnities and safeguards are forthcoming.

To assist in dealing with shares, stocks, and debentures, a Financial Adviser to the Office was appointed some years ago. His services are freely availed of, and his expert knowledge and long experience prove of great value to the Office and its clients in the realization of shares. The trend of the market is carefully observed, and the interests of those who have entrusted their affairs to the Public Trustee are safeguarded in every possible way.

There is no doubt that heavy losses are suffered by many individuals through unsuccessful speculation and through the failure of joint-stock concerns in times of financial stress. The hawking of shares in concerns doomed to failure is a source of loss not so much amongst the experienced investors as amongst ordinary householders, who have little knowledge of these matters. It is interesting to note that in the English Companies Act, 1928, there is a unique provision prohibiting this practice of share-hawking, and laying down with clearness the conditions which must be complied with in making an offer of shares to any member of the public. It is worthy of note that in a large number of estates which are reported for administration are included in the assets various shareholdings which are saleable only at a heavy discount, or more often are absolutely worthless.

Every shareholding in which the Public Trustee is interested is regularly reviewed, and the financial position of every company in which shares are held is carefully surveyed. Fluctuations of the share-market receive close study, and everything possible is done to prevent estates under administration suffering loss through depreciation in share investments.

54. During the past year there have been no violent fluctuations on the market. As a result of the successful season experienced by our primary producers, there has been a considerable increase in the amount of money available for investment. Many individuals with large credits have shown a disposition to lock up their funds in fixed deposits, but others have turned their attention to the stock exchange, and there has been a healthy demand for all recognized securities. The number of investors shows an increase, and more people of small means are looking to the exchange to find investments for their surplus funds. The chief attraction which such investments possess for them is the fact that they are regarded as comparatively sound and at the same time offer prospects of capital appreciation.

During the period under review the prices of shares in many concerns have shown an increase, partly due to the profits arising from successful trading operations, and partly due to the increase in the amount of money available for investment. As a result of the improved market the Public Trustee has been able to dispose of various holdings whilst prices were favourable.

CLAIMS AGAINST ESTATES.

55. The first concern of an executor or administrator is to see that all assets of a deceased person are placed under proper protection. He must also take steps to ascertain the extent and nature of the liabilities of the estate, and difficulty is often experienced in connection with the claims made. A common cause of difficulty and heartburning is where claims are made by the members of a family against the estate of their father in respect of services rendered during their father's lifetime. For example, in the working of a farm it is often found that no business arrangement has ever been made between father and sons providing for the proper remuneration of the latter. Contrary to what was expected, the father often dies without making a will, and the disposition of his estate, which he probably intended to make by will with the object of adjusting the interests of the children, particularly in the direction of recognizing the special services rendered by any of them, is never made. The result is that the children are by law all equally entitled, and injustice is done to those who have given their services without proper reward. Claims are made against the personal representative, who, in most cases, is bound, however reluctantly, to reject them. Cases such as this are of very common occurrence in the administration of estates which come under the control of the Public Trustee. In a number of cases, too, claims are put forward for board, and care and attention, and services of a similar nature which were performed on behalf of the deceased by relatives, friends, and neighbours, ostensibly as acts of bounty or kindness, without any

contract or arrangement for remuneration. No doubt in some instances the hope or expectation of receiving a post-mortuary benefit in the form of bequests under the will to some extent prompts the performance of these acts. When these hopes are disappointed, claims in various shapes and forms are put forward by the benefactors. In most instances they have to be rejected by the personal representative of the deceased, and at times considerable resentment is shown on the part of the claimants. Several claims of the nature just described came up for consideration during the past year.

Speaking generally, I may state that it is often not recognized that, although the rule is one of practice rather than of law, claims against the estate of a deceased person usually require to be corroborated by evidence other than that of the claimant. It is often difficult or wellnigh impossible to obtain the necessary corroborative evidence, especially in cases of reticent persons who have no intercourse with near relatives, or friends residing in their localities.

56. The foregoing serve merely as illustrations of the difficulties which are encountered and which add to the correspondence and the work of investigation. Often, too, there is confusion between the debts owing and Crown levies, and the Office charges. Although the Office charges are clearly set out in the accounts, frequently legal costs, death duties, and other necessary disbursements, which would have to be paid whoever administered the estate, are lumped together by critics and quoted as the Public Trustee's charges.

In the criticism of delays of trustees in the administration of estates critics are not always careful or accurate. In common with other trustees, the Public Trustee is often unjustifiably blamed for the length of time which it takes to complete the administration of an estate. The Public Trustee, like any other trustee, can administer an estate only as he finds it. Winding-up may be delayed by many complications and difficulties. The estate may be possessed of onerous and unrealizable assets or faced with heavy liabilities, and may be called upon to pay heavy legal costs through unavoidable litigation. The progress of the administration may be hampered, too, by dissension amongst the beneficiaries.

Another matter worthy of mention is that the liability of mortgagors under their personal covenants often causes the Public Trustee, as well as other trustees, much concern, and in many instances seriously impedes the administration of an estate. It may happen that the success or failure of the sale of the security determines the solvency or insolvency of the estate. Again, the realization of the estate may be completed and the trustee be in a position to make a distribution to the beneficiaries, but because of the contingent liability he may be compelled to withhold payment for many months until the liability is definitely determined. Doubtful securities are often difficult to realize, and the length of time taken in effecting a satisfactory sale causes the beneficiaries much inconvenience and disappointment, and in some cases may even result in serious loss to them financially. It would be well if owners of land when arranging to mortgage their interests would give full consideration to the possibility of subsequent liability under the personal covenants into which they enter.

CORRESPONDENCE IN ESTATES.

57. The administration of estates is a special work, and it is only to be expected that its intricacies and technicalities are often but little understood by those who are not experienced in it. Around it has grown up an elaborate system of law, and to the inexperienced this labyrinth is a vast puzzle. In conducting the correspondence in estates it is essential that it should be lucid and explanatory, and be couched in language that will enable the most inexperienced of those to whom it is addressed to understand the position of the administration. The Office devotes very special consideration to the preparation and despatch of correspondence in estates, and this, with explanatory accounts, regularly rendered, is a source of much satisfaction to the beneficiaries.

PROTECTION OF BENEFICIARIES.

58. Any beneficiary in an estate in the hands of the Public Trustee is fully protected. Apart from the State guarantee, the Public Trustee is a public officer

whose actions are subject to investigation and criticism. Moreover, a further safeguard is afforded to a beneficiary. If he feels aggrieved by any act, omission, or decision of the Public Trustee he may apply in a summary way to a Judge of the Supreme Court and such Judge may make such order as he thinks fit.

INTESTATE ESTATES.

59. In recent years it has been noticeable that the number of intestate estates reported for administration has shown a tendency to decrease, although all other estates reported have shown a marked increase in number and value. During the year 592 intestate estates, valued at £460,521, were placed in the Office for administration, and on the 31st March last 2,289 such estates, of a total value of £1,595,275, were under the control of the Public Trustee. The new business for this class of estate showed a decrease, which is in keeping with the experience of previous years.

To be subject to the rules regulating intestate distribution, property must be such that the deceased owner, if of testamentary capacity, could have disposed of it by will. If in such a case the owner makes no effective disposition of the property, he dies intestate in regard thereto. Partial intestacy occurs where a man makes a testamentary disposition of part only of the property of which he is competent to dispose by will. There can be no doubt but that the diminution in the number of intestate estates reported is due to the fact that nowadays increasing numbers of persons are taking steps, by means of testamentary directions, to ensure that their estates shall be administered and disposed of in accordance with their wishes and the proper claims on their bounty. The stereotyped statutes of distribution, which operate in the absence of testamentary dispositions, were framed, of course, to distribute as fairly as might be the estate of a deceased intestate amongst his next-of-kin. Distribution under intestacy, however, is necessarily rigid, and cases often occur where, by reason of there being no will, dependants and others with strong moral claims on a deceased person are left destitute, whilst the administrator has to search for the next-of-kin, who very often are abroad and who have been completely out of touch with the deceased but who, when found, take the whole estate.

At best, there can be but a small minority of cases where the distribution of an estate under the laws governing intestacy conforms to the manner in which the deceased person would have wished to see his estate distributed.

60. Whilst on the subject of intestate distribution, I deem it advisable to point out that experience over a large number of cases leads me to the conclusion that a number of statutory provisions affecting the administration of estates and the distribution of intestacies is to some extent out of harmony with modern ideas, and, as I have said, often excludes those who have strong claims on moral grounds to participate. I agree with those who claim that the recent Trustee Acts and Settled Lands Acts in England and similar legislation in some of the Australian States might advantageously be copied here, and some of our statutes with justification brought into line with that advanced legislation. An important part of the Administration Act, 1908, deals with the distribution of estates of intestates. When this Act was first framed it was rightly regarded as an advanced piece of legislation, but something should be done to lessen the rigidity of the provisions—for example, in regard to the mother of an intestate where the father is unworthy. In the case of wills, the Family Protection Act has in recent years afforded relief to a widow and children who have not been provided for by a testator, but nothing has been done to give greater elasticity in intestate distribution.

Numbers of intestate estates are small in value and their administration often not lucrative. At the same time, it is recognized that the work must be done, and that the Office is a public institution created to render a public service. Accordingly, no estate is refused, however small, unless it presents complications and liabilities which would not admit of its being efficiently or safely administered by the Public Trustee or any other administrator. As has been pointed out,—

Intestate estates are very troublesome to handle, for frequently they are represented by a suburban section with a cheap house and a heavy mortgage. Such properties are difficult to dispose of so as to satisfy the expectations of beneficiaries, and especially so when suburban properties of that kind come to be a glut in the market.

The administration of intestate estates by the Public Trustee is, however, most useful to the public, for it keeps the administration clear of domestic quarrels and jealousies, and the Office spares no pains to seek out the next-of-kin and faithfully distribute the assets amongst those entitled.

61. The administration of intestate estates entails the usual responsibility in the getting-in of the assets, the payment of the debts, funeral expenses, and all other of the lawful liabilities of the deceased, but presents an additional important feature in the establishment of the next-of-kin and the determination of the distribution of the estate. Once the next-of-kin have been established, the distribution is governed by certain statutory provisions and involves the application of fixed principles of law. The domicile of a person has a direct influence upon the distribution of his estate under intestacy, and must be taken into account when the distribution is being considered. This involves at various times the application of the laws governing the distribution in many countries. Questions of domicile affecting not only the British dominions, but also most of the European countries, China, the United States of America, and the South American republics, have had to be dealt with in the intestate estates under administration by the Public Trustee.

Often the details of family history available to the administrator are most meagre, and the search for the next-of-kin involves a large amount of correspondence and advertising. Frequently the advertisements published in efforts to trace the next-of-kin elicit replies from all parts of the world. All claims received must be scrupulously investigated and checked against the available details of family history.

62. There is current an erroneous impression regarding the distribution of intestate estates that has frequently come under my notice. I refer to the belief which is held by many people that in such estates the Public Trustee or the Crown confiscates either the whole or varying proportions thereof. It is difficult to understand how so totally an erroneous idea could have such a widespread currency, but as it recurs so frequently I take this opportunity of stating that it is entirely without foundation. The Public Trustee charges nothing beyond his scale fees for administration, and the Crown levies no more death duties in an intestate estate than it would do had the deceased left a will disposing of his property in the manner provided in the statutes governing the distribution on intestacy.

It may be that there is confusion in some minds between the distribution and levies in intestate estates and the law of *bona vacantia* as applicable to these estates. On intestacy where there are no next-of-kin the Crown is, of course, entitled to the balance of the estate of the deceased as *bona vacantia*, whoever may be the administrator.

MENTAL PATIENT ESTATES.

63. The Office performs a very useful and necessary service in connection with the administration of the estates of mentally defective persons. It is essential that proper provision be made for the estates of those persons who by reason of their helpless condition are unable to attend to their own affairs. The Mental Defectives Act, 1911, and the amendments thereof make full and careful provision for this important work. So that early attention may be given to these estates, the Act requires that every Magistrate making a receiving-order and every other person who makes any order for the reception and detention or confinement of any person shall send forthwith to the Public Trustee notice of such order. The Act further imposes upon the Public Trustee the conduct of the administration of the estates of all mental patients, except in those cases where a private committee or administrator has been appointed to act. Even in those cases where a private committee is appointed the Act requires him to render to the Public Trustee, at such times as shall be prescribed, an account of the affairs of the mental patient and of all the transactions of such committee. Thus the Public Trustee must exercise with respect to mental-patient estates not administered by him a supervision the effect of which cannot but be wholesome and advantageous to the estates concerned. The Public Trustee makes careful scrutiny of the accounts of all private committees to ensure that the administration is being properly conducted, having regard to the powers conferred on the committee by the Act and the law regulating the administration of these estates.

During the year 389 estates of mental patients, with assets of a total value of £406,067, were reported to the Public Trustee for administration, and on the 31st March last there were 1,549 of these estates, with assets valued at £1,729,302, under the control of the Office.

A number of the estates reported are of very small value. Nevertheless they necessitate a certain amount of inquiry and duties of various kinds to afford protection to the patient and others concerned. The powers conferred on the Public Trustee enable this class of estate to be administered with economy and afford advantages to the mental patient and his family, which is a consideration of no small moment to a large number of persons in the community. The legislation governing this work authorizes prompt and inexpensive administration by the Public Trustee from the time that the committal deprives the estate of the care of its owner until the mental incapacity ceases or, on the death of the patient, the administration is undertaken by the executor or administrator.

64. As I set out in my report of last year, the administration of the estate of a mental patient is governed by principles very different from those applying in the administration of the estates of deceased persons. In the administration of the estate of a deceased person the lawful debts must be provided for before the beneficiaries can receive any benefit. In the administration of the estate of a mental patient the leading principle and paramount consideration is the interest of the patient himself: *In re Smith* (1927 G.L.R. 274). The policy followed in the administration—at least, so long as the patient has any prospect of recovery—is to keep the estate, so far as is justifiable, intact, and unchanged, and the assets are conserved in order that the patient upon discharge will not find himself destitute.

65. The Public Trustee, as statutory committee of a patient's estate, is primarily concerned with the proper administration of the estate; but at the same time there rests upon him a certain degree of responsibility to arrange that the patient is maintained in a manner befitting his station in life, having regard to the value of his estate and the demands upon it. Of course, in the majority of cases relatives and friends of the patients visit them and make arrangements or representations for comforts beyond those which are provided in the ordinary hospital routine. Where relatives or friends attend adequately to the wants of a patient the Office is careful not to trespass on such arrangements. There are, however, numbers of patients who have no friends or relatives in the Dominion to make any arrangements on their behalf, and for patients such as these the Public Trustee ensures that any steps possible to add to their comfort are taken. There is close co-operation between the Mental Hospitals authorities and the Office in this matter of providing additional comforts or services, and no arrangements are made in this direction without consulting the hospital authorities, as, of course, they are in the best position to say what is for the good of the patients under their control.

I wish to place on record the willing manner in which the Mental Hospitals Department co-operates with this Office in its work, and the valuable advice and assistance which it affords.

Careful consideration is also given to the making of provision for the requirements of the wife and family in cases where it is possible and proper to do so.

66. The powers, duties, and functions of the Public Trustee in regard to the estate of a patient cease when the patient is discharged in accordance with the Act and when it appears from the notice of discharge that he is able to manage his own affairs. When a patient is completely recovered the Mental Hospitals authorities issue what is known as a "discharged recovered" certificate, upon receipt of which the Public Trustee hands over to the discharged patient the control of his estate. There are, however, a number of persons who have been inmates of mental hospitals and who recover sufficiently to be liberated from the institutions but whose mental condition is such that they will never completely recover. In these cases the Mental Hospitals authorities quite properly could not issue a "discharged recovered" certificate. Nevertheless, the mental condition of a number of these is such that they are capable of managing themselves and their own affairs with ordinary prudence and in doing so will not be at a disadvantage in dealing with their normal fellows. Until 1914 there was no provision for the resumption of the control of their affairs by people of this description. In that year, however, was passed

the Mental Defectives Amendment Act, which provides that in the case of any person discharged or deemed to have been discharged under the Act, if the Public Trustee upon such evidence as he may require is satisfied that such person is able to manage his own affairs, control of his estate may be handed over to him. Accordingly the question for the Public Trustee to determine is whether such persons should be allowed to manage their own estates. This discretionary power is very carefully exercised, in order that the persons themselves and those dependent upon them will be properly protected. A number of cases under this provision came up for consideration during the year.

AGED AND INFIRM PERSONS PROTECTION ACT.

67. As its title implies, this Act was drawn for the protection of those persons who by reason of advanced years, bodily or mental infirmity, or other causes, are unable to manage their own affairs, or are likely to be subject to undue influence in dealing with their property. Where it is established to the satisfaction of the Supreme Court that such a state of affairs exists, the Court may make a protection order under the Act in the prescribed form. The Public Trustee may be appointed to act as manager, and by reason of the organization and the facilities for administration of estates afforded by the Office he is frequently approached to do so. During the past year the Public Trustee has been appointed manager in a number of cases, the figures for which are included under the heading "Miscellaneous," in the statistics relating to new estates. Where a private manager is appointed by the Court, the Public Trustee has a duty to perform in regard to the estate similar to that rendered in the estate of a mental patient where a private committee is appointed. The manager is required to file, at such times as may be prescribed, in the Supreme Court a statement of his administration, and to deliver a copy to the Public Trustee, who scrutinizes the accounts, files a report in the Supreme Court, and transmits a copy of the report to the manager. The Public Trustee must satisfy himself that the accounts are in order; that the management during the period covered by the accounts has been conducted in a satisfactory manner and in the best interests of the protected person; and that there was proper authority for all investments arranged and for all disbursements made.

As I have pointed out on numerous occasions in the past, under the existing legislation the Public Trustee has no means of knowing when an appointment of a private manager is made, and therefore cannot be certain that all private managers are complying with the important statutory requirements regarding the rendering of accounts. Indeed, every now and then cases come under notice where the requirements are not complied with, sometimes for a number of years.

Some of the estates of protected persons are large, and contain interests of an involved and difficult nature. The administration problems which are met with in the management of the property are often those common to estates of all classes, although at times it is found that a protected person has, by reason of his infirmity, muddled or mismanaged his affairs, or become involved in transactions disadvantageous to him and therefore requiring most careful attention and at times having to be set aside. Very often it is difficult to decide what is best in the interests of the estate in these matters. The question of allowances for the maintenance of protected persons and dependants is also important. During the past year a number of difficult complications were dealt with in connection with some of the estates administered under the Aged and Infirm Persons Protection Act, 1912.

CONVICTS.

68. Under the provisions of Part III of the Prisons Act, 1908, the custody and administration of the estates of convicts are to be entrusted to such persons as the Governor-General may by writing under his hand appoint. In practice, all such estates are administered by the Public Trustee pursuant to a general authority given by His Excellency the Governor-General. An exception is made in the case of Natives within the meaning of the Native Land Act, 1909, whose estates are administered by the Native Trustee. The Prisons Act, 1908, defines

a "convict" as a person sentenced by any Court of competent jurisdiction to death or penal servitude upon any charge of treason or felony, and includes every person who, after the coming into operation of the Criminal Code Act, 1893, is sentenced under that Act or under the Crimes Act, 1908, to imprisonment for a term of three years or upwards, with or without hard labour. In addition to persons defined as "convicts" by the Prisons Act, 1908, by section 24 of the Crimes Amendment Act, 1910, persons sentenced to reformatory detention for any period are deemed to be convicts for the purposes of the administration of their estates.

The estates of convicts are often involved, and present unsatisfactory features. Frequently claims are made for damages by way of satisfaction for compensation out of the estate of a convict for loss of property, or through injury, alleged to have been suffered by criminal or fraudulent action on the part of the convict. Convicts are consulted, through the Prisons authorities, before any realization is arranged or any other important step in the administration is taken.

The administrator is empowered to provide for the maintenance of the wife and children or of any other relative dependent upon the convict for support.

69. It appears that there is no statutory provision for the administration of the estates of persons sentenced to Borstal detention, and the Public Trustee has no special authority to administer the estates of inmates of Borstal institutions, except in certain cases where a transfer from another institution has taken place—*e.g.*, if the person concerned was a convict within the meaning of the Prisons Act, 1908, prior to transfer to a Borstal institution. If a person sentenced to Borstal detention wishes the Public Trustee to act in connection with his estate it is necessary for him to complete a power of attorney appointing the Public Trustee as his agent.

AGENCIES.

70. The Public Trustee is empowered to act as attorney or agent, and the wide representation of the Office throughout the Dominion, its organization for dealing with assets situated overseas, and its facilities for the remittance of funds render it eminently suitable for the prompt and satisfactory conduct of agency business. In conducting this work the Department provides a much-appreciated service, and enables persons who, by reason of ill health or lack of business experience or absence from the Dominion, have found it necessary to appoint an attorney to leave their affairs in safe and experienced hands. This side of the Office operations is building up a very considerable goodwill, and it is gratifying to record that beneficiaries very often appoint the Public Trustee as attorney in connection with work entailed in the management of property descending to them from estates which had been administered by the Office. That the estimation in which the Office stands is high is indicated by the increasing number of persons of all classes in the community who each year appoint the Public Trustee their attorney.

RESEALING.

71. Whilst on the subject of agencies, I wish to refer to one branch of it which is growing in popular favour. On behalf of personal representatives of deceased persons overseas the Office is frequently called upon to act for executors or administrators in dealing with assets situated in New Zealand, or in prosecuting in this Dominion inquiries arising out of the administration. For a personal representative abroad who desires to reseal in the Dominion probate or letters of administration, and who has no agent here, the Office organization is very suitable. As the knowledge of the Office and its activities extends with people overseas, a larger number of executors, trustees, and administrators in foreign countries avail themselves of the Public Trustee's services in this capacity. The organization of the Department ensures speedy handling of the work in all aspects: the resealing of the grant in the Supreme Court, the realization of the assets and other requisite dealings, and the transmission abroad of securities or proceeds of realization. During the past year the Public Trustee has acted in the matter of resealing and administration of New Zealand assets on behalf of executors, trustees, and administrators in various parts of the British Empire, and in a number of foreign countries.

ADMINISTRATION OF ASSETS ABROAD.

72. With over seventeen thousand estates and funds under administration, the wide diversity in the assets and property interests to be dealt with will be readily recognized. Amongst these are assets in many parts of the world. The wide experience of the Office, and its knowledge of foreign procedure and forms in regard to applications for administration in foreign jurisdictions, gained in the course of years, proves valuable in these cases.

When it is necessary to obtain administration in countries overseas, to enable property abroad to be dealt with, the Public Trustee appoints a suitable representative in the country concerned, to act for him in obtaining administration and in handling the assets. In administration within the British Empire the Public Trustee usually employs those State officials in the various countries whose functions are similar to his own. Whenever any special circumstances exist which render advisable the employment of a private legal firm (*e.g.*, by reason of its previous connection with the estate concerned) the work is entrusted to such firm. In foreign countries, as distinct from portions of the British Empire, the question of a suitable representative receives consideration as the necessity arises. At times the services of His Majesty's Consular representatives have proved most useful.

UNCLAIMED LANDS.

73. In the course of the settlement of this country it has been found that in many places properties, at times of considerable value, have been left lying waste and unoccupied. It will be readily understood how this came about in a new country. The colonists frequently changed their places of residence or left the country, abandoning without further thought holdings which when acquired were of negligible worth, but which with closer settlement and the passage of time became more valuable. At times, too, the holdings of persons dying without successors in this country were left unclaimed. These abandoned and unclaimed properties tended to become a nuisance and an obstruction in municipal and county management, or a menace to the districts in which they were situated, by reason of the growth of noxious weeds, &c. The properties were often subject to confiscation and sale for the payment of rates, in some cases for much less than their actual value. It was, therefore, in the public interest, as well as in the interests of the missing owners, that there be provision for dealing with such land, and accordingly legislation to this end was passed. These legislative provisions are now to be found in Part II of the Public Trust Office Act, 1908, as amended by section 35 of the Public Trust Office Amendment Act, 1913. The Public Trustee is empowered to administer, as unclaimed, lands the owner of which has no known agent in New Zealand, or is unknown, or cannot after due inquiry be found.

Before land is administered as unclaimed, exhaustive inquiries are made, and notices published in newspapers and in the *Gazette* in an endeavour to trace the owner. Unclaimed lands, when accepted for administration, are vested in the Public Trustee in trust for the missing owners. The Public Trustee, in conducting the administration, is under a duty to exercise the diligence and care which a reasonably prudent and careful trustee would exercise in like circumstances to protect the interests of those beneficially interested. Experience shows that it is generally in the best interests of the owners to sell the lands: the lack of funds, which renders the Public Trustee unable to exploit them by labour and expenditure of capital (even if it were desirable to do so), restricted areas, and the difficulty of leasing are constant factors which make a sale imperative. * On the 31st March last the value of such lands under administration was £3,910, whilst cash to the extent of £1,521, representing the proceeds of realization still undistributed, was held. Considerable sums have passed through the hands of the Public Trustee, and valuable lands have been administered under these provisions, but, of course, as the Dominion becomes more closely settled the number of applications to have land administered as unclaimed is declining. By virtue of section 85 of the Public Trust Office Act, 1908, the Public Trustee is required to submit to the Minister of

Finance, for presentation to Parliament, returns of the land reported to him for administration as unclaimed lands. The return for the triennial period ended 31st March, 1929, has been duly submitted.

UNCLAIMED PROPERTY.

74. As distinct from unclaimed lands, Part III of the Public Trust Office Act, 1908, deals with unclaimed property, real and personal, and in a given case land as well as other property could be dealt with under these provisions. The primary purpose of Part II of the Public Trust Office Act, 1908 (relating to unclaimed lands), is to provide powers for administering land where necessary or expedient to do so, whilst that of Part III (relating to unclaimed property) is to provide statutory powers to protect the interests of an owner or any other persons in property belonging to a missing owner where it is in their interests advisable to do so. Before these provisions are applied precautions are taken to see that the interests of the missing owner or some other person interested will be served by such application. Before applying the provisions the Public Trustee must be satisfied that the owner, or his legal representative, or his authorized agent cannot be found. Careful inquiries are made to ascertain whether or not the Act is applicable to any particular case.

Cases frequently occur where the owner is missing for no known reason; but the most common type of application is that where a person has disappeared under circumstances which indicate death by misadventure, but where the evidence available does not warrant immediate application to the Court for leave to swear death or where the Court has refused to give such leave. In cases of this nature assets to a considerable value often require protection, and maintenance may have to be provided for the wife and children of the missing owner. After the lapse of time has raised a stronger presumption of death, it is usual to apply to the Supreme Court for leave to swear to the missing owner's death. If such leave is granted, administration of the estate is proceeded with in the usual way by the duly constituted executor or administrator.

In undertaking to administer the property of a missing person it is the Public Trustee's duty to protect the interests of the missing owner, and this is the principle which guides the administration. All moneys received by the Public Trustee are held in trust for the owner, save in so far as such funds are applied in proper exercise of the powers conferred on the Public Trustee. Briefly, these powers are: to enter into possession of the property; to perform certain of the missing owner's obligations; to sell (although this power is not exercised unless it is necessary or expedient in the interests of the missing owner or to carry out his obligations); and to apply moneys on account of the maintenance of the wife, husband, or children of the missing owner.

Unclaimed property valued at £3,937 was under administration by the Public Trustee on the 31st March last.

75. In addition to unclaimed property administered under Part III of the Office Act, unclaimed dividends and surpluses in bankrupt estates are paid to the Public Trustee by the Official Assignee, under the provisions of the Bankruptcy Act, and unclaimed surpluses in respect of the proceeds of properties sold by rating authorities for default in payment of rates are paid to the Public Trustee by the local bodies concerned. On the 31st March last the amount held under the Bankruptcy Act was £6,157, and under the Rating Act that held was £1,532.

DISCHARGE OF MORTGAGES UNDER SECTION 75 OF THE PROPERTY LAW ACT, 1908, AND SECTION 117 OF THE LAND TRANSFER ACT, 1915.

76. Under these sections the Public Trustee is authorized to give an effective discharge of an overdue mortgage where a mortgagee is absent from New Zealand, or is dead, and where there is no person in New Zealand authorized to give a discharge. Four mortgages were so discharged during the year, the principal and interest collected on settlement totalling £1,890 1s. 6d. The amount collected on the discharge of a mortgage under these provisions is, after the deduction of a small fee for the services of the Public Trustee, remitted to the absentee mortgagee.

CLAIMS UNDER WORKERS' COMPENSATION ACT, 1922.

77. Claims under the Workers' Compensation Act constitute an important part of the Office work. The Public Trustee's interest in these matters may arise under any of the following circumstances:—

- (1) Where he is an employer within the meaning of the Act liable to pay compensation :
- (2) Where he is the representative of a deceased employer similarly liable :
- (3) Where he is the representative of a deceased worker :
- (4) Where he is the statutory custodian of compensation moneys payable in respect of the death of a worker :
- (5) Where he is the statutory administrator under the Mental Defectives Act, 1911, of a mental patient's estate and the condition of the patient is the result of causes which create a valid claim for compensation :
- (6) Where he is the custodian of compensation moneys payable to a person who is under the age of twenty-one years, or who is of unsound mind, or who is subject to any other legal disability.

The claims with which the Public Trustee is concerned mainly are those arising under (3) and (4) above—that is, those arising out of the death of a worker, who is defined by the Act as any person who has entered into or works under a contract of service or apprenticeship with an employer, whether by way of manual labour, clerical work, or otherwise, and whether remunerated by wages, salary, or otherwise ; but does not include any person employed otherwise than by way of manual labour whose remuneration exceeds £400 a year.

78. The right to take proceedings for the recovery of compensation on the death by accident of a worker vests in the personal representative of such deceased worker, on behalf of the dependants of the worker ; but where there is no personal representative, or where no proceedings are taken by him within three months of the death of the worker, then the dependants themselves are at liberty to institute proceedings. In regard to each estate administered by the Public Trustee inquiry is made whether death was caused directly or indirectly by an accident. It frequently happens that the immediate cause of death has been a disease or some physical defect, which, however, may have been accelerated by an accident, and appropriate inquiries are made to cover this possibility. Where there are grounds for the enforcement of a claim for compensation under the Act in regard to the death, the Solicitor to the Office takes the necessary steps to enforce the claim.

When the amount of the compensation payable in respect of the death of a worker has been arrived at, the compensation moneys are, unless the Court (the Court of Arbitration) orders otherwise, paid to the Public Trustee in terms of the Act. The moneys are held by the Public Trustee for the persons entitled thereto, or pending an order of the Court apportioning them amongst the dependants. An order of apportionment may be applied for by any of the dependants, or by the Public Trustee at the request in writing of any dependants. If the Public Trustee is not notified within one month of the receipt of the compensation moneys that application is being made for an apportionment order, it becomes the Public Trustee's duty to apply himself for such an order.

It will thus be seen that, unless the Court directs otherwise, the Act constitutes the Public Trustee custodian of compensation moneys payable in regard to the deaths of deceased workers. This capacity of the Public Trustee is totally distinct from that of the executor or administrator of the estate of a deceased worker, and even where the Public Trustee is himself executor or administrator of the estate he receives the compensation moneys in his capacity of statutory custodian. As I have mentioned, however, in the legal representative of the worker vests the right to take proceedings for the recovery of compensation in regard to the death.

79. Once the amount of compensation is determined and paid over to the Public Trustee, the question of its apportionment amongst the dependants has to be settled. In the great majority of cases this is done by application to the Arbitration Court for an apportionment order. As statutory custodian, it is the duty of the Public Trustee to report to and to advise the Court as to the best and most equitable method of apportioning the moneys amongst the various dependants or of otherwise

applying the moneys. Full inquiry is made in regard to the dependants—their circumstances, age, state of health, earning-power, and generally any matters that will be of assistance to the Court in arriving at a decision regarding the apportionment and application of the moneys. During the period under review the number of applications made to the Arbitration Court by the Public Trustee for the apportionment of compensation moneys was fifty-two, and a number of applications was also made by private solicitors on behalf of dependants in which cases reports on the applications were filed by the Public Trustee.

80. In the administration of the funds in terms of the apportionment orders, payments for maintenance have to be made, in many cases over long periods of years, on account of dependants resident in various parts of New Zealand and elsewhere. Periodical reviews of these allowances, according to the varying circumstances of the dependant, have to be conducted. At times the purchase of a home for the widow and family has to be arranged. A purchase in a case such as this is usually financed under Court authority by applying the widow's share as a cash payment and making up the balance of the purchase-money out of the share of the infant children. Their interests are protected by treating this payment as an advance to the widow, and securing it by taking a mortgage from her for the amount involved. This mortgage contains a provision that so long as the widow maintains the children to the satisfaction of the Public Trustee no interest shall be charged.

Interest is allowed by the Public Trustee on the compensation moneys from the date of receipt, and continues uninterruptedly whilst any portion of the moneys is held by the Public Trustee. At the present time the rate of interest allowed is $5\frac{1}{4}$ per cent. per annum.

CLAIMS FOR DAMAGES FOR PERSONAL INJURY OR DEATH.

81. The Public Trustee's interest in claims for damages under the Deaths by Accidents Compensation Act, 1908, usually arises in his capacity—

- (1) As legal representative of a person whose death has been caused by the wrongful act, neglect, or default of some other person; or
- (2) As the personal representative of a person who while employed in or about a mine has been killed owing to the non-observance in such mine of any of the provisions of the Mining Act, 1926; or
- (3) As the personal representative of a person who while employed in or about a coal-mine is killed owing to the non-observance in such mine of any of the provisions of the Coal-mines Act, 1925; or
- (4) Under section 13 of the Public Trust Office Amendment Act, 1913, in any cause or matter in any Court where damages are awarded to an infant or a person of unsound mind; or
- (5) As the statutory administrator of a mentally defective person who has suffered injury through the tortious act of another.

Where a claim exists under both the Workers' Compensation Act, 1922, and the Deaths by Accidents Compensation Act, 1908, it is usual to enforce the claim which will result in the greater benefit. Compensation and damages cannot both be recovered, but the dependants are entitled to whichever amount is the greater. The Public Trustee is not, as he is in the case of compensation moneys, the statutory custodian of moneys awarded or paid as compensation for damages, except in the case of moneys or damages recovered or awarded in any case or matter on behalf of an infant or person of unsound mind.

SECTION 75, LIFE INSURANCE ACT, 1908.

82. This statutory provision, as amended by section 4 of the Life Insurance Amendment Act, 1920, enables a minor of or over the age of fifteen years to surrender, give a discharge for, dispose of by will, or otherwise deal with a policy of insurance on his life as if he were of full age. Minors who for various reasons find it necessary to deal with their policies have recourse to this provision to enable them to do so, and during the year the consents granted numbered 166, made up as follows: Surrenders, 73; loans, 60; transfers and assignments, 21; making of wills disposing of life-policy moneys, 7; completion of discharge on maturity of policy, 2; conversion into policy under a different table, 2; reduction in amount of policy, 1. A number of applications was declined, after consideration, as not being in the best interests of the minors concerned.

A considerable amount of investigation and work is involved in these applications, but in view of the nature of the services rendered and the circumstances of the applicants a nominal fee of 5s. only is charged.

Section 75 was designed to safeguard the interests of minor policyholders in dealings with their policies, and good reason must be adduced before the Public Trustee's consent is given. Minors are often the holders of valuable policies taken out by themselves, or by parents or relatives for their benefit, and by reason of their youth and lack of judgment or susceptibility to undue influence they sometimes wish to pursue in regard to their policies courses which are not in their own interests. Not infrequently the Office endeavours to persuade these inexperienced persons from their ill-advised applications. Even if they persist after this, the Public Trustee's consent is withheld. It is true that at times minors and their parents or guardians, anxious to get their hands on the proceeds of a surrender of a policy, resent the careful investigations on the part of the Public Trustee and his refusal to sanction unwarranted dealings with infants' life policies, but I am glad to say that on more than one occasion others have remarked upon the useful service the Office is performing in these matters.

83. A notable feature in regard to this work is the increase in the number of minors who avail themselves of the provisions in the Act whereby they are enabled to make a testamentary disposition of the proceeds of life policies. The usual reason for the execution of these wills is a wish on the part of the minor testator to divert the policy proceeds from the ordinary channels of distribution prescribed for intestate estates and to leave the money to some person or persons who in his opinion are more deserving of his bounty. Seven consents to the making of such wills were given during the year.

EDUCATION RESERVES AMENDMENT ACT, 1910.

84. The Public Trustee is the trustee of certain education reserves and endowments in various parts of the Dominion the revenue from which is set apart for the purposes of primary and secondary education. The net annual income derived from the investments is paid by the Public Trustee to the Education Department, and that Department attends to the allocation and disposal thereof in accordance with the statutory provisions.

The assets under administration by the Public Trustee in pursuance of the Education Reserves Amendment Act, 1910, including cash and mortgages, are as follows :—

	Primary Schools.			Secondary Schools.		
	£	s.	d.	£	s.	d.
Cash held in the Common Fund	19,807	15	1	796	4	2
Mortgages	2,050	0	0	Nil		
	<hr/>			<hr/>		
	£21,857	15	1	£796	4	2
	<hr/>			<hr/>		

CHARITABLE AND PUBLIC TRUSTS.

85. As the wealth of the community grows, and the humane and philanthropic spirit spreads, trusts for charitable purposes tend to increase in number and value, but many such trusts fail to achieve the full usefulness contemplated for them by the donors. The principal charitable gifts which fail in their objects have been classified as follows :—

- (1) Gifts for unusual or peculiar purposes impossible of continued and practical application :
- (2) Gifts for intelligent and useful purposes which, however, in the course of years cease to have an object :
- (3) Gifts for important and permanent purposes, but so rigidly or narrowly drawn as to be impossible of continued and successful application :
- (4) The piling-up of endowments for a popular institution so that it eventually has far more than it needs :
- (5) Gifts to establish new institutions where the gifts are not large enough to maintain the institutions and there are no other assured means of support.

To the trusts that have failed for the reasons just set out may be added those the assets of which have dwindled through losses caused by unfortunate or faulty administration.

This classification affords an illustration of the necessity for careful consideration in the framing of testamentary or trust dispositions for charitable and public endowments, and the choice of a trustee for the administration of the assets set aside to produce the revenue required to give effect to the wishes of the donor. The points to be kept in view may be summarized: First, to frame dispositions that will, so far as may be foreseen, continue to be workable even under changed circumstances; second, to provide that the income may be reasonably and flexibly applied; third, to place the principal of the fund under the control of a permanent trustee in order that it may be safely, intelligently, and conservatively managed.

The Public Trustee is frequently called upon to administer trusts of a charitable nature or of public benefit, the special advantages afforded by his corporate trusteeship being recognized when the trust is of a more or less permanent nature. Section 4 of the Public Trust Office Amendment Act, 1912, provides simple machinery whereby funds raised by public subscription can be readily vested in the Public Trustee and at the same time the terms of the trust clearly defined. Under this section representatives of subscribers may arrange with the Public Trustee a scheme of trust to be submitted to the Supreme Court for approval or modification.

86. Amongst the more important of the charitable and public trusts at present under administration are the following:—

Brunner Disaster Fund.—This fund, which originally amounted to £31,000, was raised in 1896 by public subscription throughout New Zealand and Australia for the relief of the widows, children, and other dependants of miners who lost their lives in the disastrous explosion at the Brunner Mine. There was a large number of dependants, and since the time of the disaster the Public Trustee has administered the fund for their maintenance. There still remains about £898, which is being applied in accordance with the objects for which the money was provided. Efforts are made to conserve the funds as much as possible consistent with the requirements of the dependants, amongst whom the sum of £417 was distributed during the year.

The Carterton Home for Aged Poor.—Details of this trust, which arises under the will of the late Mr. Charles Rooking Carter, were supplied in my previous report. The assets are chiefly land of a considerable area and value in the vicinity of Carterton, which, apart from the site for the home, is subdivided into eighteen lots, which are separately leased. The home itself is controlled by an independent committee, comprising the Mayor for the time being of the Borough of Carterton, the vicar of the Parish of Carterton, and three members of the Borough Council elected annually by poll of the Council. The funds required for the running of the home are paid over by the Public Trustee out of the income derived from the estate.

Dobson Relief Fund.—The Public Trustee is administering the funds raised by public contribution for the relief of the dependants of those who lost their lives in the disastrous explosion which occurred at the Dobson Mine, Grey Valley, on the 3rd December, 1926. The amount now held by the Public Trustee, which is invested in the Common Fund of the Office, is £2,640. At present there are seven dependants, and the amount paid out during the past year totalled £247. In keeping with the usual practice in cases of this kind, no charge is made for the Public Trustee's services in connection with the administration of the fund.

Kaitangata Relief Fund.—The history of this fund, which has been administered by the Public Trustee since 1892, has already been referred to at length in previous reports. On the 31st March last the balance at credit was £3,983 6s. 8d., which shows a slight increase over the previous year.

There is at the present time only one dependant in receipt of an allowance from this Fund. Considerable attention has been directed to the fund in recent years, and at various times it has been urged that the surplus moneys should be distributed amongst the descendants of the victims. The objects and administra-

tion of the trust are, however, governed by statute. The Kaitangata Relief Fund Transfer Act, 1892, states that the fund is to be available for the relief of widows and children of coal-miners who might lose their lives as a result of any subsequent mining disaster in New Zealand, and it is thus always possible that there may be demands upon the fund at some later date.

Kirkpatrick Masonic Home for Girls.—The Kirkpatrick Masonic Home was set up as a result of the generosity of the late Mr. Samuel Kirkpatrick, of Nelson, who was well known throughout New Zealand as the manufacturer of “K” jam and kindred products. The home is established in Nelson, where the orphan daughters of deceased Masons receive every care and attention and a good education. The residence of the late Mr. Kirkpatrick, set in beautiful surroundings, has been converted to meet requirements, and makes an admirable home for the children. The income from the residue of the estate is paid to the Board of Governors to provide for the maintenance and management of the home. The Public Trustee is solely responsible for the administration of the estate, but is not in any way concerned with the management of the home. The Board of Governors, elected by the Masonic constitutions, receives the income of the estate from the Public Trustee, and is responsible for the expenditure of the funds for the general purposes of the institution.

Coal-miners’ Relief Fund.—Under the provisions of the Coal-mines Act, 1925, the Public Trustee administers the Coal-miners’ Relief Fund. The fund is provided by a levy on the mine-owners, calculated at the rate of $\frac{1}{2}$ d. per ton of coal produced. Prior to 1925 a considerable portion of the accumulated capital fund was under the control of local Sick and Accident Committees, but by the amending Act of 1925 the whole of the capital was transferred to the Public Trust Office. The local committees still assist with the administration of the fund, and a large number of relief payments are made through them.

During the past three years the demands on the fund have exceeded the additions by way of levy and interest, the following showing the position: At the 31st March, 1927, the capital fund was £26,868; at the 31st March, 1928, it was £26,156; at the 31st March, 1929, it was £25,471.

T. G. Macarthy Trust.—One of the largest charitable trusts in New Zealand arises out of the will of the late Mr. T. G. Macarthy. In preceding years full details of the trust have been supplied, and therefore it is not deemed necessary to reiterate them here.

Last year the large sum of £15,000 was available for distribution, in terms of the will, for charitable and educational purposes. The trust has now been in operation for sixteen years, and during this period a total sum of £138,527 has been appropriated. The following sets out each year’s allocation since the inception of the trust:—

		£			£
1913	..	2,530	1923	..	9,350
1914	..	7,325	1924	..	10,125
1915	..	7,070	1925	..	12,040
1916	..	6,880	1926	..	13,600
1917	..	5,790	1927	..	14,500
1918	..	5,112	1928	..	15,000
1919	..	6,545			
1920	..	6,785			£138,527
1921	..	6,860			
1922	..	9,015			

At the last meeting of the Board of Governors, held on the 16th July, 1928, the Chairman, His Excellency the Governor-General, on behalf of the Board and with the approval of each member thereof, expressed his appreciation of the capable and efficient manner in which, in the opinion of the Board, the trust and its functions were managed and carried out by the Public Trustee.

WILLS DEPOSITED.

87. For the year under review additional wills numbering 6,053 were deposited by testators with the Public Trustee for safe custody. This constituted a record in the history of the Office, and is the first occasion on which the number of wills deposited in any one year exceeded six thousand. The following table gives detailed figures for the year:—

Wills on hand on 31st March, 1928	58,065
Add new wills from 1st April, 1928, to 31st March, 1929	6,053
Deduct wills withdrawn from 1st April, 1928, to 31st March, 1929, through death of testator or otherwise	1,277
Net increase in number of wills on deposit	4,776
Total number of wills on deposit on 31st March, 1929	62,841

The following return shows the yearly increase of wills deposited for the past ten years:—

Number of wills on deposit on 31st March, 1919	24,237
Net increase for year ending—	
31st March, 1920	1,555
„ 1921	2,564
„ 1922	3,483
„ 1923	3,663
„ 1924	4,180
„ 1925	4,420
„ 1926	4,855
„ 1927	4,574
„ 1928	4,534
„ 1929	4,776
Number of wills on deposit on 31st March, 1929	62,841

Many testators, by reason of the changes which take place in their own circumstances and the circumstances of their dependants in the course of a few years, find it necessary to modify or vary the provisions of their wills, and in consequence a large amount of redrafting of wills already deposited has to be undertaken. During the past year 3,440 wills were so redrafted. The total of the wills prepared during the year, including new wills and redrafts, reached the large figure of 9,493.

With over 62,000 wills on deposit, and with a large number of wills being handled daily, it is imperative that a most rigorous system of check and safeguards be provided. Accordingly, in addition to scrupulous care in the handling, filing, and safe-keeping, “stock-takings” of all wills on deposit are carried out at regular intervals. The last stock-taking, completed during the year, shows that matters in connection with the care and custody of the wills are in good order as regards every detail.

Modern appliances ensure the safe storage of the wills on deposit, which are kept in steel filing-cabinets in a specially constructed strong-room solely devoted to this purpose.

A will is a highly confidential document, and its contents should be held inviolate during the testator's lifetime. Most carefully thought-out machinery has been devised by the Office to maintain the strictest secrecy in regard to the wills entrusted to the Public Trustee for safe custody.

88. Will-making is a most important and necessary service. Where there is no will, or where the document is crudely drawn up, complications and expenses are increased. To the layman it might seem a simple matter to collect a man's assets, pay his debts, and hand over the balance of his estate to the beneficiaries under his will, or his next-of-kin under intestacy. Often, however, the position is

very much complicated by the execution of a faulty will or the failure to make a will at all. It is the duty of all persons possessing money or property, or having dependants, to make a will. The making of a will is not the easy and simple matter which the average "man in the street" puts it down to be. It is unwise to make a will without taking the advice of a qualified person in regard to its provisions. To illustrate this, it is only necessary to take the case of the ordinary man who wishes to make a will in favour of his wife and children. The idea current amongst many is that the money or property may be left to the wife in the first place, and on her death handed down to the children. Such an arrangement is impossible, for, if the estate is to be held intact for the children, the wife may not touch anything but the interest or income. On the other hand, if the wife has full control, there is always the possibility of the estate being dissipated through various causes.

For a very long time past the Office has drawn wills free of charge where the Public Trustee is appointed executor. The Office recognizes the importance of will-drafting, and so has provided specially qualified officers to advise testators in the drawing-up of their wills and to prepare the documents for signature. Moreover, before being finally deposited every will is perused by competent and expert officers.

LEGAL DIVISION.

89. The handling of such a large number of estates as the Office has under its control involves legal questions of every variety. In conveyancing alone large numbers of conveyancing or trust instruments are passed forward daily. By this, not merely formal official documents are meant, but transfers, conveyances, leases, settlements, deeds of family arrangement, agreements, mortgages, powers of attorney, and so forth. The Office possesses its own legal staff, and all these documents are either drawn or perused by this staff. In addition, as I have already stated in this report, several thousands of wills are prepared or perused annually.

The Office is widely represented throughout the Dominion, and, in order that this wide representation may be turned to the fullest advantage in the Office working and the policy of decentralization carried to its logical conclusion, for a number of years past competent officers have been attached to the branch offices to perform on the spot legal duties in connection with the work at these centres. Extensions of the policy are made whenever the volume of business at a branch is sufficient to warrant such a step being taken. During the year legal clerks were appointed at Whangarei and Timaru, and a legal clerk has been attached to the Palmerston North Branch to assist the District Solicitor there.

The applications to the Supreme Court for grant of probate during the year total 762, and for the same period there were 248 applications for a grant of an order to administer on intestacy. Private practitioners are employed in obedience to specific directions of testators, or, in conformity with Office practice, in cases where an estate is introduced into the Office by a private practitioner and there is no known reason which would render such a course unjustifiable. Compared with the number of applications made during the preceding year, there was an increase of twenty-three in the number of probate motions and of twelve in the motions for administration on an intestacy.

90. In regard to estates of under £400 in value the Public Trustee may file in the Supreme Court an election to administer according to the will, where the deceased person died testate or, under intestacy, where the deceased left no will. This procedure is simple, expeditious, inexpensive, and most useful, and proves a benefit to the beneficiaries in those small estates in the interests of which it was framed in order to minimize the cost of administration. If, after an election to administer is filed, further assets are discovered which raise the value of the estate above that previously estimated, it is provided by statute that, if the increased value does not exceed £600, no further action in regard to obtaining a grant of administration is required, but where the increased value exceeds £600, the Public Trustee is required to file in the Supreme Court a memorandum stating this fact, and then to proceed in the ordinary way on a motion for probate or administration. It is interesting to see that the Committee set up by the Lord Chancellor in 1919 to inquire into the

organization of the Public Trustee Office in England, stated in regard to the administration of small estates,—

It is also worthy of consideration whether power should be taken to give the Public Trustee direct access to the Court without the intervention of counsel and solicitors in all cases where the value of the estate was under £1,000.

The number of elections filed during the past year was 643.

There has been the usual considerable number of motions and petitions to the Supreme Court for authority to sell, lease, mortgage, purchase, or exchange lands; to carry on businesses; to sanction modifications of trusts rendered necessary by unforeseen circumstances; to effect necessary improvements on trust properties; to enable the shares of missing beneficiaries to be dealt with; and the like. Orders numbering 138 were made during the year in response to such actions.

91. During the year under review there was decided by the Supreme Court a number of cases in which the Public Trustee was one of the parties. The range of questions which was raised furnishes a good idea of the nature of the problems which confront the Office in its daily work. In some of the suits the Public Trustee took part under a special order of the Court requiring him to appear and to safeguard the interests of absentees or persons not *sui juris*. Representation by the Public Trustee in these circumstances affords to the Court a convenient method of protecting the interests of persons who are under disability in contentious proceedings involving such interests, and the organization of the Office is well adapted to carry out the duties which the Court thus entrusts to it. In other contested matters the Public Trustee has been an original party, representing the beneficiaries or next-of-kin in estates under his administration, and seeking either to enforce some right or to protect or defend a threatened interest. In much of the Court work the Public Trustee has found it convenient to utilize the services of the Office Solicitor and his staff as counsel. Where the circumstances required it, however, the Public Trustee has employed outside counsel to act on his behalf.

MORTGAGE DIVISION.

INVESTMENTS FROM THE COMMON FUND.

92. The figures published elsewhere in this report recording the rapid increase in the value of estates under administration by the Public Trustee show that a very remarkable total has now been reached, and that the growth in recent years has been especially marked. The growth is, of course, accompanied by a corresponding increase in the total of the cash balances in the estates, representing moneys which were held at the time of the testator's death or which have been derived from the subsequent realization of assets during the course of the Public Trustee's administration. In another portion of this report a full explanation is given of the system under which all the cash balances held in estates are, in the absence of a direction to the contrary by the testator, pooled to form one common fund, and mention has been made of the fact that an overwhelming majority of those who entrust their estates to the Public Trustee prefer that the moneys derived from those estates and not required for immediate distribution should fall into the Common Fund. As I have shown, the essential feature of the Common Fund is that a fixed rate of interest is allowed on all moneys held therein, this being the highest rate possible after making due provision for the cost of administration of the fund and after setting aside a reasonable sum annually to reserves against possible loss on securities. It is essential that the moneys in the Common Fund should be kept closely invested at the highest rate obtainable for first-class trustee investments in order that the maximum return may be allowed to estates under administration by the Public Trustee. It has been urged in some quarters that the Public Trustee should initiate a reduction in the rate of interest on mortgages by reducing the rate charged for advances from the Common Fund, but a moment's consideration as to the real position and the duty of the Public Trustee to obtain the maximum return for his beneficiaries will serve to show that any decline in the rate charged by the Public Trustee to borrowers must follow, and not precede, a general fall in interest rates on the open money-market, and that he would be failing in his duty as trustee were he to adopt any other attitude.

At the same time, the necessities of the case require that the Public Trustee should invest his funds only in approved sound trustee securities, in order that the capital sums invested may be fully protected. It can fairly be claimed by the Office that persons having suitable securities of this nature to offer have been able to satisfy their financial requirements at a fair and reasonable rate of interest. Except for a few exceptional cases where special conditions have applied, the rate charged on advances from the Common Fund for several years past has been 6 per cent. per annum.

SELECTION OF SECURITIES.

93. The finding of suitable investments has engaged the close attention of the staff both at Head Office and at the district offices throughout the year. It is realized that the prompt and satisfactory investment of the Common Fund is the financial life-blood of the Office, and no effort has been spared to ensure that the funds are kept closely invested. When it is stated that investments were found throughout the year for new moneys from the Common Fund reaching in total the large sum of £2,496,372, while the Public Trustee invested a further sum of £462,905 on behalf of the various superannuation funds and the National Provident Fund, some idea will be gained of the volume of the work involved.

Fortunately, the Office has an excellent organization, which is spread throughout the whole Dominion, and practically every branch of the Office becomes a channel through which suitable applications for loans reach the Public Trustee for consideration after they have been carefully scrutinized and reported upon by district officers. In this way a very careful consideration is secured for each application before the applicant is put to the expense of a valuation, and the fullest weight is given to all the varying factors which determine the suitability of a proffered security—the size and location of the property, the purpose to which it is put, and the character and financial standing of the borrower. By this means the number of cases in which applications are ultimately declined by the Investment Board of the Office after having been entertained for consideration by the Public Trustee is reduced to a minimum.

By far the greater number of applications reaches the Public Trustee through the branches of the Office, though a certain proportion is submitted by firms of solicitors, who in such cases are entrusted with the preparation of the mortgage documents on behalf of the Public Trustee if a loan is ultimately granted. It is clear that the Office is becoming well known as a source of financial assistance to borrowers of all classes who can offer eligible properties showing the requisite margin of security.

A special system has been instituted as between the district offices and the Head Office to ensure that applications are submitted in standard form giving all the requisite particulars, and steps are taken to see that applications are dealt with expeditiously.

The securities on which loans have been granted during the year have shown the usual diversity and variety, and have included sheep-farms, dairy-farms, business blocks in the main centres of population, and city and suburban residential properties. Funds have also been invested in the debentures of City, Borough, and Town Councils, County Councils, Electric-power Boards, Hospital Boards, &c., and in Government debentures, the result being not only that all classes of borrowers have obtained financial assistance, but also that the Public Trustee has secured a diversified series of investments in which any possibility of extensive loss is greatly minimized. One special feature of the lending operations has been the increasing number of loans of moderate amount granted on dairy-farms, evidencing the growth in the number of this type of farm through New Zealand, and the increasing importance which the dairying industry is assuming in the economic life of the Dominion.

LOANS ON COUNTRY PROPERTIES.

94. The assistance which the Office has been enabled to furnish to the farming community for a number of years past is most gratifying, and an uninterrupted flow of money has been maintained on farming securities even in periods of depression, when such securities were largely out of favour with general investors. It must be

recognized that a marked change has come about in the attitude of investors to rural securities in recent years, largely as a result of the losses experienced by mortgagees during the periods of depression and the marked fluctuations in the prices of our primary products in the world's markets, with the consequent rapid inflation and deflation of the value of land. Under the present conditions it is only by intensive and capable methods of farming, under which the maximum is produced from the land, that the indebtedness of the borrowers can be met, and the maintenance of a proper standard of farming practice necessitates in many cases close periodical inspection of the securities. Such inspections cannot, of course, readily be undertaken by private trustees or individual lenders, so that there has been a tendency for such investors to prefer investments in local-body or Government debentures and similar securities. Evidence of this is afforded by the fact that, while the principal local bodies have had no difficulty recently in raising moneys at the rate of $5\frac{1}{4}$ per cent., the ruling rate for first mortgages on land showing an excellent margin of security has not fallen below 6 per cent. It is becoming increasingly evident that the ordinary lender and private trustee are content to place available moneys in local-body and similar securities which do not call for close and constant supervision, leaving the field of mortgage investment largely at the disposal of such institutions as the Public Trust Office.

CORPORATE LENDING.

95. As the Dominion grows in wealth and larger amounts are required for the erection of important city blocks and the development of country properties, it is found that the sphere of the individual lender, whether he be a private investor or a trustee, is becoming increasingly restricted. Many of the loans which are now applied for from the Public Trust Office are quite beyond the scope of the private investor or trustee to deal with. As a result of these circumstances the individual investor on land is gradually disappearing and being replaced by financial institutions or corporations giving opportunity for the raising of sums in small and moderate amounts by means of bond issues or otherwise, and placing the money thus obtained on first mortgage on suitable properties, with an efficient organization to watch and protect the securities. The essentials of success of such a system are the establishment of a satisfactory scheme for securing suitable investments on mortgage, the provision of an adequate and efficient system of supervision of securities, and the guarantee of the integrity of the funds invested. All these requirements are admirably met by the Public Trust Office organization, conjoined with the State guarantee of principal and interest of the moneys invested from the Common Fund. That fund, composed of individual sums of varying size derived from the many estates under administration by the Public Trustee, is available for investment through the Office organization on suitable securities, either urban or rural. Complete and effective supervision over the investments made can be exercised through the district officers of the Department, with the co-operation of the trained staff of Property Inspectors in the towns and Farm Inspectors in the country. Thus the system which is in force in the Public Trust Office for the investment of funds corresponds to a large extent in essence with the mortgage corporations and similar institutions which are a feature of recent financial developments in the United States of America and other countries, with this important distinction, however: that in the case of the Office the funds derived from the various estates are guaranteed by the State both as to principal and interest. How valuable this feature is may be gauged from the experience of many bondholders in certain States of America, who have suffered severe losses through maladministration of the funds contributed to bond issues. It has been found necessary in the State of New York to pass drastic legislation governing the management of bond-issue corporations, in order to protect those who invest their money in the issues. No such anxiety is, of course, felt by the clients and beneficiaries of the Public Trust Office.

It need hardly be pointed out that, in addition to affording a safe mode of investment for the estate funds, the Common Fund system provides most valuable assistance to borrowers throughout the country in making funds available at a moderate rate of interest and on reasonable terms for the development of the Dominion as a whole. It has been argued in certain quarters that the concentration

of such large sums in the hands of the Public Trustee is in some way dangerous to the true interests of the community, but even a cursory examination of the manner in which the funds are invested will go to show that these funds are used strictly for the benefit of all classes in the community, and that the use made of the moneys by the Public Trustee is at least as fruitful for the benefit of the Dominion as a whole as if the funds were controlled by individual investors and trustees. The system is also of great benefit to those whose funds are invested, in that the Public Trustee obtains the current market rate of interest, and this, after the deduction of the necessary amount to cover the cost of working and the provision of adequate reserves, is made available to the estates and beneficiaries from whom the funds are derived.

LOANS ON INSTALMENT SYSTEM.

96. A feature which has added greatly to the popularity of the Public Trust Office as a lender is the wide application of the instalment, or "amortization," system to all classes of loans granted by the Public Trustee from the Common Fund. Under this system, which is being increasingly availed of by all types of borrowers, the principal sum is liquidated over a term of years by instalments which are paid with the interest on interest-due dates. A fixed, unvarying instalment, comprising both principal and interest, is paid half-yearly throughout the currency of the mortgage, an apportionment being made as between interest and principal in each instalment paid. As the term of the loan proceeds, the portion of each instalment taken for interest progressively diminishes and that available for the repayment of principal sum correspondingly increases. The net result is that interest is paid by the borrower only on that portion of the principal sum which is from time to time outstanding, whilst at the expiration of the term the amount originally borrowed is completely repaid. A full statement of the advantages of the system from the point of view both of the borrower and of the lender was contained in a previous year's report, but on the present occasion it may be said briefly that the borrower avoids the cost and anxiety of frequent renewals, as in the case of the short-term mortgage, and is afforded assured finance for a long term of years at a minimum of expense. Apart from the initial cost of valuation and the preparation of the mortgage documents, the only expense to which the borrower is subjected during the term of the mortgage is the moderate charge made for the periodical inspection of the security by the Farm Inspectors or Property Inspectors of the Public Trust Office.

It is interesting to record that new loans granted and paid out under the instalment system for the year amounted to £924,103, whilst renewals on the instalment system of existing mortgages hitherto held under the short-term system amounted to £434,655, making the considerable total of £1,358,758 for either new loans or renewals of existing loans under the instalment system. Some of these loans were, of course, secured on city properties, but a feature of the year's operations has been the extent to which the system is now being adopted by rural borrowers, to their own substantial advantage. The system is also of benefit to the Public Trustee as lender, in that the margin of safety of any particular security is being constantly increased and the position of the investor made more free from cause for anxiety. It may confidently be anticipated that as the system extends to farming loans it will have a valuable and undoubted effect in stabilizing the value of land, since a purchaser, in estimating the price which he can reasonably pay for any particular property, will take into account as an annual outgoing not only the interest on the mortgage, but also the instalments of principal which will require to be repaid. The system is also an excellent one from the point of view of the thrifty and industrious farmer who desires the opportunity of reducing his indebtedness gradually by reasonable amounts from year to year. It is felt that if the system had been generally available to farmers years ago the financial position of many of them would be sounder than it actually is at the present time.

LOANS FOR THE ERECTION OF BUSINESS BLOCKS.

97. Special safeguards are observed in those cases where loans are obtained for the erection of buildings. Such loans are advanced in progress payments as the work proceeds, on certificates furnished by the valuers employed by the Office.

The amounts advanced represent only a conservative portion of the value of the work performed, so that the Public Trustee, in advancing the money, is, in ordinary circumstances, protected at every stage. Where loans of large amounts are obtained for the erection of important blocks of buildings a further protection is secured by the insertion of a special covenant in the mortgage to the effect that if the building is not completed by the borrower the Public Trustee shall have the power to complete the building and include the cost thereof in the amount of the loan advanced on mortgage. This system applies generally to commercial buildings where the loan is advanced by progress payments and the amount of the loan exceeds £4,000.

TONGARIRO NATIONAL PARK BOARD.

98. By section 36 of the Finance Act, 1928, the Tongariro National Park Board is empowered to borrow from the Public Trustee, and the Public Trustee is empowered to lend to the Board, such sum, not exceeding £40,000, as the Minister of Finance approves, to be applied in manner authorized by the section quoted. It is stipulated that any loan approved as aforesaid shall be raised by the Board in manner provided by the Tongariro National Park Act, 1922, and shall be guaranteed by the Government. The Board is authorized, with the approval of the Minister of Finance, to lend the whole or any portion of the moneys borrowed by it in pursuance of the section to any company incorporated under the Companies Act, 1908, to which it has granted a lease or leases of any land within the Tongariro National Park for the purpose of enabling the company to erect a hostel and other facilities on the area or areas so leased to it; such loan to be secured by a mortgage over the assets of the company, with such collateral securities as the Board, with the approval of the Minister of Finance, arranges with the company. Under the provisions of the section the Public Trustee has made available to the Tongariro National Park Board a loan of £40,000.

LOCAL BODIES' LOANS SECTION.

99. The amount of business transacted with the local bodies for the year just closed has not been as extensive as usual, owing to the fact that such local bodies have been able to raise funds at a rate of interest which would not render the investment attractive to the Public Trustee in view of his obligations to his clients and beneficiaries. It has been more profitable for the Public Trustee to lend the available funds on mortgage of lands at a higher rate of interest. Notwithstanding this tendency, a fair amount of money has been made available to local bodies of various kinds, whilst the investments of this nature held by the Office reach, in total, a very large sum.

EARTHQUAKE DISASTER IN NELSON AND WEST COAST DISTRICTS.

100. It is gratifying to report that the Office has suffered no loss in connection with Common Fund securities situate in the Nelson, Murchison, and West Coast districts as a result of the recent disastrous earthquake shock, which was experienced with special severity in those districts. A considerable sum has been advanced by the Office to local bodies in the district, but inquiries made go to show that no loss is likely to occur in this regard, as the extent to which damage has been suffered is limited, and the local bodies as a whole should have no difficulty in meeting their obligations. In view of the anxiety which has been created as to the effect of any future possible earthquake shock on large buildings constructed of brick or concrete, it is satisfactory to place on record that in all the important loans granted on such securities for several years past earthquake cover to the full insurable value, or to an extent adequate to protect the Public Trustee, has been insisted upon, and this requirement should prove a great safeguard to the Office in the event of any widespread damage occurring.

OVERDUE INTEREST.

101. The collection of interest on mortgages and local-body debentures during the year has been comparatively free from difficulty. Fluctuations in overdue interest on the investments from the Common Fund afford perhaps one of the best indications of the financial position of the Dominion, particularly in regard to the

farming community. The fluctuations of overdue interest month by month during the past years since 1921–22 have closely corresponded with the variations which have taken place during that period in the financial position of the primary producers of the Dominion. It is satisfactory to record that the figures for the 31st March, 1929, show that the total amount of interest outstanding as at that date was at a lower point than any reached since 1921–22, although since that date the investments have, of course, enormously increased.

Further evidence of the improved position of the farming community generally is afforded by the fact that in the case of many maturing mortgages which are renewed by the Public Trustee the mortgagors find it possible to reduce the principal sum of the mortgage on renewal.

PUBLIC TRUSTEE AS INVESTING AGENT OF PUBLIC SUPERANNUATION FUNDS, ETC.

102. The Public Trustee acts as investing agent for the Government Railways Superannuation Fund, the Teachers' Superannuation Fund, and the National Provident Fund. The whole of the interest derived from the investments is credited to the fund concerned, a fixed percentage charge being made for the Public Trustee's services as agent. Any losses sustained in connection with the securities are borne by the fund. In the case of the Public Service Superannuation Board the investments are made by the Board itself, but the Public Trustee is entrusted with the management of the securities on behalf of the Board, the district organization of the Office being specially useful in this connection. A percentage charge is made for the work involved.

TOTAL INVESTMENTS UNDER CONTROL.

103. The investments under various headings amount to the substantial total of £30,935,141.

It will readily be realized that the supervision and control of this large volume of investments involves close and careful attention in order that the possibility of loss may be kept at a minimum. Moreover, the incidental transactions which arise from time to time, such as the production of title-deeds to enable dealings with the properties to be registered, consents to leases and easements, the consideration of partial releases on the sale of portions of the securities mortgaged to the Public Trustee, and similar incidental matters, call for prompt attention on the part of the staff. It is satisfactory to record that the work has proceeded during the year practically without complaint on the part of those who have had dealings with the Office.

RENEWALS OF EXISTING MORTGAGES.

104. As many of the loans in past years have been granted on the basis of a flat mortgage for a fixed term of years, the renewals of existing mortgages have attained a considerable volume. For the year ended 31st March last renewals of existing Common Fund mortgages reached the large total of £1,628,542. As all such renewals are dealt with by the Public Trust Office Investment Board, in addition to the granting of new loans, the work of the Board has been heavy throughout the year.

DECENTRALIZATION OF INVESTMENT WORK.

105. Mention was made in the report for the previous year that the whole of the investment work of the Office, with the exception of that relating to local-body loans and Government securities, had been decentralized by the 31st March, 1928, so that the keeping of accounts, the collection of interest, the preparation of Board papers for the renewal of existing mortgages and for incidental matters, such as partial releases involving a reference to the Public Trust Office Investment Board, are now undertaken by the district officers who are situated in reasonable proximity to the securities and are, generally speaking, readily accessible to the mortgagors. The experience of decentralization gained during the past year has proved the system to be an unqualified success. No difficulty has been experienced in carrying out the system, and the work has proceeded smoothly and promptly. The benefits have been appreciated both by the district officers, who are now in close touch with the securities in their districts, and by the mortgagors of the Office, who are

enabled to discuss matters relating to their mortgages with the district officer, who has full information on record in his Office relating to all mortgage securities situated in his district.

The adjustment of staff as between the Head Office and the district offices, rendered necessary by the change, has been completed, and it has been found that there has been an actual saving of staff as compared with the numbers required under the old centralized system.

It should be made clear that the Public Trustee retains within his personal control the consideration of all applications for new loans or increases of existing loans, and that the granting and renewal of loans and the granting of further advances to existing borrowers is reserved to the Public Trust Office Investment Board.

CUSTODY OF DEEDS.

106. The delegation of the work to the district offices has necessitated the transfer of the mortgage-deeds to those offices, the total number involved being four thousand packets. The holding of the deeds at the district offices has greatly facilitated production when titles are required by practitioners to enable transfers and other dealings with the land to be registered.

Detailed and stringent regulations are in force to ensure that deeds for new loans or for renewal of existing loans are received promptly and are correct in every particular before being filed away in the strong-rooms. In the case of securities prepared by the legal staff of the Office, the necessary particulars to enable the deeds to be correctly drawn are on record on the papers. In the case of securities prepared by outside practitioners on behalf of the Public Trustee, full and detailed instructions are issued on a special form covering all points which require to be taken into consideration in the preparation of the documents. A final check of all documents prepared, whether by the Office staff or by outside practitioners, is made before the deeds are filed away in safe custody.

REVIEW OF INVESTMENT WORK.

107. It has been recognized that an essential corollary of decentralization is the institution of a complete and satisfactory system of review and inspection. Accordingly the staff of Reviewing Inspectors has been supplied with complete and detailed instructions covering every phase of the investment work, and a complete and continuous check is maintained over the whole of the work and periodical reports are submitted to the Public Trustee embodying the results of the inspection of each office. The reports received throughout the year have disclosed no serious lapse of any kind on the part of officers in carrying out the instructions, but have shown that the work has been conducted efficiently and promptly. The aspects of the work covered by the reports have included the submission of loan applications, the ordering of inspections, the reviewing of all new loans granted, the settlement of new loans and further advances, the collection of interest, the preparation and submission of Board papers, and the receipt and custody of the mortgage-deeds.

As the investment work expands at the larger offices, the practice is adopted of supplying trained and competent officers from the Head Office staff who are familiar with the requirements of the Head Office and the Investment Board to undertake the work at the district offices. It is intended that this practice shall be continued and extended as opportunity arises.

FURTHER DECENTRALIZATION OF INVESTMENT WORK.

108. Following the decision to raise the status of the offices at Waipukurau and Hastings to that of District Public Trust Offices, arrangements are in train for the transfer of the control of all Common Fund and Special Fund securities in those districts to the newly appointed District Public Trustees. Full instructions are being prepared to ensure that the necessary transfer of the books of accounts and records will be carried out without any inconvenience being experienced by mortgagors.

SUPERVISION AND CONTROL OF DOUBTFUL SECURITIES.

109. A very complete system is in operation for the supervision and control of all securities which possess unsatisfactory features, such as, for example, where the interest due under the mortgage is seriously in arrear, or the property on revaluation fails to show the statutory margin for the loan advanced, or where it is known that the property is not being capably farmed or that the land is deteriorating. All such cases are kept under close scrutiny and review both in the Head Office and in the district offices, and the position is reported specially to the Public Trustee at frequent intervals. Close co-operation is maintained between the district offices and the Head Office as to the policy to be adopted in each case, and the services of the Office staff of trained Farm Inspectors are fully availed of in making the necessary inspections. The cases are also under continuous review by the Reviewing Inspectors at the various district offices, so that it can confidently be stated that every possible means is taken to guard the Common Fund against loss. Having in mind the very large volume of investments now controlled by the Public Trustee, it can be stated that the number of cases which give cause for anxiety are comparatively few, this fortunate result being largely due to the excellent organization which the Office has throughout the Dominion enabling an effective supervision to be exercised over any securities containing elements of danger. There have not been many cases in the year just closed in which it has been necessary to have recourse to extreme measures to protect the funds invested, whilst, generally speaking, it can be said that there is reviving a feeling of confidence amongst members of the farming community, and that where realization of securities becomes necessary, the difficulty met with a few years ago in disposing of such properties is not now experienced.

In one or two instances where properties mortgaged to the Public Trustee have been abandoned by the owners the Office, acting under the statutory powers given to the Public Trustee, has been able to take over the properties, and to stock and manage them so as to make them revenue-producing and avoid loss to the Common Fund. The possession of these powers has undoubtedly conserved the interests of the Common Fund to a substantial extent. It need hardly be said that the Office undertakes the farming of the securities only when no other course is available, and that the earliest opportunity is taken in each such case to dispose of the property to a satisfactory purchaser.

TOTAL MORTGAGE REGISTRATIONS THROUGHOUT THE DOMINION.

110. Statistical publications issued by the Government Statistician contain interesting particulars regarding the registration and discharge of mortgages year by year. The following table shows the number of mortgages registered and discharged during the period ended 30th June of each year, together with the excess of registrations for each year.

June 30th,	Registered.	Discharged.	Excess of Registrations.
	£	£	£
1921	60,990,229	25,182,025	35,808,204
1922	29,682,340	12,061,988	17,620,352
1923	27,649,910	16,371,122	11,278,788
1924	40,992,062	24,405,643	16,586,419
1925	42,188,458	32,616,144	9,572,314
1926	46,959,768	33,284,500	13,675,268
1927	36,437,039	26,680,765	9,756,274
1928	33,174,967	24,268,782	8,906,185

The table indicates some interesting fluctuations in the position regarding mortgages during the eight years covered by the information now compiled. The very large excess of registrations in the year 1921 was undoubtedly due to the heavy sales of property in that year, and doubtless a considerable portion of the £60,000,000 of mortgages registered in that year consisted of unpaid purchase-money repre-

senting equities in properties at inflated prices. During the next two years there was a reaction consequent upon the depression which was then experienced, but from 1924 to 1926 there was again an increase until a total of nearly £47,000,000 of registrations was reached. Since then the amounts registered have been more moderate, with the result that the excess of registrations have fallen to less than £10,000,000 each year.

Even including the excess for the year 1926, when there was a mild "boom," the average excess of registrations for each of the last four years is about £10,000,000. Of this it is safe to assume that a considerable quantity represents equities in land transferred, while in other cases the mortgages are doubtless collateral to other securities and do not genuinely represent amounts advanced on mortgage. Moreover, in many cases new mortgages are registered where existing loans are merely being renewed. If it be assumed that under these three headings about £3,000,000 of the registrations would be accounted for, it would follow that during each of the last four years there has been about £7,000,000 of new money advanced on mortgages.

RURAL INTERMEDIATE CREDIT.

111. The passing of the Rural Intermediate Credit Act, 1927, has resulted in important duties devolving upon the Public Trustee and his Office.

This Act brought into effect certain recommendations of a Royal Commission which was set up and which visited America and Europe in 1925 for the purpose of investigating the rural credit facilities obtaining in countries abroad.

Summarized briefly, the Rural Intermediate Credit Act, 1927, supplies the means by which farmers may obtain advances, for terms not exceeding five years, at a reasonable rate of interest, and mainly upon the security of their live and dead stock. Advances may be made by four methods:—

- (a) By advances to farmers as members of a special class of limited-liability company, termed "co-operative rural intermediate credit associations" (Part II of the Act):
- (b) By advances to farmers individually, the loans being additionally secured by the partial or entire guarantee of a company or private individual (Part III of the Act):
- (c) By loans to farmers' co-operative organizations (Part IV of the Act):
- (d) By discounting farmers' promissory notes or bills of exchange (section 15 of the Act).

The Act makes provision for the administration of the scheme to be controlled by a special Board, of which the Public Trustee is *ex officio* the principal executive member, under the style of "Commissioner of Rural Intermediate Credit."

As was mentioned in the last annual report, the Act conferred on the Board authority to employ the services of any Department of State in carrying on its business. In view of the fact that the Public Trust Office has branches or representatives in practically every important centre of population of the Dominion, it was considered by the Board to be the most suitable Department to conduct the administrative side of the Board's business. The Office has accordingly during the whole of the past year acted in the capacity of agent for the Board throughout the Dominion.

The principal executive officers of the Board have also been selected from among the senior officers of the Public Trust Office. These are—Deputy Commissioner of Rural Intermediate Credit, Mr. J. Snell (Controller of the Mortgage Division); Chief Accountant, Mr. W. M. Barr (Chief Accountant, Public Trust Office); Solicitor to the Board, Mr. C. E. Cole (Assistant Solicitor, Public Trust Office).

The advantages to the Board of having at its disposal such a widespread organization as the Public Trust Office are apparent. If the Board had been required to set up its own administrative machinery the expense of securing the present extensive representation would have been prohibitive. Under the present system the Board has the advantage of being able to appoint to the position of District Supervisor senior district officers of the Public Trust Office, who bring to the position the benefit of their experience in the Office and the intimate contact which they have established with the farming community in the administration of country estates and the

various transactions of the Office with farmers who have borrowed from the Common Fund or are mortgagors or lessees of estates administered by the Public Trustee.

Besides representing the central Board on the various district boards established throughout the Dominion and carrying out general administrative duties, each District Supervisor is *ex officio* a director of every co-operative rural intermediate credit association established in his district. The number of these associations is now twenty-six, and others are in course of establishment, with the result that in certain districts considerable extra work has been imposed on the staff of the Office. This has been cheerfully shouldered by the officers affected. In connection with the formation of the majority of the associations, useful assistance has been given to the promoters by District Supervisors and officers of the central Board, by means of addresses to meetings of farmers, preparation of documents, and other help of various kinds.

The remuneration of the Public Trust Office for the work carried out on behalf of the Board has been adjusted on a basis satisfactory both to the Public Trustee and to the Board.

It is desirable to explain that, although the services of the Public Trust Office and its officers have been placed at the disposal of the Rural Intermediate Credit Board, every care has been taken to avoid the merging of the identity of the parties to the arrangement. The Public Trust Office acts as the agent of the Board, and its organization is utilized for the purpose of carrying into practical effect the decisions of the Board and preparing the necessary detail work involved, but it has no control over or responsibility for the general policy or operations of the Board.

The rural intermediate credit scheme is making steady progress, especially in districts where dairying is the main form of farming activity. A substantial amount has been advanced both through co-operative rural intermediate credit associations under Part II of the Act and also direct to farmers under Part III of the Act. It is worthy of mention that a preponderating number of the loans granted direct to farmers have been supported by the guarantees of co-operative dairy companies, thus affording a further example of the application of the co-operative principle to the obtaining of finance for the farming community. As the company assumes a contingent liability for a portion of the loan granted, and may be relied on to exercise supervision over the security, it will be seen that the system closely approximates that under which loans are obtained through co-operative rural intermediate credit associations.

In addition, assistance has been given by a number of co-operative dairy companies to their suppliers by endorsing their promissory notes and discounting them with the Board.

The operations of the Board up to the 30th June, 1929, will form the subject of a separate report, which will be presented to Parliament this session, in accordance with the provisions of section 76 of the Rural Intermediate Credit Act, 1927.

INSPECTIONS.

112. With estates and funds valued at over £48,000,000 under administration, and investments totalling £30,935,141, a strict system of internal checks and safeguards must be observed. It has been found that the most effective manner of ensuring that these internal regulations are being conformed to, and that the work of the Department is kept at the high standard required, is by means of periodical inspections by officers conversant with all phases of the work falling within the scope of the operations of the Department. The scheme of inspections which has been in operation for some years past has been maintained throughout the year.

General Inspections.—The scope of these inspections covers the whole of the Office operations, and includes staffing, organization, accommodation, and other internal arrangements. The operation of the Office systems and checks is scrutinized, and a survey made of the staff with a view to determining whether they are suitable for the duties upon which they are employed. These inspections keep the organization and systems up to date, reveal any weaknesses in staffing or conduct of the work, enable the burden to be evenly distributed amongst the

officers engaged, and maintain proper functioning between Head Office and the branches. During the year seventeen of the nineteen offices under the charge of District Public Trustees and the whole of the twelve offices under the charge of District Managers were inspected either by the Chief Inspector or the Assistant Chief Inspector, and any requisite action arising out of the inspections has been taken.

The agencies which have been established in the smaller centres, and which are conducted by local business men upon a commission basis, are periodically inspected and reported upon by the District Public Trustees controlling the districts in which they are situated.

Review of Estates and Investment Work.—In previous reports the advisability of this important work has been dealt with more or less at length. With the development of the very necessary policy of establishing throughout the country self-contained branches where the work can be carried out on the spot, it is recognized that a periodical and searching review of all the estates under administration must be provided. Ever since 1920 there has been in force a system whereby every estate has come under the notice of the Reviewing Inspectors, and the beneficial results obtained demonstrate its value as an aid to the efficient conduct of the administration work. The Reviewing Inspectors are competent and experienced administration officers who conduct their reviews entirely independently of the District Public Trustees and are directly responsible to the Public Trustee. Since the extension of the system of delegation to the Office investment work which was put into effect some time ago, this side of the operations of the Department now also comes under regular and systematic review by the inspectorial staff. There are at present five Reviewing Inspectors, three for the North Island and two for the South Island. The district offices allotted to each Reviewing Inspector are grouped in a manner calculated to minimize the time and cost of travelling. The ever-increasing volume of estates work and the rapid expansion of the investment operations render it necessary to appoint an additional Reviewing Inspector, and this is being arranged.

Regular visits have been made to all the branch offices during the year, and practically every estate under active administration has been reviewed.

Internal Audit.—During the year the audit at both the Head Office and the branches has been effectively maintained. At all branches the cash transactions are checked daily by responsible officers, and certificates for submission to the Controller and Auditor-General, covering the cash system, the posting of ledgers and subsidiary registers, and the protection of negotiable securities, are forwarded by all District Public Trustees. An additional independent check of the cash is made by the officers of the inspectorial and the Audit staff immediately upon their arrival at any branch and the cash-book is reconciled with the bank pass-book. At Head Office and at the four largest centres—Auckland, Wellington, Christchurch, and Dunedin—a continuous audit of cash transactions is maintained by Inspectors of the Audit Department, and at the remaining District Public Trustee offices a detailed audit is made at half-yearly intervals by Inspectors of the Audit Department, who vouch all receipts and payments. Should the Audit Department for any reason be unable to carry out the audit of any branch on due date, immediate arrangements for the conduct of the audit are made by the Chief Auditor. Cash transactions at all branches under the charge of District Managers and at all agencies are audited at half-yearly intervals by the controlling District Public Trustees.

In addition to the audit of the cash transactions, a comprehensive inspection of the accounting work at the branches is carried out at approximately yearly intervals. These inspections deal with the accounting-work and system generally, and serve to ensure that the Office regulations for the conduct of the work are being observed and that uniform practices are maintained at the branches. The majority of these inspections are conducted by the Chief Auditor, but on all suitable occasions the Chief Auditor and the Chief Inspector co-operate in the work. During the year sixteen of the nineteen branches controlled by District Public Trustees and ten of the twelve District Manager offices were so inspected.

Negotiable securities belonging to estates are the subject of a detailed check by a responsible officer at each branch at half-yearly intervals, and a further independent audit of the securities is made once a year by the Chief Auditor or Chief Inspector.

An annual check is in force in regard to the securities for investments of the Common Fund. By virtue of section 8 of the Finance Act, 1927, and as a corollary to the decentralization of the loans work, the relative mortgage securities, which in the past were held at the Head Office, have now been forwarded to the branches controlling the mortgage investments, where they are now held under two keys. The senior accounting officers attached to the branches conduct an annual audit of the securities, acting, if possible, in conjunction with an officer of the Audit Department. The remaining securities for investments of the Common Fund, consisting of Government debentures, local-body debentures, fixed-deposit receipts, &c., are held at the Head Office under three keys and are checked by an officer of the Audit Department.

All overdrafts in estate accounts have been scrutinized by Reviewing Inspectors to ensure that advances have been made only on proper authority and that the necessary margin of security is being maintained.

A half-yearly check of jewellery and valuables held on behalf of estates is made at each branch by a responsible officer, and an independent annual check is made by the Chief Auditor or Chief Inspector.

Regular and systematic attention is given to the collection of rents, interest, and book debts. The position of every case of arrears is investigated by the Reviewing Inspectors on their visits to the branches.

ENEMY PROPERTY IN NEW ZEALAND AND CLEARING-OFFICE OPERATIONS IN REGARD TO ENEMY DEBTS.

113. In continuation of the procedure adopted in my report of last year (with the concurrence of the Hon. the Attorney-General, who controls this work), a survey of the enemy property and the Clearing Office operations is included in the report on the working of the Office.

There have been few developments of importance during the past year, and in view of the fact that the bulk of the work has now been disposed of it is not anticipated that there will be many developments of note in the future. Steady progress has been made towards the completion of the various duties imposed on the Public Trustee under the War Regulations and the Treaties of Peace Orders which related to—

- (a) The settlement, through the clearing procedure provided for by the Treaty of Versailles, of claims in regard to pre-war debts and to New Zealand owned property in Germany :
- (b) The control, liquidation, and disposal (by credit to the liquidation account of the ex-enemy countries concerned or by release in appropriate cases) of property or businesses owned by alien enemies or in which there were alien enemy interests.

The work in connection with the claims lodged through the clearing procedure set up under the Treaty of Peace with Germany has been carried almost to completion. Of claims totalling over £317,000 those undisposed of amount to £215 only. The claims now outstanding present almost insurmountable difficulties to settlement between the parties interested, and in all cases have been referred to the Anglo-German Mixed Arbitral Tribunal, the body set up under the Treaty to adjudicate upon disputed claims.

Some time must yet elapse before the liquidation of enemy property in New Zealand can be completed. In some cases properties have been sold under agreements for sale and purchase under which the balances of purchase-money have not yet fallen due ; in other instances it has not up to the present been possible to effect realization ; whilst in others again the ex-enemy interests have not yet devolved upon the ex-enemies concerned, the properties being subject to prior non-enemy interests. The work in regard to the enemy property is not completed in all cases even when realization and credit to the liquidation account is effected. Claims

for release on various grounds are lodged, and transactions apparently long concluded are often reopened. Various matters arise for consideration which often concern points of Government policy, and even at this late date the work involved is at times considerable.

REALIZATION AND DISPOSAL OF EX-ENEMY PROPERTY IN NEW ZEALAND.

114. The proceeds of ex-enemy property retained and liquidated under the Treaties of Peace are credited to the liquidation account of the country of which the owner is a national. The ex-enemy Governments undertake under the Treaties of Peace to compensate their nationals in regard to property so retained and liquidated.

For the year further credits totalling £17,664 6s. 9d. have been passed to the German Liquidation Account under Article 297 of the Treaty in respect of the proceeds of the realization of property, rights, and interests in New Zealand belonging to German nationals, and a small item has been recredited. The total amount now credited to Germany is £266,512 11s. 9d. The great bulk of the German property in New Zealand which is subject to the charge imposed by the Treaty has now been realized. The property notified to the Custodian but not yet liquidated is valued at approximately £18,574. For reasons which have been mentioned above, some time must necessarily elapse before the liquidation of this property can be completed. In addition, cash amounting to £18,311 and property to £2,335 are held subject to the determination of contingencies.

An application has been received for the release of an amount of approximately £12,000 credited to the German Liquidation Account. The applicant avers that he is a non-enemy subject, and had acquired by purchase, prior to the outbreak of war, the property liquidated. The claim has not been admitted, but the applicant has instructed local counsel regarding the matter, and possibly litigation will result.

The amount credited to the Austrian Liquidation Account in terms of Article 249 of the Treaty of St. Germaine-en-Laye is £1,728 15s. 3d. An amount of £66 16s. 3d. has been withdrawn with the concurrence of the Austrian authorities, leaving a net credit to the Liquidation Account of £1,661 19s.

AMALGAMATION OF ACCOUNTS UNDER ARTICLES 296 AND 297 OF THE TREATY OF VERSAILLES.

115. The Treaty of Versailles required Germany to effect cash settlement of any balance owing by her under the clearing system in regard to claims under Article 296. In September, 1922, however, Germany made default in the payments in respect of the Clearing Office operations, and since that time no further payments have been made, with the exception of some small amounts received in 1924. In consequence of the Dawes Report and the Spa Agreement it became clear that no further payments could be expected from Germany under Article 296 of the Treaty. In terms of this report and agreement, comprehensive annuities to cover all claims under the Treaty, including the Clearing Office balances, are being collected from Germany. The Allied Governments all hold considerable funds resulting from the liquidation of German property, rights, and interests in their territories, and it was apparent that the Reparations Commission would not consent, whilst the proceeds of German property were available in sufficient amounts to meet the Clearing Office obligations, to make any payments on account of the balances owing under Article 296 of the Treaty from the amounts paid to it by Germany. As a consequence an agreement regarding Clearing Office matters was negotiated between His Majesty's Government in Great Britain and the German Government, and was adopted by the New Zealand Government as at the 30th April, 1925, with some modifications not applicable to the matters dealt with in this report. One of the provisions of this agreement was for the amalgamation of the accounts under Articles 296 and 297 of the Treaty—that is, the amalgamation of the accounts relating to the claims under Article 296 of the Treaty with the accounts relating to the liquidation of German property mentioned in paragraph 114 above. The effect of this amalgamation is that balances due by Germany under Article 296 of the Treaty are set off

against the net proceeds of the realization of German property. The General Liquidation Account with Germany, after giving effect to this amalgamation is as follows :—

GENERAL LIQUIDATION ACCOUNT WITH GERMANY.							
	£	s.	d.		£	s.	d.
Payments in respect of admissions and offers of compensation <i>re</i> claims under Article 297 ..	21,389	4	7	Net proceeds of liquidation of German property, rights, and interests in New Zealand credited to Liquidation Account, less withdrawals therefrom ..	266,512	11	9
Interest paid on awards of compensation under agreement of 1st May, 1925 ..	4	6	1	German claims under Article 296 admitted by New Zealand Clearing Office during period 1st May, 1925, to 31st March, 1928 ..	2,031	3	1
Balance due by Germany as at 30th April, 1925, in respect of Clearing Office transactions under Article 296 ..	2,495	2	6	Cash paid by German Clearing Office during 1924 ..	153	14	9
New Zealand claims under Article 296 admitted by the German Clearing Office during period 1st May, 1925, to 31st March, 1928 ..	2,607	3	6				
Balance in favour of Germany carried down ..	242,201	12	11				
	£268,697 9 7				£268,697 9 7		
				Balance in favour of Germany brought down ..	£242,201	12	11

CLEARING OFFICE DUTIES : PROGRESS REGARDING THE DISPOSAL OF CLAIMS.

116. The claims received for settlement through the New Zealand Clearing Office to date are as follows :—

Claims under Article 296—	Total
	£ s. d.
(a) Claims by New Zealand nationals against German nationals	53,034 3 8
(b) Claims by German nationals against New Zealand nationals	211,386 16 8
Claims under Article 297—	
(c) Claims by New Zealand nationals against the German Government	53,007 16 4
	£317,428 16 8

The following tables indicate the progress which has been made to date in connection with the disposal of claims :—

(a) *Claims by New Zealand Nationals against German Nationals.*

	£	s.	d.	£	s.	d.
216 claims forwarded to the German Clearing Office through the Central Clearing Office				53,034	3	8
Claims wholly or partly acknowledged by the German firms and admitted by the German Clearing Office	22,431	3	5			
Claims withdrawn in whole or in part in response to letters of contest forwarded to New Zealand on behalf of the alleged German debtors	27,264	10	2			
Claims finally rejected and deemed to be withdrawn	3,338	10	1			
				£53,034	3	8

N.B.—(1) In addition to the £22,431 3s. 5d. admitted by the German Clearing Office as above, interest thereon as provided in the Treaty of Versailles, amounting to £6,806 15s. 5d., has also been credited to the New Zealand Clearing Office. The amount admitted, less a deduction of 2½ per cent., being Clearing Office commission thereon, has been paid by this Office to the New Zealand claimants.

(2) During the period under review claims totalling £571 2s. 5d. have been withdrawn by the New Zealand Clearing Office.

(3) During this period claims totalling £229 19s. 4d. have been admitted to the New Zealand Clearing Office.

(4) It will be noted that the claims lodged under this heading have now been wholly disposed of.

(b) *Claims by German Nationals against New Zealand Nationals.*

1,479 claims received from the German Clearing Office through the Central Clearing Office	£	s.	d.	£	s.	d.
				211,386	16	8
Claims transferred to Central Clearing Office as not applicable to New Zealand	1,164	5	2			
Claims withdrawn in whole or in part by the German Clearing Office in response to letters of contest lodged on behalf of New Zealand firms, &c... .. .	169,355	2	11			
Claims acknowledged in whole or in part by New Zealand firms and admitted to the German Clearing Office	31,387	9	0			
Claims finally rejected and deemed to be withdrawn	9,264	6	7			
				<u>211,171</u>	<u>3</u>	<u>8</u>
Balance, being claims contested, defective, or under action				<u>£215</u>	<u>13</u>	<u>0</u>

N.B.—(1) In addition to the £31,387 9s. admitted as above, interest thereon in accordance with the provisions of the Treaty of Versailles, amounting to £11,260 12s. 4d., has also been credited to the German Clearing Office on account of German claims against New Zealand nationals.

(2) During the period claims totalling £510 18s. 7d. and interest, £337 8s., have been admitted to the German Clearing Office in accordance with replies received from the New Zealand debtors.

(3) During the period claims totalling £559 17s. 10d. have been withdrawn by the German Clearing Office.

(4) Further claims totalling £235 3s. 10d. were lodged for attention during the period.

(5) It will be seen that of claims totalling £211,386 16s. 8d. lodged for clearing only claims totalling £215 13s. are yet undisposed of.

(c) *Claims by New Zealand Nationals against Germany under Article 297 of the Treaty of Versailles.*

20 claims forwarded to the German Clearing Office through the Central Clearing Office	£	s.	d.	£	s.	d.
				53,007	16	4
Claims acknowledged in whole or in part by Germany and admitted to the New Zealand Clearing Office	18,169	5	2			
Offers of compensation accepted and paid in full.. .. .	3,219	19	5			
Claims withdrawn by New Zealand nationals in whole or in part	31,618	11	9			
				<u>£53,007</u>	<u>16</u>	<u>4</u>

N.B.—During the period eight further claims, totalling £275 19s. 1d., were lodged for attention, and admissions by the German Clearing Office have been secured in regard to the whole thereof. The whole of the claims lodged for settlement under this heading have now been disposed of.

RELEASES.

117. The date fixed for the receipt of applications for compassionate releases has expired.

In certain cases where releases were granted before the expiry date payments are being made as funds become available for application in satisfaction of the releases.

Very considerable amounts have been released from the provisions of the War Regulations, Treaty of Peace Order, 1920, and the Treaty of Peace (Austria and Hungary) Order, 1924, by way of compassionate releases and on various other grounds. The following statement shows the amounts which have been so released to the persons beneficially entitled thereto or to their authorized agents. These figures comprise only amounts which have actually been refunded by the Custodian, and do not include the value of properties in regard to which power to retain and liquidate has not been exercised (*e.g.*, assets belonging to internees or other ex-enemy nationals who have been permitted to remain in this Dominion, certain property belonging to the British-born wives of German nationals, &c.). Payments made in respect of claims established by New Zealand nationals are not included in this statement.

(1) Amounts belonging to persons or firms who have submitted satisfactory documentary evidence that they possessed prior to the outbreak of war British, Allied, or neutral nationality, or were in a condition of statelessness	£	s.	d.
	16,838	8	8

During the war all persons resident in enemy-occupied territory, irrespective of their nationality, were regarded as enemies for the purpose of the War Regulations, and consequently all amounts payable to them during the war were required to be paid to the Custodian of Enemy Property. On the conclusion of peace the necessary steps were taken to release the amounts belonging to British, Allied, and neutral subjects, or persons without nationality.

Carried forward	£16,838	8	8
-------------------------	---------	---	---

	£	s.	d.
Brought forward	16,838	8	8
(2) Amounts belonging to persons of former enemy nationality who have acquired the nationality of an Allied or Associated Power under one of the principal Treaties of Peace, or were otherwise entitled under such treaties to the release of their property	6,730	19	9
These persons are entitled to the release of their property in accordance with the express terms of the various Treaties of Peace.			
(3) Amounts belonging to British-born subjects who lost their British nationality on marriage, and who subsequently to the coming into force of the Treaty of Peace have been renaturalized as British subjects	29,342	19	1
These moneys have been released in conformity with the policy of the Imperial authorities in connection with similar cases in the United Kingdom.			
(4) Amounts belonging to British-born wives of German nationals	16,346	5	2
(5) Proceeds of investments representing savings from earnings made in New Zealand by German nationals who were not at the outbreak of the war permanently resident in the Dominion and who are now in necessitous circumstances	3,028	3	9
(6) Compassionate releases upon grounds other than (3), (4), and (5) above	9,609	5	9
(7) Moneys belonging to aliens who were interned during the war, and/or who were repatriated from New Zealand at their own request or otherwise	40,254	15	5
(8) Moneys belonging to the German Church Trust at Christchurch, released in pursuance of an Order in Council dated 23rd April, 1923, made under section 54 of the Reserves and other Lands Disposal and Public Bodies Empowering Act, 1922	971	15	2
(9) Amounts transferred for disposal by the Commonwealth Clearing Office, the liquidator of the English branch of an enemy company, or in accordance with the Ex-enemy Absentee Property (Samoa) Order, 1923	1,171	1	0
(10) Amounts transferred to Consolidated Fund :—			
(a) Proceeds of realty acquired by a German subject which was forfeited and declared by the Supreme Court to be vested in the Public Trustee in trust for His Majesty the King under section 5 of the War Legislation Act, 1917	520	4	5
(b) Sundry amounts where the legal or beneficial owners could not be traced	1,728	17	4
	<hr/>		
		2,249	1 9
(11) Miscellaneous releases		628	11 11
		<hr/>	
		£127,171	7 5
		<hr/>	

CLEARING OFFICE AND ENEMY-PROPERTY WORK IN THE UNITED KINGDOM.

118. The report of the Central Clearing Office for the year ended 31st March, 1928, copies of which were received in New Zealand in March last, shows that much progress has been made in the United Kingdom towards completion of the realization of enemy property and the settlement of claims lodged through the Clearing Office procedure. Of claims totalling approximately £208,000,000, those now outstanding total approximately £6,921,000. Further credits to the German Liquidation Account during the year total £5,414,000, making a total credit of £47,735,000.

In accordance with his custom, the Controller of the Central Clearing Office has appended to his report a summary of the principal decisions affecting the Clearing Offices which have been pronounced by the Courts and by the Arbitral Tribunals during the year.

CONCLUSION.

119. I am keenly alive to the duty of rendering the best possible service at the lowest possible cost, and I think it may be fairly claimed that the result of the year's operations shows that the Office is successfully fulfilling this duty. To my mind, the real criterion of an office of this size is the number of well-founded and serious complaints received from its extensive clientele. All complaints received are properly recorded and carefully investigated. Not only has the work throughout the year been conducted with a marked absence of justifiable complaints, but a large number of unsolicited enthusiastic expressions of appreciation of the services rendered by the Department has been received from clients throughout the country and overseas. These facts in themselves bear eloquent testimony to the effectiveness of the organization and the high standard of diligence and efficiency of the staff.

I desire to place on record my appreciation of the devoted and zealous services rendered by the Assistant Public Trustees, the Controlling Officers, the staff as a whole, and the Office Agents throughout the Dominion. By their unremitting attention to the duties entrusted to them they have in a large measure contributed to the growth of business and the success of the Office operations. Cordial thanks are also due to the members of the Investment Board for the assistance which they have given throughout the year in the consideration of applications for loans from the Office funds.

I have, &c.,

J. W. MACDONALD,
Public Trustee.

The Right Hon. the Prime Minister.

Approximate Cost of Paper.—Preparation, not given; printing (5,960 copies), £138.

By Authority: W. A. G. SKINNER, Government Printer, Wellington.—1929.

Price 1s. 3d.]

I have to place on record the appreciation of the devoted and zealous services rendered by the Assistant Public Trustee, the Consulting Officers, the staff, and the other agents throughout the Department. By their unremitting attention to the duties entrusted to them they have secured the maintenance of the growth of the business and the success of the Department. Cordial thanks are also due to the members of the Investment Board for the assistance which they have rendered during the year in the consideration of applications for loans.

I have, &c.

J. H.

The Right Hon. the Secretary of State

Investment Board, 11, Old Broad Street, London, E.C. 4.

The Hon. W. A. G. Stewart, Government Secretary