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1933.

NEW ZEALAND.

PUBLIC TRUST OFFICE.

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1933.

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, 1933.

1. The report reveals that the facilities made available by the Public Trust Office continue to be utilized to a very large extent by the public, as is demonstrated by the figures relating to the Department's business, and in an interesting survey by the Public Trustee the special points of appeal possessed by the departmental system of administration and constituting in themselves convincing reasons for its continued popularity are traversed. Of these features of administration by the Public Trustee none is more highly valued by present or prospective clients than the assurance that their property will be adequately protected from avoidable loss or diminution, and, as there is a particular need at the present time for such conditions of security, it is to be expected that the ground gained by the Public Trust Office in the past will under existing conditions be consolidated and that further solid progress will be made.

2. The figures set out in the Public Trustee's report relative to the new and the existing business of the Office reveal the magnitude of its operations and the extent to which the community has had recourse to its services. The new business accepted for administration during the year alone amounted to £5,650,839, representing the aggregate value of 2,748 estates, and the aggregate would undoubtedly have been much greater had values been maintained on the higher levels of past years.

3. The value of the estates and funds under administration as at the 31st March, 1933, was no less than £59,757,449, as compared with £59,132,512 a year previously, an increase of £624,937. Large as this total is, it is again evident that but for the fall in the value of most classes of assets a much larger increase would have been shown. For this reason the aggregate value of the business in hand at the close of the year represents a much greater increase than is disclosed by a comparison with the corresponding figures for previous years. Notwithstanding this, the present total is the largest recorded in the history of the Public Trust Office.

4. The continuous and rapid expansion of the business of the Public Trust Office is shown by the following table giving the value of the business under administration at five-yearly intervals during the past twenty-five years:—

Year.	Value of Estates and Funds under Administration.
	£
1908	5,531,658
1913	11,268,311
1918	17,153,031
1923	28,904,798
1928	44,155,548
1933	59,757,449

It is interesting to note that the value of the new business for the past year alone exceeds that of the total estates and funds under administration in 1908, representing an accumulation of thirty-six years.

5. During the year the administration of 2,572 estates and funds of a total value of £1,932,009 was closed, but in addition to this, partial distributions not included in the above figures were made as circumstances permitted in estates and funds the administration of which had not been completed by the close of the year. Necessarily the difficulties in the way of realizing assets to advantage and getting in investments have hindered to a substantial extent the completion of the administration in cases where it has not been possible to arrange for the transfer of assets in specie to the beneficiaries, or where the assets have not been confined to readily saleable securities, or to moneys in the Common Fund of the Public Trust Office with the consequent availability of capital immediately the periods of distribution arrive. Where these last-mentioned conditions have not obtained, the Public Trustee has, so far as practicable in the individual estates, endeavoured to avoid forced realizations with their disadvantages, and to defer sales until a more favourable market develops. Where in the circumstances of individual estates the early completion of the administration has been possible without detrimental effects on the estate through forced realizations or otherwise, the executorship duties have been performed expeditiously, as will be seen from the fact that, of the 2,572 estates closed during the year, 528 were both reported for administration and closed during the year.

6. In the prospective as well as in the existing business of the Office there is every reason for satisfaction. During the year 4,052 wills appointing the Public Trustee as executor were deposited, and on the 31st March, 1933, the total number held in safe custody by the Public Trustee was 79,535, an increase of 2,411 for the year. Many of these wills are deposited by beneficiaries and clients after personal acquaintance with the standard of service rendered by the Department, and contain in themselves eloquent testimony to the manner in which the work is performed. Apart from the wills in the Public Trustee's custody, there are, it is known, many wills appointing the Public Trustee executor held by solicitors, bankers, and others, and in the aggregate the prospective business from this source is very large. The wills for deposit work of the Public Trust Office is conducted under conditions ensuring the preservation of the strictest secrecy regarding the contents of wills, and, apart from this, the greatest thought and care is bestowed upon this part of the Office work. The statement in the Public Trustee's report as to the periodical stocktaking of the wills on deposit illustrates the special precautions which are taken by the Public Trust Office.

7. The Public Trustee's report contains a survey of the Common Fund system of investment which is available at the option of persons appointing the Public Trustee for the investment of trust funds placed under his control. As is explained in the report, this system is in no sense compulsory for persons having recourse to the Public Trust Office, but it has been availed of in the majority of cases because of the special advantages which are provided, including the State-guaranteed security of the capital moneys, the regular and unfailing crediting and payment of interest at prescribed rates representing a favourable net return for the moneys invested in the fund, and the availability of the capital funds when required for distribution or for the purposes for which the individual trusts were established.

In times such as the present these advantages are naturally of particular value to the persons beneficially entitled. Although the return has unavoidably been reduced in consequence of the legislation for interest reductions passed by Parliament in the general interests of the community, as well as the economic conditions which made those measures imperative, the Public Trustee rightly points out that the beneficiaries and other persons affected would likewise have had their incomes reduced if in the past their funds had been invested in separate securities outside the Common Fund. Such separate investments would, moreover, have been subject to the possibilities of losses of capital or stoppages of income which have in many such cases actually been experienced during the present times, and from which investments in the Common Fund are protected.

8. Certain difficulties explained in the report were encountered during the past year in consequence of the endeavours of some local authorities to withdraw from the Common Fund sinking funds invested therein by the Public Trustees as their Sinking Fund Commissioner, so that a higher return might be obtained from the funds than the rate of interest credited after the passing of the National Expenditure Adjustment Act, 1932. As the position had been brought about in consequence of the passing of that Act, and the operation of the mortgagors relief legislation had also increased the difficulties of the Public Trustee in meeting the demands of the local authorities, further legislation complementary to these Acts was brought down to afford the Public Trustee a due measure of protection from such demands during the operation of the emergency legislation referred to. Though some opposition was expressed by a few local bodies, the justification for the measure was generally recognized by local authorities, and the legislation was approved and passed into law by Parliament. The Public Trustee rightly claims that, considering the absolute protection afforded by the Common Fund system for the capital moneys and other relevant factors, the local authorities, as well as beneficiaries and clients interested in moneys invested in the fund, are at least in as favourable a position as they would have been if their moneys had in the past been invested in separate securities outside that fund.

9. The readjustment of interest-rates in respect of moneys invested in the Common Fund which was made on the passing of the National Expenditure Adjustment Act, 1932, was set out in the foreword to the report of the Public Trustee for the previous year. The readjustment operated from the 1st April, 1932, and the rates of interest then fixed—*i.e.*, 4 per cent. per annum on moneys held in trust and 2 per cent. per annum on moneys at call—were maintained throughout the financial year. The extension of the programme of legislation directed at achieving a lower level of interest-rates and embodied in legislation passed during the adjourned session at the beginning of the present calendar year, and the conversion of the Public Trustee's holding of Government securities in terms of the scheme for the conversion of the internal indebtedness of the State led to a further reduction of revenue as from the 1st April, 1933, necessitating a revision of the Public Trust Office rates of interest. The trust rate was reduced from 4 per cent. to $3\frac{1}{2}$ per cent. per annum as from the 1st April, 1933, the "call" rate remaining unaltered. A readjustment of the rates of interest in respect of moneys invested in the Common Fund on investment agencies was also effected on a basis proportionate to the reduction of gross revenue from the investments occasioned by the developments referred to. This basis of readjustment is explained in paragraph 42 of the Public Trustee's report.

10. The financial and economic conditions prevailing have necessarily led to increased difficulties in the performance of the important fiduciary duties undertaken by the Public Trustee, and have resulted in a large increase in the work entailed. Notwithstanding this, the business of the Office has been performed promptly and efficiently and to the satisfaction of the beneficiaries and clients concerned, and there has been no increase in the commission or other charges for the services. This is a feature which may fairly be regarded with satisfaction both by the Public Trustee and by those whose beneficial interests are in the trusteeship of the Public Trust Office.

11. It is a necessary consequence of the present conditions, which have resulted in a lower earning-power of assets and in added difficulties both in the collection of rent, interest, and other estate income and in the realization of estate assets, that the revenue of the Department from commission charges has not shown an increase comparable with the growth of the business. To a large extent the remuneration for services which were rendered by the Public Trustee during the year under review will not be received until with an improvement in the general conditions a favourable market for realization develops. In these circumstances it is particularly satisfactory to record that the operations of the Department over the past year resulted in a surplus of £3,046, after making substantial provision for possible losses of interest in respect of the investments.

12. It was explained in the foreword to the Public Trustee's report for the preceding year that the administration of the Hawke's Bay Earthquake Relief Fund had been conducted through the Public Trust Office organization, the Public Trustee acting as Executive Officer of the Central Committee which controlled the disbursement of the fund. Owing in substantial measure to the efficient and expeditious services of the Public Trustee and his organization, the administration of the fund had been practically completed by the commencement of the year under review, but since that time a revision of some of the benefits provided for in the fund has become necessary in view of the recent decision of the Privy Council as to the rights of workers injured as the result of the earthquake and the dependants of workers who met their deaths under these circumstances to claim compensation under the provisions of the Workers' Compensation Act. In representative cases submitted to it the Court of Appeal in this Dominion had held that claims for compensation did not lie, and financial assistance was then sought from the Relief Fund to cover the expenses of an appeal against this decision to the Privy Council, which it was thought might be successful. The assistance was granted, and the appeal was upheld by the Privy Council. In consequence of this decision the provision made out of the fund for a number of persons injured and dependants of workers killed will be reviewed and a substantial measure of relief will be afforded to the fund. It will be seen from the appended report that the Public Trustee was directly associated with the submission of the cases to the Privy Council. In addition to his association with the administration of this fund, the Public Trustee acted as Executive Officer of the Wairoa-Gisborne Earthquake Relief Fund established to relieve distress caused by the earthquake which visited the Gisborne and Wairoa districts on the 16th September, 1932. The administration of this fund proceeded on similar lines to that of the Hawke's Bay Earthquake Relief Fund, and the services of the Public Trustee and his organization were made available without any charge to the funds.

13. In the administration of these special funds the Government have had direct knowledge of the quality of the services rendered by the Public Trustee and his staff, and that the same high standard of services applies to the general work of the Department is evident from the unsolicited expressions of appreciation from beneficiaries and clients which come to the notice of the Government from time to time, and from the absence of justifiable complaints of any moment.

GEO. W. FORBES, Prime Minister.

Wellington, 8th November, 1933.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR
ENDED 31ST MARCH, 1933.

Public Trust Office, Wellington C. 1, 2nd November, 1933.

SIR,—

I have the honour to submit a report on the working of the Public Trust Office for the financial year ended 31st March, 1933.

PROGRESS OF THE OFFICE.

1. In my previous report I referred to the unfavourable conditions which obtained throughout the year then under review and had a far-reaching effect on practically every phase of the work of the Office and to the resultant heavy demands upon the executive and the staff. It is a matter for regret that no substantial improvement of these conditions can be recorded in this report, but, on the other hand, the passing of the year has seen the difficulties intensified in a number of respects through the further decline in values and fall in the revenue from assets and investments, bringing increased difficulties both in the administration of estates and funds and in the control of investments.

In these circumstances it is all the more satisfactory to be able to report that the Office has continued to make progress, that the high standard of service rendered in the past has been maintained, and that the facilities which it affords for the efficient and economical administration of trust estates and for the performance of kindred duties continue to be availed of extensively by the population of the Dominion. The latter is to be attributed to several important factors.

2. Over the long period of its operations—for sixty-one years have elapsed since the Public Trustee first embarked upon the administration of trust estates and other fiduciary duties—the Office has built up an imposing record of efficient, faithful, and withal economical service to those for whom it acts. The object aimed at by the establishment of the Public Trust Office was the provision of a means whereby testators and settlors desirous of making provision for their relatives and dependants or others whom they desired to benefit might ensure that effect would be given to their wishes with the fullest safeguards as to the security of their property and assurance as to the faithful carrying-out of their expressed wishes. It may be justly claimed that throughout the period of its existence the Public Trust Office has amply fulfilled this purpose, and the passing of the years has seen a continuous development and expansion of its business and an increasing resort to its services, constituting significant testimony to the satisfactory performance of the duties entrusted to it.

3. The first essentials of trusteeship are the preservation of the assets which form the capital of the trust estate and their control and management in such a way as to ensure that the best results as regards both capital and income are achieved for the persons beneficially interested. For the first of these it is evident that there can be no greater assurance for a person creating a trust than is furnished by recourse to the services of an organization of a public character established for the specific purpose of undertaking fiduciary duties and subject in the course of its operations to special safeguards imposed by the Legislature. From the constitution of the Public Trust Office testators and settlors and those designated by them as beneficiaries are provided with an unparalleled assurance that their property will be adequately protected until the time arrives for the distribution of the trust estate.

4. In the management of trust estate assets and their utilization to the best advantage the factor of experience and that of the wide knowledge which is derived from the control of a large volume of assets, in which practically the whole range of property rights is represented, play no small part, especially during periods of unfavourable economic conditions such as the present, which bring with them a special need for prudent and safe administration. In the Public Trust Office each

estate under administration benefits in that to the consideration of its individual problems is brought the knowledge derived from the handling of a large number of estates where similar and perhaps identical difficulties have been dealt with previously ; and where, as in the past few years, new problems have arisen during a period of adversity through the passing of legislation of an unprecedented character to meet the resulting conditions the Public Trustee has been able to view the needs and requirements of each new development, whether of a major or of a less extensive character, in a general way, and to lay down uniform lines of action by which the best interests of the individual estates may be served, and any readjustments rendered necessary may be carried into effect with a minimum of uncertainty and consequent inconvenience or loss to the trust estates. In these matters there is, of course, no inelastic application of a general policy without regard to the special requirements of individual trusts or beneficiaries. Due consideration is always given to the special circumstances of each estate, and consultation with the persons beneficially entitled is invariably followed on all matters of importance in which there may be scope for a difference of opinion as to the best course to be followed. The special advantage to the estates is the availability of the general perspective which can be derived only from the consideration of a large number of closely related problems.

Nor is it to be assumed that a settled policy on any matter of general application to the estates under administration is, once established, adhered to rigidly under changing conditions. The wide range of interests dealt with by the Office, and its extensive representation throughout the Dominion, provide many points of contact through which it speedily becomes acquainted with new developments of importance in connection with its work, and it is prompt in making any changes or readjustments which may prove necessary or desirable and in applying them by concerted action to the individual interests under its control.

5. The volume of business dealt with has also made possible the setting-up of an organization specially equipped as to personnel through which the work of administration is conducted systematically and with adequate safeguards as to supervision and inspection. The staff employed possesses the practical and technical knowledge to perform satisfactorily the responsible duties involved in the administration of trust estates. It comprises a large proportion of officers qualified in law, accountancy, and commerce, as well as officers with specialized knowledge of various phases of the work, the latter including a financial officer dealing with matters relating to shares and investments, and outside Inspectors with practical experience of rural and urban properties and matters pertaining thereto. The Office is widely represented throughout the Dominion, so that its representatives are readily available to beneficiaries and clients for consultation, and a scheme of delegation which is in operation enables the administration of estates to be conducted, in proximity to the assets and to the persons interested, by local representatives of the Office, who are subject, however, to the general control of the Public Trustee and to approval by him of the more important phases of the administration.

6. Moreover, in utilizing the services of the Public Trustee, there is the certainty that there will be continuity of administration and the impartial performance of the trustee duties. The Public Trustee is a permanent trustee who is not subject to the risks of sickness, disability, absence, or death, which may, in the case of private trustees, lead to the administration being conducted either temporarily or for long periods by persons other than those named by the testators or settlors as trustees, and possibly by trustees to whom the person creating the trust would not have desired to entrust his affairs. The Public Trustee, however, continues from generation to generation, and gives continuous and uninterrupted attention to the trust reposed in him. It is equally important that those resorting to the Office are assured that the administration of their affairs will be conducted in an impartial manner without bias towards or prejudice in favour of any individual beneficiaries. It is unfortunately true that in the administration of the estates of deceased persons, conflicts of interest often arise, making it very necessary that a true balance should be maintained between the persons beneficially interested, so that justice

may be done to all. Where private trustees are appointed to act, frequently the main reason for the selection of the trustees is the close relationship of such persons to the testator or settlor, and in these circumstances there is the possibility that the trustees may often, no doubt unconsciously, be influenced by considerations of relationship in favour of some of the beneficiaries. The Public Trustee, however, always acts impartially and with a proper regard for the rights of all persons interested. His duties are, nevertheless, not carried out with a disregard of the personal element which enters so largely into trustee work, but are performed sympathetically, considerately, and tactfully as is called for by the very nature of the work.

7. Thus persons having recourse to the Public Trust Office are assured of the safety of their trust property, supported by guarantees provided by the Legislature, the wealth of experience and knowledge resulting from the control of trust estates of all descriptions, large and small, over a long period, and the systematic performance of the duties involved by a well equipped and organized office of a permanent character specializing in fiduciary duties and performing them in a sympathetic but impartial manner. In a period during which there is a special need for faithful and trustworthy service these assurances are of particular value, and the record of the Office in these respects not only in the more prosperous years recently, but also during the difficult times now being experienced, has played a large part in maintaining the position occupied by the Office in the sphere of trustee administration, and will also be a potent factor in the development of the Office business in future years.

NEW BUSINESS.

8. The conditions prevailing throughout the year are necessarily reflected in the figures relating to the new business reported during it, for not only are individual assets valued on a lower basis than in previous years, but it is also common knowledge that the shrinkage in values has in cases been accompanied by the entire loss of private wealth. Thus it is only to be expected that both in numbers and values there should be a falling-away from the figures recorded in previous years. In the circumstances the figures relating to the new business—a total of £5,650,839, representing 2,748 estates and accounts—may be regarded as eminently satisfactory and to be commensurate in volume with the higher figures recorded in more prosperous years.

The total amount of the business at present under administration is now £59,757,449, representing the aggregate of 20,936 separate estates and accounts. This figure, which is impressive in the view which it conveys of the Office activities, is the highest yet recorded in the history of the Office, and exceeds by £624,937 the previous highest figure, which was recorded in the preceding year. As in the past few years a marked feature of the administration of estates has been the inability to realize, at prices acceptable to beneficiaries, assets which would normally be converted into cash during the early stages of the administrations, and where the circumstances of individual estates have not permitted of a transfer of assets in specie to the beneficiaries, or the latter have not desired this to be done, it has been necessary to retain the assets until a more favourable market develops. The resulting accumulation of assets is, however, as the result of the lower basis of values operating, not reflected proportionately in the figures relating to the business in hand, and it is clear that the aggregate represents a much larger accumulation of assets than would be gathered from a comparison of the present figures relating to the business in hand with the corresponding figures in previous years. The figures quoted do not take into account such matters as trusteeships for debenture-holders where the duties of the Public Trustee are not of an active nature or the supervision of the administration of the estates of aged and infirm persons or mental patients administered privately, but subject by statute to the Public Trustee's supervision. By including these figures in the general total the value of estates and funds under administration at the close of the year would be increased by £2,275,950.

9. Further evidence of the continued and more widespread confidence in the Public Trust Office is contained in the statistics relating to the wills for deposit business. During the year 4,052 new wills appointing the Public Trustee executor and trustee were deposited for safe custody, and at the close of the year the total number of such wills on deposit with the Public Trustee had increased by 2,411 to the aggregate of 79,535—also the highest recorded in the history of the Office. Apart from these wills, it is known that many wills appointing the Public Trustee executor and trustee are held by banks, solicitors, and others.

10. The continued expansion of the business of the Office, both actual and prospective, is illustrated by the following table:—

Year.	Value of Estates and Funds.	Moneys at Credit of Estates and Funds.	Number of Wills on Deposit.
	£	£	
1921	22,364,319	13,283,869	28,356
1922	25,497,779	14,709,561	31,839
1923	28,904,798	16,793,687	35,502
1924	32,404,724	18,480,516	39,682
1925	35,570,642	20,109,822	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
1930	53,049,437	34,049,290	68,253
1931	57,527,263	36,488,434	73,523
1932	59,132,512	36,859,518	77,124
1933	59,757,449	36,815,941	79,535

ADMINISTRATION OF ESTATES AND KINDRED DUTIES.

11. The effect of the existing conditions on the work involved in the administration of estates and funds was traversed in my report for the preceding year (pages 5-7), and there is little to add to the statements then made. Briefly, it may be stated that the work has increased greatly in proportion to that which is involved in more prosperous times, that the problems and difficulties which are normally associated with the performance of executorship and trustee duties have been intensified and added to, and that the individual administrations have been protracted as a general rule in view of the difficulty of realizing assets to advantage and the restrictive effect of the special legislation for the relief of mortgagors.

12. Applications for relief from estate mortgagors and tenants are numerous, and whilst the Public Trustee is prepared, as far as is consistent with his duty as trustee, to grant assistance and concessions to enable those affected to carry on, there are, however, special considerations to which, as trustee, he must have regard. Speaking generally, as far as estate investments and assets are concerned, it is probable that to a greater degree than any other form of private property they represent the means of subsistence of the beneficial owners. Many widows and children are wholly dependent on the income from the estates in which they are interested.

In dealing with these applications for relief it is necessary, therefore, to remember that the circumstances of the beneficiaries dependent on estates are often just as unfavourable as, or even more unfavourable than, those of the persons who are seeking relief, and that any concessions granted often add to the embarrassment of those interested in estates and dependent on the income therefrom. When applications for relief are made, either direct to the Public Trustee, or under the mortgagors and tenants relief legislation, they are given careful consideration, and cases of genuine hardship are dealt with as reasonably as the circumstances of the estate and the beneficiaries will allow and the duties of a trustee will permit.

13. There are also many estates with obligations under mortgages or leases where, through shrinkage in income, it is necessary to seek relief. In these estates if compromise with the other parties concerned cannot be arrived at, it is the Public Trustee's duty to avail himself of the provisions of the relief legislation, and make the necessary applications on behalf of the estates. The estates concerned are of all classes. In the applications the Public Trustee presents all considerations affecting the estates and brings out all arguments which apply, for in acting on behalf of such estates he is in exactly the same position as any individual applying for relief.

14. In the wide range of assets controlled by the Public Trustee on account of estates under administration are included businesses of all kinds. The conduct of businesses, particularly at the present time, demands special attention to the arrangements which are required for efficient and effective control. Close attention is paid to the question of costs to ensure that overhead expenses are reduced to a minimum, and that unproductive lines of trade are not carried on. Special consideration is given to the setting-up of proper accounting systems in order that the position of the businesses may be ascertained accurately and steps taken to prevent any avoidable losses.

15. Details of the new business for the year have already been given, and the salient features of the new business and administration work generally are touched upon below.

16. *Wills, Trusts, and Agencies.*—Again, as for some time past, this class forms the largest portion of the new business reported, and during the year 1,498 of these estates, of a total value of £3,792,245, were accepted. In these figures there is concrete evidence of the voluntary recourse which, in the important matters of executorship, trustee, and agency work, is had to the services of the Public Trustee.

In the estates and trusts accepted during the year there are some which had been partially administered by private executors or trustees and transferred to the Public Trustee, and in recent years the number of these transfers has been considerable. There are several reasons for this action, which is initiated by the executors or trustees themselves or by those beneficially interested in the estates. The permanence and continuity of administration by the Public Trustee, the Dominion-wide representation of the Office which enables it to deal with assets wherever situated and to keep in personal touch with beneficiaries, no matter in what part of the country they may live, and the safety and efficiency of the Office administration, all make their appeal to those who by personal association with trustee duties come to a realization of the many and difficult problems which are involved.

Appointments of the Public Trustee as attorney also form a considerable portion of the business. The connection secured in this way is a most fruitful one, and many valuable estates administered by the Public Trustee have been entrusted to him as a result of experience of the Office work gained when the Public Trustee has acted as attorney for the testators concerned.

17. *Intestate Estates.*—On the average the estates of this class are now of small value. The number accepted during the year was 455, of a total value of £319,915. The small average value of these estates is doubtless accounted for by the fact that nowadays the majority of people with estates of any great value take the precaution, by means of testamentary dispositions, to ensure that the administration of their estates and provision for their dependants will be in accordance with their own wishes, and will not be left to the statutory provisions governing intestate estates.

The work rendered in the administration of these estates is of great value to those interested, and the organization and facilities of the Office enable the work to be conducted at a reasonable cost.

18. *Estates of Persons under Disability.*—It is a public necessity that a means be afforded whereby the estates of persons under disability may be protected and administered in a proper manner. In New Zealand the services of the Public Trustee are widely availed of for this purpose, and in the work thus performed the Office renders a valuable public service.

It is provided in the Mental Defectives Act, 1911, that the Public Trustee shall be statutory administrator of the estates of mentally defective persons where no private committee or administrator has been appointed. The occasions where private committees are appointed are not numerous, and even then the Public Trustee has a statutory duty to exercise supervision over the work of the committee. The estates of 420 mental patients, of a value of £417,697, were reported for administration during the year.

There are also those persons who, through advancing years, mental or physical disability, or other causes, are unable to attend to their own affairs. Provision is made in the Aged and Infirm Persons' Protection Act, 1912, for the protection and administration of their estates. The Public Trustee may be appointed as manager, and his services are frequently used. Moreover, where the affairs of the person concerned are entrusted to private management, there is statutory provision for supervision by the Public Trustee.

19. *Workers' Compensation.*—The Public Trustee is, unless the Court of Arbitration otherwise orders, statutory custodian of compensation-moneys paid in respect of the death of a worker. In practice, the appointment of any other custodian is unusual so that it may be said that the Public Trustee handles almost all compensation-moneys. The work is considerable, and great care and thorough investigation are necessary in dealing with the various matters involved.

20. *Charitable or Public Trusts and Benefit Funds.*—There are several important trusts and funds of this nature under the control of the Public Trustee. Of these, the most important is that established by the will of the late Thomas George Macarthy, in terms of which one-half of the income from the residuary estate is at present applied for charitable and educational purposes and institutions in the provincial district of Wellington in such manner and in such proportions as the Board of Governors decides. On the termination of certain annuities and other interests, the whole of the income from the estate will be available for these purposes. The Trust has now been in operation for twenty-one years, and during this period £189,677 has been allocated in the manner specified by the testator.

The T. G. Macarthy Trust is of a perpetual nature, as are some other large charitable trusts which are controlled by the Office. For this the Public Trustee, a corporation sole, with perpetual succession, meets the requirements of the trusts as no individual trustee could do. In modern times there has been a remarkable growth of public endowments which contemplate benefits extending over long periods of years, or even in perpetuity, and corporate trusteeship, as provided by the Public Trustee, enables permanence and continuity in the administration to be ensured.

HAWKE'S BAY EARTHQUAKE RELIEF FUND.

21. Under the Workers' Compensation Act, 1922, it is provided that if in any employment to which the Act applies personal injury by accident arising out of and in the course of the employment is caused to a worker the employer shall be liable to pay compensation in accordance with the provisions of the Act. As a result of the earthquake, a number of workers were killed or injured whilst at work, and claims were made under the Workers' Compensation Act in respect of these deaths or injuries.

The Court of Arbitration has exclusive jurisdiction to deal with cases under the Workers' Compensation Act, and there is no appeal from its decision. Where the parties agree on the facts, however, it is competent for the Supreme Court to give judgment in a given case pursuant to the provisions of the Declaratory Judgments Act, 1908, and thereafter there lies an appeal to the Court of Appeal of New Zealand, and thence to the Privy Council.

In order to facilitate dealing with the large number of claims arising as a result of the earthquake, the parties agreed on such general and special facts as appeared to them to be relevant and, by arrangement, four cases were referred to the Court of Appeal as being typical of all those arising out of the earthquake disaster. Part of the arrangement made by the solicitors acting for the claimants was that if the claims were ultimately successful lapse of time was not to be pleaded against any other claimants for compensation.

Shortly, the case for the claimants was that the earthquake of itself did not kill or physically injure anybody. It was by reason of the collapse of buildings and other structures that persons were killed or injured, so that in the case of workers the injuries arose from physical contact with the premises in or about which the performance of their duties required them to be.

The Court of Appeal, however, decided that the injuries sustained by the workers or the deaths of the workers did not arise in the course of their employment and that claims for compensation did not lie. An appeal to the Privy Council was considered desirable, but before this could be undertaken it was necessary to provide the required costs. As may be imagined, the expenses attendant on such an appeal amount to a considerable sum. The appellants were quite unable to provide the necessary funds, and it was obvious that the appeals could not be proceeded with unless funds were found from some outside source.

Application was thereupon made for financial assistance out of the amount subscribed for the sufferers from the Hawke's Bay earthquake. The Central Committee of the Hawke's Bay Earthquake Relief Fund recognized that it was proper, seeing that there was a reasonable chance of success, to assist sufferers to take the claims to the Privy Council. In coming to this decision, the Committee was also actuated by the consideration that, in the event of compensation being obtained, there would be a corresponding saving to the relief funds which would thereby be relieved of a portion of the burden of providing for persons injured or the dependants of persons injured or killed. The charge against the fund in this respect was a heavy one, and any additional assistance obtained would contribute to the stability of the fund previously placed on separate trusts to provide for persons injured and the dependants of persons injured or killed.

The Committee therefore set aside a sum to be utilized for the prosecution of the appeals, and authorized the Right Hon. the Prime Minister, Chairman of the Committee, and the Public Trustee, Executive Officer, to make the necessary arrangements.

In dealing with the appeals, several conferences were held by the Public Trustee with the appellants' solicitors, Messrs. P. J. O'Regan and Son, and Messrs. Luckie and Wiren, and throughout there was close co-operation between them and the Public Trustee. At the request of the solicitors, the Public Trustee also perused the submissions to the Privy Council before transmission to counsel in England.

The appeal to the Privy Council was successful, and, as a result, those with claims under the Workers' Compensation Act arising out of the earthquake will be enabled to proceed. Where compensation is obtained the provision made for sufferers out of the Relief Fund will, in accordance with the directions of the Central Committee, be reviewed and any necessary adjustments made.

It is pleasing that the result of the appeals so amply justified the assistance which was given from the relief fund.

WAIROA-GISBORNE EARTHQUAKE RELIEF FUND.

22. On the 16th September, 1932, a severe earthquake occurred in the Wairoa and Gisborne districts, causing considerable damage over a wide area. The Public Trustee had acted as executive officer of the Central Committee of the Hawke's Bay Earthquake Relief Fund in connection with the Hawke's Bay earthquake of the 3rd February, 1931, and he was entrusted with similar duties in connection with the Wairoa-Gisborne earthquake. An appeal for contributions for assistance for sufferers was made by the Right Hon. the Prime Minister, and officers of the Public Trust Office were sent to the area affected to ascertain, at first hand, what was needed and to arrange for the necessary local committees to carry out the work in the districts concerned. The representatives of the Public Trust Office in the earthquake area were appointed to the local committees to represent the Public Trustee, as executive officer of the Central Committee.

Statutory provision was made to apply the provisions of the Hawke's Bay Earthquake Relief Funds Act, 1931, to the Wairoa-Gisborne Earthquake Relief Fund, and to extend the purposes of the Hawke's Bay Earthquake Relief Fund to corresponding purposes in connection with the Wairoa-Gisborne earthquake.

In this way means were provided for the due administration of the fund by the Central Committee which was constituted under the Hawke's Bay Earthquake Relief Funds Act, 1931.

The contributions to the Wairoa-Gisborne Earthquake Relief Fund were not sufficient to meet all that was needed, and it is pleasing to say that it was found possible to afford from the Hawke's Bay Earthquake Relief Fund the additional assistance required. There were sufficient funds to enable this to be done, as some of the commitments in connection with the Hawke's Bay earthquake which were provided for proved ultimately to be not as large as was at first estimated.

Assistance was given in necessitous cases only, and following are summarized details of what was done:—

(a) Essential repairs to make houses habitable where the damage was not extensive—approximately 550 houses attended to at a cost of	£ 3,712
An Unemployment Board subsidy on wages paid for repairs to dwellings amounting to £668 was received, making the net expenditure from the Relief Fund £3,044.	
(b) Assistance for restoration of houses where the damage was too extensive to be attended to under (a)	2,063
(c) Assistance for purchase of posts and wire netting for settlers who could not meet the cost themselves	571

The total expenditure was £6,346, and, after deducting the subsidy mentioned, the net cost to the relief fund was £5,678. As the details above illustrate, the money available was utilized most judiciously and in a way to afford the greatest assistance for the districts concerned.

The work proceeded very smoothly, and for this a great deal of credit is due to the local committees, which attended to the necessary investigation of claims. The organization of the Office and its branches in the earthquake area was at the disposal of the relief committees, and the work was performed free of charge by the Office.

COMPANY SHARES AND DEBENTURES AND SIMILAR INVESTMENTS.

23. With the continued growth of the business conducted by the Office and the large number of estates reported from time to time for administration the holdings of shares and debentures by the Public Trustee in limited liability companies registered in New Zealand and in countries overseas have grown considerably, and the control of such assets represents an important phase of his administration. This will be readily realized when it is stated that in his capacities of executor, trustee, agent, and otherwise the Public Trustee has in recent years controlled interests in more than 1,100 companies, in many of which the holdings of shares have been substantial.

24. The duties of the Public Trustee are of a varied character. In testate estates shares and other interests in companies may be the subject of specific bequests to legatees, and the duties of the Public Trustee are limited to the transfer of them to the persons named as legatees when the testamentary duties are completed. If the legatee is, however, a minor, the interest may continue under the Public Trustee's control for periods of varying length. The trust instrument may also provide in simple terms for the immediate distribution of the estate among beneficiaries, and the Public Trustee may not be required to do more than transfer the investments to the beneficiaries, but the financial position of the trust estate or the wishes of the individual beneficiaries may in individual cases render it necessary to realize such assets.

In intestate estates the general duty of the Public Trustee is to realize such investments, but frequently the next-of-kin are *sui juris*, and may decide to take a transfer of the assets in specie, and the financial position of the estate may permit of this course being followed.

In testate estates or trust settlements where the trusts are of a continuing nature—for example, where life-tenancies have been created or where there are minor beneficiaries entitled—the position is somewhat different. Shares and other interests in companies are not, of course, authorized trustee investments, and, in the absence of special provision to the contrary in the trust instrument, it becomes the Public Trustee's duty to convert them and to invest the proceeds in the manner provided for by the will or trust deed, or as authorized by law. Frequently the course of dealing with particular shareholdings is, however, laid down by the trust instrument, and the Public Trustee may be directed to retain such investments or authorized to do so at his discretion. Furthermore, in cases where there is no special provision in the trust instrument dealing with the matter, the persons entitled as beneficiaries may desire them to be retained and where sufficient protection is afforded by their directions or indemnities the Public Trustee is able to accede to their wishes.

25. From this brief summary it will be seen that important responsibilities and duties may be cast upon the Public Trustee in regard to the realization of shares and similar interests in companies or their retention over more or less protracted periods. It is only to be expected that in the course of the administration of the various estates entrusted to the Office and the performance of the other duties imposed upon him the Public Trustee will at times be controlling several holdings of stocks, shares, or debentures in the same company and that though individual holdings of shares and the like in a company may pass from his control, his interest in the company's affairs may continue or be renewed through the administration of estates committed to his care.

These interests may, especially in the case of larger companies the shares and securities of which are dealt with freely on the stock exchanges throughout the Dominion, be held as assets in estates under administration at different offices, so that there is an obvious economy of work to be effected in having the shareholdings under review in the one office and a definite advantage accruing to the individual estates through the comprehensive and varied knowledge to be gained by the Office of matters relating to share and other investments. This has long been recognized, and for many years past the practice has been followed of having proposals relating to dealings with shares reported upon by an officer at the Head Office specializing in this class of work and keeping in touch with developments affecting the companies in which the Public Trustee is controlling interests and conducting the periodical review of the holdings.

26. Though the foregoing statement deals mainly with shares and other interests in companies the duties of this officer have extended to other investments of a similar character, such as Government securities and the securities issued by local authorities which are authorized trustee investments but which are in a somewhat similar position to shares and other interests in limited liability companies as they are dealt with on the stock exchanges.

27. It is not, however, to be assumed that in these matters there has been any real departure from the principles of delegation of the administration of individual estates and funds to the local representatives of the Office, which is a cardinal feature of the Public Trust Office system and which has enabled such administrations to be conducted with the utmost expedition and with the greatest convenience to the persons beneficially interested. Where realization of such investments is required the actual sales are conducted by the local representatives of the Public Trustee either in the centres to which the administration is delegated or in other centres where the most favourable conditions for realization obtain. Care is taken not only to ensure that the individual estates benefit from the concentrated knowledge available at the Head Office, but also that the references to the latter are so arranged that favourable opportunities for sale are not prejudiced by delay of any kind.

28. In my report for last year I referred to the fact that as from the beginning of the year under review the duties relating to share and similar investments were to be transferred to a permanent officer of the Department in lieu of an independent

person acting in an advisory capacity, as was previously the position. This decision was carried into effect, and it was decided also to make it part of the new officer's duties to review the results of the working of the numerous businesses, farm and otherwise, carried on by the Public Trustee on behalf of estates and clients and of businesses conducted on a partnership basis in which interests are possessed by estates under administration or persons for whom the Public Trustee acts.

During the year further attention has been devoted to the methods of gathering and recording necessary information in relation to the companies in which the Public Trustee possesses shares and other investments, the consideration of matters within the province of the Financial Officer, and the system of conveying the substance of the Financial Officer's reports on individual companies to the branch officers administering the estates.

It may justly be claimed that in the matters referred to above as well as in other phases of the administration the duties of executor, trustee, &c., are performed systematically and efficiently by the Office, and that the service given by it is of a very high standard.

WILLS DEPOSITED.

29. During the year 4,052 wills appointing the Public Trustee executor and trustee were deposited for safe custody. The number withdrawn, through the deaths of testators or otherwise, was 1,641, leaving a total of 79,535 wills of living persons on deposit with the Public Trustee at the 31st March last.

Through changes which the passing of the years brings about many testators find it necessary to vary the provisions of their wills. This entails much work in redrafting, and during the year 3,726 wills were dealt with in this way.

The safe keeping of wills entrusted to the Public Trustee and preservation of absolute secrecy regarding their contents are of extreme importance. At the Head Office and at the branches there are separate staffs to deal with the work of preparation, handling, and custody of the wills, and special accommodation has been provided for housing the testamentary documents. To guard against difficulties which might arise through destruction of original wills in the event of a disastrous earthquake or other catastrophe, certified copies of all wills on deposit are stored in safe custody in the offices of the District Public Trustees for the districts in which the testators reside, except that for the Wellington wills the copies are stored at the Dunedin office, where adequate accommodation is available.

With nearly eighty thousand wills on deposit, and with the large number of new wills and redrafts being handled daily, a most rigorous system of check and safeguards is essential. Accordingly, in addition to scrupulous care in handling, filing, and safe [keeping, a "stock-taking" of all wills on deposit is carried out at regular intervals. The task is a lengthy one, but is fully justified in view of the additional safeguard it provides.

THE COMMON FUND SYSTEM OF INVESTMENT.

30. In view of the general experience of investors over the past few years a survey of the Common Fund system of investment, which is available to but not compulsory for testators and settlers entrusting the administration of their estates to the Public Trustee and other clients of the Office, will be of special interest.

Under this system all moneys coming under the Public Trustee's control and requiring investment fall, *in the absence of a contrary direction by the person creating the individual trust*, into the one fund, and the investments are made by the Public Trustee for the aggregate fund and not for the separate accounts. The latter are credited with interest at rates varying, but without rapid fluctuation, according to the return derived from time to time from the investments after providing for the expenses of managing and controlling the investments and

for the risk of loss. The nature of the system and the magnitude of its operations have enabled substantial advantages to be made available which could not be offered under the alternative of investment in separate securities for the individual trust estates. Moneys coming to the credit of the estates, however large or small the individual amounts may be, become interest-bearing immediately, the interest is credited continuously—without broken periods of investment—while the moneys form part of the Common Fund up to the day when they are withdrawn for purposes of distribution or to meet maturing liabilities or commitments of the estates.

Where, as is generally the case, the interest is required for distribution among beneficiaries, payment is made without fail at regular intervals fixed with a regard to their needs or convenience, and they have the material benefit of knowing definitely in advance the exact amount of income which will be available to them. If, on the other hand, the circumstances of the individual estates require the accumulation of the whole or a part of the interest this is capitalized periodically and itself becomes interest-bearing.

When capital moneys or accumulated interest are required for estate purposes or for distribution the exact amounts required are available immediately without the delays or difficulties often attendant upon the realization of investments and without the necessity and consequent inconvenience of deferring realization if market conditions are unfavourable at the time, or, in the alternative, accepting a loss on realization in order to have the funds available immediately.

Beneficiaries and clients are in these circumstances entirely freed from the anxieties and difficulties arising out of the control of individual investments, which become so greatly accentuated during the recurring periods of adverse economic conditions. Most of all, they are protected against the risk of loss of their funds for, under the Common Fund system, this risk is borne by the Public Trustee, and the beneficiaries and clients have the further assurance that the security of their moneys is guaranteed by the Dominion of New Zealand.

31. A brief examination of the general circumstances surrounding trust estates administration and of characteristic requirements of the classes of trust estates most frequently encountered will demonstrate the special suitability of the system for the investment of trust funds.

A testator making a will in terms of which trust funds will pass into the hands of his trustee for investment, or a settlor creating a settlement with similar trusts, is generally making provision for the needs of dependants or is creating benefits to be made available at some future time for persons whom he considers to have claims upon his bounty. His main object is to ensure that these persons will be provided for to the extent of his available resources under conditions providing the greatest possible safeguards, and the most important single factors are those of security for the capital moneys and the securing of a regular income for those who will be dependent on the trust estate. Both of these requirements are met in the fullest degree by the Common Fund system with its guaranteed security of capital and regular and unfailing payment of interest. The extent of these advantages is adequately realized only in times such as the present when the revenue from individual investments, even though made prudently and strictly within the requirements of the trustee law, may, through the effect of adverse conditions and the operation of the special legislation for the relief of mortgagors, be seriously reduced or even stopped.

Turning to the individual trust estates, a class very frequently met with is that where a life interest, perhaps terminable on remarriage, is created, followed by a distribution among a number of beneficiaries. In these cases the exact period of distribution cannot be foreseen, so that no method of investment in separate securities is possible which will ensure that the estate moneys will be readily available for distribution immediately on the termination of the life interests. Under the Common Fund system, however, the moneys are always available in full immediately the appointed time for distribution arrives. A somewhat similar position arises where the trust fund as a whole or a designated portion of it is held for a number of minor beneficiaries attaining their majorities at different times, or where legacies payable out of the general estate at some future time are provided for. In these cases the

handling of the trust funds is greatly facilitated and at the same time the rights and requirements of the individual beneficiaries and legatees can most conveniently be provided for through investment in the Common Fund with the ability to draw from time to time the exact sums required for payment or distribution.

A class of estate commonly encountered where the benefits of the Common Fund system are often more apparent is that where the whole estate or a designated portion of it is held on trusts providing for the capital, in addition to the income, being applied as needed for the benefit of the persons beneficially entitled. Typical of these are trusts for the benefit of widows and other dependants, including those for the maintenance, education, and benefit of minors. In a wider sphere there are benefit funds for the relief of distress and trusts for public and charitable purposes where the special circumstances necessitate the gradual application of the capital moneys in the fulfilment of the purposes of the trust. With provision for investment in separate securities there are the conflicting requirements of keeping the trust funds invested so that they will return a satisfactory rate of interest and yet of having the capital sums likely to be required available immediately they are needed. The latter frequently involves the retention of portion of the capital moneys either uninvested or else placed in short-term securities at low rates of interest. The result is that at times one of these considerations must inevitably be subordinated to the other. A reference to the special features of the Common Fund system, as already explained, will indicate that this system of investment is particularly suited to these classes of trust estates in view of the complete and continuous investment of the capital sums at favourable rates of interest with, at the same time, the ability to draw upon the capital for the proper purposes of the trusts.

These typical examples of trust estates with their special requirements do not by any means exhaust the list of cases where the Common Fund provides special advantages and facilities for the handling of trust funds, but, in combination with the guarantee of absolute security and the other attributes of the system, sufficiently illustrate and explain the wide appeal which the system has made to the persons having recourse to the services of the Public Trustee.

32. It is perhaps inevitable that some misconceptions should be encountered among those who have no personal knowledge of the working of the system. It has, indeed, been my experience that such criticism as has been directed at the Public Trust Office has principally centred around the Common Fund system and the return provided from it for the persons beneficially interested in the trust funds forming part of it. It is significant that criticism of this nature has not originated from the persons directly concerned, but as it recurs from time to time and was repeated in certain quarters during the past year, I have thought it advisable to refer in this report to the more important points of such attacks.

33. The principal of these is in relation to the return provided from the fund. As I have mentioned previously, this return necessarily varies according to the return derived from the investments made for the Office as a whole after suitable provision has been made for working-expenses and the risks assumed by the Public Trustee as investor. It must necessarily be affected by important legislative programmes for interest reductions such as those adopted during the past two years, by relief measures affecting mortgage investments such as the Mortgagees and Tenants Relief Acts, and by the economic conditions which have resulted in many mortgagees experiencing grave difficulties in meeting their commitments to lenders for interest.

A very material factor, which it must be assumed is lost sight of by those who criticize the Common Fund system, is that the rate of interest credited to the individual accounts is a net return for the individual accounts, and for comparative purposes there must be taken into account with it the special attributes of guaranteed security of capital, immediate, continuous, and unbroken investment, regularity of payment or crediting of income, the availability of the capital sums when required for the purposes of the individual trusts, and the other features of the Common Fund system.

The moneys invested by private trustees for trust estates have, of course, been subject to the interest reductions imposed by recent legislation and to the restrictions and disabilities imposed by the mortgagees relief legislation, including the remissions

of interest frequently granted under the latter. As it is well known that mortgage investments provided in recent years the principal outlet for the investment of trust funds, and were generally selected by private trustees for the investment of trust funds under their control on account of the higher rates of interest offered, it is in point to refer here to the factors operating at present to reduce the return from such investments. Apart from the definite reductions of interest imposed by the National Expenditure Adjustment Act, 1932, and subsequent Acts, there are the following :—

- (a) The inability of many mortgagors to meet even the reduced interest payments, with the result that the income of the individual trusts may be greatly depleted for the time being, or even stopped.
- (b) The substantial remissions or postponements of interest granted by the Courts and Adjustment Commissions under the mortgagors relief legislation, resulting either in loss of revenue or deprivation of income for longer or shorter periods.
- (c) The expenses attendant upon defending applications for relief, as must often be done in the interests of the funds invested. These are, in the case of investment in separate securities for each estate, a direct charge on and further deplete the estate income, and as the same mortgage may be the subject of more than one application for relief, considered and adjudicated upon by two tribunals, they may in the aggregate be substantial.
- (d) The direct charges for, and undoubted increase at present in the cost of, managing and supervising the investments and collecting the interest.

Moreover, apart from the reduction of interest due to these causes, there may be the possibility or certainty of loss of part of the capital invested to be taken into consideration, apart from any inconvenience to those beneficially interested caused by the practical inability to get in capital sums for purposes of distribution, or to meet estate requirements, however urgent and necessary.

All these factors must be recognized and assigned their due measure of importance in any comparison between the results achieved by the Office in the management and control of the Common Fund system for the beneficiaries and clients participating in it with those obtainable from the alternative of investment in separate securities. I feel that the most complete answer to any criticism based on this aspect of the system lies in the fact that those directly concerned have for the most part fully appreciated the need for the revisions of interest rates which have recently been necessary, and have fully recognized that under the existing conditions the return provided is a favourable one, and that they have been sheltered to a large extent by the system from the adverse results of the existing financial stringency.

34. A notable exception was that of certain local bodies which, following upon the reduction of the Common Fund interest rates as from the 1st April, 1932, which was rendered necessary mainly by the passing of the National Expenditure Adjustment Act, 1932, and the operation of the mortgagors relief legislation, endeavoured to have their sinking funds withdrawn from the Common Fund either for reinvestment by the Public Trustee as their Commissioner in separate securities outside the Common Fund, then available and immune from the effects of that legislation, or for transfer to new Commissioners appointed in lieu of the Public Trustee, when the same advantage would have been gained. The local bodies which initiated such action were not numerous in comparison with the total number for which the Public Trustee acted as Sinking Fund Commissioner, but there was the possibility that, an advantage having been gained by some of them, the same course might be desired by the remainder. As the total amount involved was in excess of £4,700,000 the difficulties of meeting a concerted demand of this nature under present conditions will be evident.

It is to be explained that these sinking funds had been accepted by the Public Trustee for investment in the Common Fund on the understanding that repayment would not be required until the maturity dates of the related loans, and his investments had been made on this basis, so that, apart from the special conditions resulting

from the mortgagors relief legislation, compliance with simultaneous demands involving a large aggregate amount before the appointed times would have been a matter of serious difficulty. Moreover, the local bodies had for many years had the alternative of investment of their funds by the Public Trustee in separate securities (and in many cases the choice of private Commissioners with the same alternative) but had not availed themselves of it, preferring the special advantages of the Common Fund system for the investment of their funds. Had the sinking funds been placed in the past in separate securities these would likewise have been subject to the disabilities imposed by the legislation referred to. There would then have been no question of the local bodies escaping such of the effects of it as were unfavourable to them. Furthermore, under the provisions of the National Expenditure Adjustment Act local bodies had obtained the benefit of a reduction of interest on their loan indebtedness, which must in most instances have far outweighed the disadvantages entailed by it, so that there was the less reason to justify any endeavour to escape the latter.

In the circumstances the Government decided to bring down legislation, which was subsequently passed into law as the Local Authorities Sinking Funds Act, 1932, and which can properly be regarded as a corollary of the National Expenditure Adjustment Act and the mortgagors relief legislation, preventing the withdrawal of the sinking funds from the Common Fund during the operation of the last-mentioned legislation, except on the earlier maturity of the loans to which they relate. It was provided, however, that the local bodies, at their option, could obtain authority for the investment of current and future sinking-fund instalments in Government securities. In only two cases, however, has advantage been taken of this provision, and as, moreover, local bodies have continued voluntarily to appoint the Public Trustee to act as their Sinking Funds Commissioner and to direct investment in the Common Fund, it is evident that a maturer consideration of the position has brought to the local bodies a clearer understanding of the advantages of the Common Fund system for the investment of their sinking funds.

35. The only other matter in relation to the Common Fund system to which it is necessary to direct attention in this report as within the orbit of criticism directed at it is the impression which sometimes exists and often appears to be fostered by critics of the Office that the Common Fund system is compulsory for those who appoint the Public Trustee to act as their executor or trustee or in some other fiduciary capacity. From the inception of the system its use has been kept entirely optional on the part of those having recourse to the services of the Public Trustee. Intending clients have an unfettered choice as to the manner in which their funds shall be invested, and they are fully at liberty to direct the Public Trustee, equally as much as a private trustee, to invest their funds in separate securities limited to those authorized by the general trust law or extending to other investments of designated classes. It is the practice of the Office to place before intending clients full information as to the two alternatives open to them and to leave them to make their choice uninfluenced in any way by the officers of the Department. If they decide upon investment in separate securities their directions are faithfully carried out by the Public Trustee, and by reason of the wide experience of the Office in trustee administration and the many points of contact in matters relating to investment the Public Trustee is at least in as favourable a position as any private trustee to invest trust funds in these circumstances to advantage. In addition, if suitable investments are not immediately procurable for the moneys requiring to be separately invested, the Public Trustee makes temporary allocations of securities from the Common Fund to the estate from the first day of the month following the receipt of the funds until a suitable investment is obtained. Thus the capital begins earning interest without such delay as may occur in private trusteeship. The responsibility of the Public Trustee in regard to investments in separate securities is the same as that of a private trustee, but, of course, the fortunes of the trust estate follow those of the individual investments and the special advantages and attributes of the Common Fund system do not apply.

36. In practice, however, it has been found that the vast majority of testators and other clients have directed investment of their moneys in the Common Fund, with its absolute security and other advantages, in preference to investment in separate and distinct securities.

INVESTMENTS FROM THE COMMON FUND.

37. *Collection of Interest.*—During the period under review low prices have continued to rule for primary produce, and particularly for dairy produce, which reached a lower price level than at any time during the past thirty or forty years. On account of the adverse financial and economic conditions, the collection of interest on mortgages, especially on those over farming properties, has been increasingly difficult. The extensive organization of the Public Trust Office, however, has been of great assistance in enabling the arrears of interest to be closely followed up and all available steps to be taken to obtain payment. This action is essential in view of the obligations of the Public Trustee to beneficiaries in estates, but the Public Trustee is always willing to afford mortgagors every assistance possible, compatible with his position as trustee, in order to assist them to meet their obligations.

Unfortunately, it has been found that the interests of the Public Trustee have frequently been directly prejudiced by granting extensions of time for payment of interest to mortgagors whose finances are controlled by stock mortgagees, in that no moneys have been made available to the Public Trustee on account of interest out of the season's surplus proceeds when received. The result has been that the Public Trustee has been compelled against his desire to call up a number of mortgages, not through dissatisfaction with the mortgagors, but because it has become apparent that the stock mortgagees will not permit payment of any portion of interest due to the Public Trustee.

Generally speaking, the obligations under loans secured on residential and urban properties have been well met, and although it has been necessary to grant concessions by way of suspending principal repayments or by granting extensions of time for payment of interest in connection with many of these properties, the number of applications for relief involving the remission or reduction in interest and similar relief has compared, in proportion, more than favourably with the number of similar applications for relief by mortgagors holding rural properties.

38. *Table Mortgages.*—From the year 1925 onwards the principle of granting loans on instalment, or table, mortgages, which had hitherto been largely confined to residential properties, was extended to a large number of farming securities, with the result that a considerable number of mortgages are on a reducing basis, and the principal has now been reduced to an amount sufficient to ensure that, notwithstanding the substantial reductions in values which have taken place in recent years, the principal is fully secured. A large number of mortgagors are therefore not overburdened with mortgage indebtedness, and the Public Trustee has been able to grant a concession by way of suspending one or more half-yearly repayments of principal without endangering in any way the security for the mortgage. It is pleasing to record that a number of mortgagors, with loans on an instalment table, have used every endeavour to meet their obligations in full, and have not sought any suspension of principal repayments. The advantages of an instalment table mortgage both to the lender and the borrower have been mentioned in previous reports, and it is clear that the present position of a large number of mortgagors is much better than it would have been if their loans had remained on a flat basis.

39. *Margin of Security.*—In view of the difficulties that are being experienced by all mortgagees in connection with their investments, it is fitting at this stage to review in the light of present conditions the lending policy adopted by the Public Trustee in the past. The Public Trust Office Investment Board is empowered by statute to lend moneys in the Common Fund of the Public Trust Office up to three-fifths of an approved valuation. In practice the Public Trustee has always required a Government valuation of the proffered security to be obtained before the application is submitted to the Investment Board; and generally an amount less than the full sum the Government valuation would sustain has been offered to a borrower. As a further precaution, it has been the settled practice of the Public Trustee to obtain in addition a check valuation by a reputable and independent valuer, where the amount of the loan involved is £10,000 or over. The conservative policy of the Investment Board in granting loans has at times in the past given rise to criticism by disappointed applicants for loans; but the trend of events has shown that the cautious policy pursued has been fully justified. The system of granting loans on

an instalment basis has ensured that ample provision is made for the depreciation of buildings, which constitute a substantial part of the security for loans on city and residential properties, and has also afforded a safeguard against the general reduction in value of rural securities which has taken place in recent years. It has been the general practice of private trustees to advance moneys up to two-thirds of a valuation made by a private valuer, as compared with the maximum of three-fifths of a Government valuation adopted by the Public Trustee. It has been generally recognized that Government valuations have been made on a more conservative basis than those made by private valuers, so that it will be seen that special steps have been taken to ensure the prudent investment of moneys belonging to the Common Fund.

40. *Mortgagors Relief Legislation.*—The legislation affording relief to mortgagors was further extended by the Mortgagors and Tenants Relief Act, 1932, which came into operation as from the 31st March, 1932, and which gave a mortgagor the right to apply to the Court for relief in terms of the principal Act and amendments. Hitherto this right was available only after the mortgagee had given notice to exercise certain powers under the mortgage. A further amendment to the legislation was effected by the Mortgagors and Tenants Further Relief Act, 1932, which took effect from 1st December, 1932, and which authorized the Court to join the mortgagee of the stock as a party to an application for relief by a mortgagor of farm lands. This authority is limited, however, in that it does not permit the Court after investigating the position to go further and bind the stock mortgagee to comply with the provisions of the Court order. The Mortgagors and Tenants Relief Amendment Act, 1932-33, conferred on a mortgagor a right to apply for relief where the mortgagee having received from the Court authority to exercise his powers has failed for three months to exercise them, and made a further important addition to the legislation by debarring a mortgagor from contracting out of the benefits provided by the principal Act.

The difficulties experienced by the Public Trustee in administering the investments of the Common Fund and of the special funds under his control have been greatly accentuated during the year through the operation of the legislation, particularly where the security is a rural property. While it is inevitable that in the readjustment necessitated by the present economic conditions some measure of sacrifice on the part of all must be expected, yet the operation of the legislation in its present form does not ensure that the sacrifice required is borne equitably.

41. The deficiencies in the legislation, which operates to the great detriment of the Public Trustee and other mortgagees of land, are particularly noticeable where security is held by the Public Trustee over farming-lands the stock on which is mortgaged and accordingly the stock mortgagee is in a position to control the whole of the mortgagor's income. In these cases it is the practice of the Public Trustee to press for an arrangement under which the mortgagor's income shall be shared on a *pro rata* basis between the Public Trustee and the stock mortgagee after provision has been made for reasonable living and working expenses and for rates and taxes on the security. However, a number of stock mortgagees are not prepared to enter into these arrangements; and while the legislation empowers the Court to join the stock mortgagee in proceedings for relief under a mortgage over land, this provision is of no practical benefit, as the Court has no power to make an order binding on the stock mortgagee in those proceedings. The result is that a number of stock mortgagees do not hesitate to take advantage of the absence of the necessary provision binding them to observe the terms of the Court order, and to ignore the order of the Court, notwithstanding the fact that the whole position has been fully reviewed by the local Mortgagors' Liabilities Adjustment Commission and the Court (generally the Supreme Court), and the terms of the *pro rata* arrangement have been approved by the Court, which considers the arrangement equitable in the interests of all parties concerned.

In cases such as these the stock mortgagee under the existing legislation has unrestricted control of the whole of the mortgagor's income and is free to make full provision not only for payment of interest on the stock mortgage, but for the application of any surplus in reduction of the principal of the stock account,

while the Public Trustee as mortgagee of the land receives nothing on account of interest, and actually may be called upon to find new moneys to meet rates and taxes which have accrued during the period. Where the provisions of the Court order are ignored by the stock mortgagee the Public Trustee is forced to press for an order dismissing the mortgagor's application for relief and granting leave to realize the security, although the proceedings were taken by the Public Trustee in the first instance, not with the object of dispossessing the mortgagor of his property, but solely to obtain an equitable distribution of the income available. The legislation as it stands, while affording relief to the mortgagor, directly benefits the stock mortgagee wholly at the expense of the mortgagee of the land, for, as has been pointed out, the Court is powerless to bind the stock mortgagee unless a separate application for relief is made under the stock mortgage. One of the Judges of the Supreme Court has publicly drawn attention to the absence of power for the Court to bind the stock mortgagee and the consequent injustice to the mortgagee of the land.

RATES OF INTEREST ON MONEYS IN THE COMMON FUND.

42. The extended legislative programme for interest reductions passed by Parliament during the resumed session at the beginning of 1933 and operating from the 1st April, 1933, necessitated a readjustment as from that date in the rates of interest allowed on moneys invested in the Common Fund. The legislation referred to consisted of the Local Authorities Interest Reduction and Loans Conversion Act, 1932-33, which, in lieu of the special stamp duty of 10 per cent. levied by the National Expenditure Adjustment Act, 1932, imposed a 20-per-cent. reduction on interest derived from local-body securities; the Finance Act, 1932-33, which imposed an interest-tax of 20 per cent. on the interest derived from certain similar classes of securities in lieu of the special stamp duty of 10 per cent. previously payable in respect of some of the securities; and the New Zealand Debt Conversion Act, 1932-33, providing for the conversion of the internal State indebtedness at the rate of 4 per cent. with, in effect, a maximum reduction by 20 per cent. of the existing rates of interest in lieu of the 10 per cent. stamp duty previously payable. With the consequent reduction of revenue from the investments of the Common Fund of the classes affected by this legislation and the operation of the mortgagors relief legislation, a readjustment of the rates of interest on moneys held in trust in the Common Fund was inevitable, and a reduction from 4 per cent. to 3½ per cent. as from the 1st April, 1933, was effected by an Order in Council dated the 27th March, 1933, and published in the *New Zealand Gazette* of the 28th idem.

The foregoing reduction was necessary to make the interest paid out on general moneys in the Common Fund conform to the reduced earning-power of the investments, but in regard to moneys invested in that fund in terms of fixed contracts with investors the position was different. It was equitable in these cases that the interest-rate should be reduced proportionately to the reduction effected by statute in the gross return derivable from the investments upon which were based the original rates of interest which the Public Trustee contracted to pay. On a consideration of these and other relevant factors, a reduction by one-twentieth of the original rates of interest fixed was effected, with the proviso that in no case was the rate to be reduced thereby below 4 per cent. This readjustment was brought into effect by a notice dated 27th March, 1933, issued by the Minister of Finance and published in the *New Zealand Gazette* of the 28th idem.

These reductions were made with reluctance, but they were, of course, rendered necessary by causes entirely beyond the Public Trustee's control.

FINANCE.

43. The difficulties encountered during the past year in relation to the conduct of the financial operations of the Office were of the same nature as those met with in the preceding year and referred to in my report for that period. Although

an increased volume of work was dealt with during the year now under review, the commission and other earnings of the Office did not show a commensurate increase. This was due, of course, to the general inability to realize estate assets to advantage and the reduced basis on which interest and rent payments were made as the result of the reductions imposed by the National Expenditure Adjustment Act, 1932. Another factor was the effect of the prevailing conditions, which added to the difficulties of collecting income of most classes. The result has been to reduce the commission which would otherwise have been received for the services of the Office or to postpone the time when the Public Trustee's remuneration will be received.

For the reasons already explained, including the abnormal but unavoidable accumulation of estate assets which is, owing to the fall in values, incompletely reflected in the statistics, the work entailed in the administration of estates and trust funds and in the management of the investments of the Office has not shown any falling-off, but has, on the contrary, increased to a marked extent. By the exercise, as in past years, of the strictest economy in the expenditure and the constant review of all classes of outgoings, it has been possible to continue to make the services of the Office available to its beneficiaries and clients on the same scale of charges as has obtained in previous years and to conduct the operations of the Office on a successful basis. Over the past year these resulted in a surplus of £3,046 16s. 8d. after making substantial provision for bad and doubtful debts, a satisfactory result in the unfavourable conditions ruling, especially as the remuneration for a large proportion of the services rendered during the year will not be received until a market favourable for the realization of estate assets develops.

44. As evidence of the economy observed in the administration of the Office the following table, showing the total expenditure of the Office since 1921, will be of special interest. It discloses that the percentage of expenditure to the value of estates and funds under administration has dropped from 1·02 in 1921 to 0·42 in 1933. The position is even more favourable than these figures disclose, since the expenditure from 1928 onwards includes the cost of the services rendered by the Office to the Rural Intermediate Credit Board, which cost is recovered from the Board, whereas the value of the Board's investments, which are managed by the Office, is not included in the value of estates and funds as tabulated below. Furthermore, as already explained in paragraph 8, the figures relating to certain classes of trusts and estates where the Public Trustee has certain duties to perform, but is not actively engaged in the administration, are not included in the statistics.

Year.	Value of Estates and Funds.	Number of Wills on Deposit.	Gross Expenditure and Percentage of Value of Estates and Funds.	
			£	Per Cent.
1921	22,364,319	28,356	233,399	1·02
1922	25,497,779	31,839	210,109	0·82
1923	28,904,798	35,502	190,315	0·66
1924	32,404,724	39,682	208,015	0·64
1925	35,570,642	44,102	222,948	0·63
1926	38,009,480	48,957	251,218	0·66
1927	41,043,523	53,531	244,189	0·59
1928	44,155,548	58,065	248,401	0·56
1929	48,334,790	62,841	269,849	0·56
1930	53,049,437	68,253	301,223	0·57
1931	57,527,263	73,523	312,701	0·54
1932	59,132,512	77,124	300,819	0·51
1933	59,757,449	79,535	252,103	0·42

45. *Investment of Funds.*—Under normal conditions the Public Trustee receives considerable sums annually for investment as the result of the realization of estate assets in terms of the trust instruments, but as a result of the financial conditions

prevailing the lending operations of the Office were necessarily of limited extent during the past year. The investments completed during the year on behalf of the Office amounted to £280,044, and additional investments totalling £587,230 were made on behalf of estates and funds under administration. The investments held by the Office on the 31st March last, including special investments held on behalf of estates and funds, totalled £36,181,483.

46. *Advances to Beneficiaries and to Estates.*—The power of the Public Trustee to make advances to estates is, particularly in view of the present market conditions, of distinct advantage to estates under administration and to the beneficiaries concerned. In appropriate cases the Public Trustee is able to make advances on the security of the estate assets in order to meet administration expenses, death duties, debts, legacies, &c., as well as current living-expenses of dependants. Beneficiaries in estates possessing assets which it may not be either possible or desirable to realize immediately to the best advantage, but which present an adequate margin of security, may also obtain advances against their interests in such estates.

During the year under review a large number of advances were made to estates possessing insufficient liquid assets to provide for disbursements of the classes already mentioned as well as expenses incurred in the prudent management of those estates. But for the accommodation so arranged, it would have been necessary in many instances to dispose of assets which could probably have been realized only at a considerable sacrifice. As demonstrating the extent to which the Office has been able to assist estates during a difficult period, it is of special interest to report that more than a quarter of the total investments completed during the last two years on behalf of the Common Fund have been advances to estates under administration by the Public Trustee.

The current advances to estates and beneficiaries as at 31st March, 1933, amounted to £692,366.

47. *Insurance Companies' Deposits.*—In pursuance of the provisions of the Insurance Companies' Deposits Act, 1921–22, and its amendments, deposits are lodged with the Public Trustee by all foreign insurance companies carrying on business in New Zealand excepting those the operations of which do not extend beyond life, earthquake and marine insurance. At the 31st March last, deposits of this nature totalling, with accrued interest, £1,047,618, were held by the Office on behalf of thirty-six companies. These deposits are, in terms of the Act, invested in the Common Fund of the Public Trust Office. During the year, one deposit of £27,500 was withdrawn, the company concerned having ceased to carry on business in New Zealand. On the other hand, two additional companies commenced business and lodged the required deposits, totalling £50,000. Negotiations were also in train at the close of the financial year for the deposit of £50,000 by another company which was making arrangements for commencing operations in this Dominion.

Additional deposits aggregating £691,265 are held on behalf of thirteen life-insurance companies by the Public Trustee in terms of the Life Insurance Act, 1908, and its amendments. The whole of this sum, with the exception of £4,450 in cash, was represented by Government stock, local bodies' debentures, and other securities.

48. *Restrictions on Remittances Overseas.*—Early in the year remittances of funds to persons residing overseas were subject to considerable restrictions by the banks, and beneficiaries who were not in immediate need of the funds were able, by arrangement with the Public Trustee, to leave the money in the Office at interest until such time as a remittance could be made. Similarly, when the rate of exchange on remittances overseas was raised, beneficiaries were able to defer the remittance of their funds when they desired such a course, and were, at the same time, able to ensure that their money continued to bear interest until such time as the exchange position changed, or until their circumstances necessitated a remittance.

A large number of beneficiaries took advantage of this arrangement, which they greatly appreciated, and but for which they would have been seriously affected.

49. *Accounting-work.*—A marked increase in the volume of the accounting-work of the Office resulted from the operations of the National Expenditure Adjustment Act, 1932, and the New Zealand Debt Conversion Act, 1932–33.

In terms of the former, reductions in the rates of interest on mortgages and debentures and in the rentals of properties were imposed in practically all instances, and the detail work which was necessary in connection with both the Office and the estate investments was of considerable magnitude.

Similarly, the provisions of the New Zealand Debt Conversion Act called for immediate and careful attention in order that the holdings, not only of the Office, but also of the individual estates, should be dealt with within the prescribed time, and in the latter cases in accordance with the directions of those concerned. In addition to the work performed at each branch office in connection with locally administered estates, the individual holdings and requirements of each estate were carefully investigated at the Head Office where, in conjunction with Treasury officials, matters relating to the conversion and allocation of new securities were completed.

STAFF.

50. The principal staff appointments during the year were the following :—

HEAD OFFICE.

- (a) The appointment of Mr. C. E. Cole, Assistant Solicitor, Head Office, to the position of Solicitor, Head Office, *vice* Mr. G. G. Rose, appointed Solicitor to the Treasury.
- (b) The appointment of Mr. J. Byrne, Assistant Controller, Estates Division, to the position of Assistant Solicitor, Head Office.
- (c) The appointment of Mr. T. F. H. King, Inspector, Head Office, to the position of Assistant Controller, Estates Division, *vice* Mr. Byrne.

DISTRICT OFFICES.

- (a) The appointment of Mr. A. R. Coad, Chief Inspector, Head Office, to the position of District Public Trustee, Wellington, *vice* Mr. G. E. Miller, appointed Deputy Superintendent, State Advances Office.
- (b) The appointment of Mr. C. Freyberg, District Public Trustee, Hawera, to the position of District Public Trustee, Palmerston North, *vice* Mr. K. A. Henderson, resigned.
- (c) The appointment of Mr. W. M. Egglestone, Inspector, Head Office, to the position of District Public Trustee, Hawera, *vice* Mr. C. Freyberg.
- (d) The appointment of Mr. A. Bell, District Public Trustee, Greymouth, to the position of District Public Trustee, Nelson, *vice* Mr. J. Fitzgerald, retired on superannuation.
- (e) The appointment of Mr. K. J. Caverhill, District Accountant, Wellington, to the position of District Public Trustee, Masterton, *vice* Mr. S. J. Smith, deceased.
- (f) The appointment of Mr. W. H. Pearce, Second Assistant District Public Trustee, Auckland, to the position of District Accountant, Wellington, *vice* Mr. K. J. Caverhill.
- (g) The appointment of Mr. A. H. Ihle, Inspector, Head Office, to the position of Second Assistant District Public Trustee, Auckland, *vice* Mr. Pearce.
- (h) The appointment of Mr. S. G. Lamb, Accounts Clerk, Wellington, to the position of District Accountant, Nelson, *vice* Mr. D. M. Eckhoff, transferred to the position of Assistant Accountant, Wellington.

51. At the 31st March, 1933, the number of officers employed by the Public Trustee was 851, of whom 653 were on the permanent staff and 198 (mainly female officers) were employed on a temporary basis. The increase of twenty-four over the number employed at the beginning of the year disclosed by these figures is more than accounted for by the appointment towards the close of the year of thirty-seven cadets for training. For nearly three years previously there had been no appointments of this nature, and the new appointments were of an essential nature to enable current staff requirements to be met and some provision made for the future. Moreover, the numerical vacancies created by the transfer

or retirement of senior officers or by other causes were filled by the promotion of members of the existing personnel with a consequent economy in salaries which for the past year more than offset the salaries of the new appointees.

52. The high technical qualifications of the staff are revealed by the statement that 106 officers have passed the Law Professional Examination, many being qualified in addition as barristers, and 115 have passed the Professional Accountants' Examination, five of whom have graduated in commerce. Special encouragement is given to the junior officers to make themselves fitted to perform more advanced duties, not only by specialized training in the Office work, but also by the acquisition of professional knowledge. The majority of the juniors are engaged in the study of law, accountancy, and commerce, to the advantage of the officers and the Department both immediately and in the future.

53. It is with deep regret that I have to record the death on the 21st November, 1932, of Mr. S. J. Smith, a valued officer, who for nine years had occupied the position of District Public Trustee at Masterton and had for a period of twenty-one years in all been associated with the Office. During the year Mr. J. Fitzgerald, District Public Trustee at Nelson for seven years, and a member of the Office staff for thirteen years, following earlier service in the Justice Department, retired on superannuation.

OFFICE ORGANIZATION AND REPRESENTATION.

54. The existing provision for the representation of the Office by forty-two permanent branches throughout the Dominion proved adequate for the needs of the Office during the past year and no new branches were opened. The present representation is by twenty-three District Public Trustee offices and nineteen District Manager offices, while in five towns there are part-time offices at which officers from the controlling district office attend periodically. Apart from this, the Public Trustee is represented in a large number of the smaller centres by agents acting on a commission basis. There were two changes in this form of representation during the year. On the 20th June, 1933, the agency at Warkworth was discontinued on the resignation of the Agent, and for the present the work requiring attention in this district is dealt with from the controlling District Public Trustee office at Auckland. The agency at the Chatham Islands was closed as from the 31st March, 1933, as there was no present need for its continuance. The population of the islands being largely a Native one, and the administration of the estates of deceased Natives and the control of the trust property of Natives being undertaken by the Native Trust Office, there is no immediate likelihood of the Public Trustee being called upon to undertake duties in relation to property situated in the islands, but suitable arrangements have been made for attention locally to any matters which may arise.

55. *Decentralization.*—Though there have been no changes in the representation of the Public Trustee by branch officers on the permanent staff of the Office, consideration has been given during the past year to the relationship of the branch offices to the Head Office with special regard to the reduction of references from the former to the latter. The decentralization of the work of the Office by the delegation to the branch officers of the power to deal with certain phases of the administration of estates and funds under conditions providing for the general control of the work by the Public Trustee and for adequate supervision and inspection was first carried into effect in 1912, when the procedure was confined to the branch officers in the three main centres outside Wellington. Subsequently the practice of delegating such powers was extended—and particularly since 1920—as regards both the branch offices affected and the powers conferred upon the district offices. In 1927 similar measures were adopted in regard to the control and management of the mortgage investments of the Common Fund of the Public Trust Office and of the special funds—the three Government Superannuation Funds and the National Provident Fund—the investments of which are managed by the Public Trustee. In consequence, although the measure of

delegation was not complete by the last-mentioned date in relation to the Office work as a whole, it is correct to say that a large proportion of the work has since that date been dealt with in the branch offices.

In consequence of the growing volume of business under administration and the difficulties created by the existing conditions, particularly in the collection of rent and interest and in dealings with lessees and mortgagors, the pressure of work has increased very considerably. With a view to reducing the consequent volume of references to the Head Office—a measure justified by the wider experience of the branch officers as well as rendered desirable by the Office needs—further consideration was given during the year to the existing basis of delegation, and it was decided to grant some further extensions of powers to the District Public Trustees. Continued thought is being given to the division of the work to the best advantage as between the Head Office and the branch offices, and the further decentralization of the work will be carried into effect when the time is ripe for such developments.

56. *Inspections and Audit.*—The inspection work covers the general activities of the branches, including matters relating to staff, organization and systems, internal check of accounting matters, verification of securities, administration of estates, and the investment of the Office funds.

With the passage of years and growth of the business, the branch officers naturally become more experienced in the handling of the complex work of the Office, and gradually greater powers are delegated to them. In consequence the inspection system must become wider in scope and develop in intensity, while greater attention must be given to uniformity of procedure.

The inspections of the branch work are accordingly being conducted with greater frequency, the intervals between inspections now being approximately one year. Annual inspections by an Inspector stationed at Head Office enable close contact to be maintained with any special conditions arising in regard to the work or staff.

The internal checks of accounting systems and the auditing by the Government Audit Department are co-ordinated under the supervision of the Chief Inspector.

LEGAL DIVISION.

57. The activities of the Office involve a considerable amount of legal work, consisting principally of the preparation of wills, the preparation and perusal of documents, general legal advising, applications to the Court, and the representation of the Public Trustee in Court proceedings in which he is directly concerned or in which he is directed by the Court to represent any party.

During the year 870 probates and 198 orders to administer intestate estates were granted ; 592 elections to administer estates where the value of the estate did not exceed £400 were filed. Other Court applications for leave to take steps necessary in the administration of the estate, but not authorized by the will or by statute, numbered 122, while in twenty-five cases it was necessary to file a certificate under Part IV of the Administration Act electing to administer the estates concerned as insolvent. In addition, a number of exemplifications of probates granted abroad and of New Zealand grants were sealed to enable assets situated in the respective countries to be dealt with.

As in previous years, the Legal Division has in several cases investigated the possibility of claims for compensation under the Workers' Compensation Act in respect of estates administered by the Public Trustee, and obtained orders for the apportionment of compensation which has been awarded or paid.

The legislation providing for the relief of mortgagors and tenants has necessitated many appearances by members of the legal staff before various Courts and Adjustment Commissions.

RURAL INTERMEDIATE CREDIT.

58. By arrangement with the Rural Intermediate Credit Board (of which the Public Trustee is the principal executive member, with the designation of "Commissioner of Rural Intermediate Credit") the Office has continued to act as agent

for the Board in the administration of the system. Under this arrangement a number of the senior officers at the Head Office have acted as executive officers, and branch officers have carried out the duties of District Intermediate Credit Supervisors and District Officers in the various districts throughout the Dominion. It should be pointed out, however, that although the organization of the Office has been made available for the working of the system, the Office and the Board are entirely separate entities, and the responsibility for the administration of the rural intermediate credit system rests solely with the Board. The Board has on several occasions expressed appreciation of the services rendered by the Office and the care and attention displayed by its officers.

The work involved in the administration of the system has been, if anything, more arduous during the past year than in former years, owing to the difficulties with which farmers have been faced as a result of the continued fall in the prices received for primary produce. By far the greater number of the Board's borrowers are dairy-farmers, and the reduction in revenue received by them by reason of the decline in the value of butter and cheese has affected their ability to meet their commitments. The Board has continued its helpful policy of granting concessions where they are shown to be necessary and are warranted by the conduct of the borrower and the position of the security. The consideration of applications for concessions received has been responsible for a large volume of administration work, notwithstanding that the demand for new loans and the work arising therefrom decreased. The position of the Board's loans generally must be deemed to be very satisfactory, the arrears of interest being comparatively small.

There is abundant evidence to show that the system is proving of great value to farmers during the present difficult times in enabling them to obtain financial accommodation at a reasonable rate of interest and under favourable conditions.

The administration on behalf of the Government of the Special Fertilizer Fund referred to in the last report has been practically completed, and it is very gratifying to find that the loss which will be suffered by the fund will be small. As the loans were made with the support of personal security only, the result is satisfactory and reflects credit on the farmers concerned and on the Board.

CONCLUSION.

59. I desire once again to express my indebtedness to the Executive and to the staff of the Office for their devoted services and unremitting attention to the arduous duties imposed upon them and to the willing acceptance of the increased responsibilities which the existing conditions have brought about. With them I desire to associate the Agents of the Office, who so ably represent it in various parts of the Dominion.

I have, &c.,
J. W. MACDONALD, Public Trustee.

The Right Hon. the Prime Minister.

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