It became evident during the year under review that a measure of decentralization would be necessary in respect of rehabilitation activities, and it was decided by the Rehabilitation Board to set up local District Executive Committees in each Branch district of the Corporation. These Committees consist of—

A local representative of the State Advances Corporation.
A representative of the Minister of Rehabilitation.
A representative of the Rehabilitation Committees at present established in the respective districts appointed by the Minister of Rehabilitation.

The administrative work in connection with the Committees is carried out by the local Branch of the Corporation. It should be mentioned in passing that all District Executive Committee decisions granting assistance require to be unanimous, and failing this, they are referred to the Rehabilitation Loans Committee for consideration and direction. The District Executive Committees have not the power to refuse the granting of financial assistance without confirmation by the Rehabilitation Loans Committee.

It is appropriate to mention here that a considerable volume of unproductive work is involved in connection with rehabilitation loans, and it is becoming apparent that the margin between the rate payable by the Corporation on its present funds and the lending rate is not sufficient to cover the largely increased administration expenses involved in connection with loans up to in many cases 100 per cent. of the valuation of the security available. It goes without saying that the smaller the margin of security the greater is the cost of administration, because the after-care service required once a loan has been granted is more onerous. A reference to the accounts for the year will show that administration expenses in respect of rehabilitation advances from the War Expenses Account (business, tools of trade, and furniture loans) has totalled £30,207. This is apart altogether from the additional administrative work referred to above in connection with loans on farms and dwellings. In the past the Corporation has carried the charge for administration expenses in respect of loans from the War Expenses Account, but the time has now been reached when these charges will need to be recouped from the Treasury. The charges are directly attributable to the granting of these miscellaneous loans, which are administered purely on an agency basis, and the fact that the expenditure has been carried by the Corporation has resulted in a reduction in the net profit payable by the Corporation to the Treasury.

8. *Preservation and Protection of Timber.*—The work of local authorities under the Termites Act, 1940, has been adversely affected by the man-power position, but, nevertheless, the total number of investigations carried out by local authorities in whose districts termites are known to exist is 13,453. The technical staff of the Corporation has continued to give advice and assistance to those engaged in the practical work of tracing termite infestation, and the treatment of infested properties by the Corporation is still proceeding satisfactorily. It can be said that the termite menace has become less alarming, and the small number of new infestations in Auckland and New Plymouth districts is evidence of the effectiveness of the steps taken since the passing of the Termites Act, 1940. The following statement shows the number of cases where active colonies of termites have been discovered since the passing of the legislation :—

Auckland City Council..	244
Onehunga Borough Council	111
Mount Roskill Road Board	21
Mount Eden Borough Council ..	4
Mount Albert Borough Council ..	4
One Tree Hill Borough Council ..	2
New Plymouth Borough Council	18
Waikohu County Council	17
	421

In order that our native non-heart timbers might be used with safety on a wider scale, the Corporation has for some years past adopted the use of wood-preservatives in conjunction with kiln-drying. Subsequent to kiln-drying, the