

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Memorandum for the Secretary to the Treasury, Wellington.

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

"D. ROBERTSON, Secretary."

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

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

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