

to these struggling local bodies. This reduction seems very unfair, in two ways, because there is only the one class of local body in the Manukau district—I mean the Road Boards. If the Counties Act were in force and there were the two systems, I understand they would get a higher subsidy than they get at the present time. The County Council would get 5s. and the Road Boards 5s. It seems to me only fair that the same district should get the 10s. Under the present system there appears to be a difference of opinion as to whether the County Council or the Road Board is the better system of local government, but I think every one is agreed that you do not want a system of dual government; but here is a case of encouraging people to go in for the dual system. A case occurred in the Waipa County. A certain Road Board there wanted to merge into the county, but they found that if they did they would lose £67 of subsidy. Therefore this is encouraging the local bodies not to merge. Not only that, but the present system of subsidy encourages the County Councils to divide. If a district is all under one local body—say a County Council—and it divides, that same district has a bigger subsidy on account of its having divided. It seems a very extraordinary position. I say that the whole system of subsidy is wrong in every way. For instance, if a local body increases its rate it frequently gets a lower subsidy in consequence.

3. *Right Hon. Sir J. G. Ward.*] We do not want to deal with that, but just the particular matter before us?—I will merely add, then, that the effect of this alteration on the Manukau district is that the local bodies lose a part of the subsidy that they have enjoyed for some time past, and that they had no means of knowing that this was coming about—they did not know, in fact, till they found their subsidy reduced.

4. *The Chairman.*] Some of these local bodies that you are interested in have been paid less by way of subsidy than hitherto?—Yes.

5. If they have been wrongly so paid, they ought to have the amount made up?—Yes.

6. If, on the other hand, they have been paid too much in the past, I suppose they will be ready to refund the excess?—I cannot answer that. My own opinion is that they have been paid too little in this case, and I hope the Government will reinstate the former amount and pay them the back subsidy. I am not saying that it is not right according to the law at the present time. I suppose it is right according to this amendment in the Appropriation Act.

7. You think it is really an alteration in the law?—I suppose it is, but we had no means of knowing it.

8. *Right Hon. Sir J. G. Ward.*] I presume that if the Government have inadvertently, upon a misinterpretation of the law, made an illegal payment, that was an improper thing to do?—I suppose it is an improper thing to make an illegal payment.

9. If an illegal payment has been made and it can be shown to be so, as a matter of right to the country that illegality should be rectified by deduction from the future subsidies of those local bodies that have been paid?—If it is so, yes. But do I understand you aright?

10. What I asked was this: If it is shown that an illegal payment has been made inadvertently by the Government in a matter of this sort, under advice, as a matter of correct procedure that illegality should be corrected?—If it is an illegality one must abide by the law, whatever it is.

11. *Mr. Massey.*] Do you think a payment could possibly be illegal when the vouchers were signed by the Valuer-General and certified to by the Auditor-General?—I should not think so, and I do not think the Government are in the habit of paying too much money to the local bodies.

12. *Mr. Allen.*] When was the first reduced payment made?—Soon after the Act was passed last year.

13. There was no reduced payment made in 1907?—Not to my knowledge.

14. *Mr. Fraser.*] The Premier asked you whether, the local bodies having received more money than they were entitled to, you did not think that would be an argument in favour of their refunding it, or its being deducted from future subsidies?—I did not understand the last sentence about deduction.

15. He said refunded or deducted from future subsidies. Do you approve of that?—No, I certainly do not. I did not understand the Premier to put it that way.

16. If it turns out now that the Government have in the past paid more than they ought to have paid, is not that due to the Government itself, and the local body ought not to be made to suffer for the *laches* of the Government?—Certainly.

17. *Right Hon. Sir J. G. Ward.*] Are you not of opinion that, if it is discovered that a mistake has been made by which a wrong thing has been done, that mistake should be corrected?—If a mistake has been made it should be corrected, I suppose.

18. *Mr. Russell.*] You know that as a matter of fact the Government do from time to time claim the right to adjust errors that have been made in connection with subsidies and payments, do you not?—Yes.

19. Sometimes they have paid up where there has been a shortage, and sometimes they have claimed a surcharge where there has been an excess?—I believe so.

20. You know that this matter which we are discussing only affects three or four local bodies, do you not?—No, it affects a great many local bodies—I suppose twenty or thirty that I know of.

21. The whole point of the Premier's question is this: that, if a certain small number of local bodies have received an excess of subsidy over and above what they are entitled to by law, is it a fair thing that they should refund what they have received in excess?—No, I do not think they should, under the circumstances. They have had to expend that money, and it would simply cripple the local bodies to have to pay back.

22. Then do you think that all the rest of the local bodies throughout the Dominion should have their subsidies increased, in order to come up level with what these others have had?—I do not admit that position, to begin with. In my evidence I said that it was not fair to those local bodies that they should have to refund former payments.

23. Are you aware that the question in dispute is this: Has an alteration in the law been made, or has there been an alteration in the interpretation of the existing law?—I take it that an alteration is made in the law by the Appropriation Act of 1908.