

116. In your evidence the other day as regards the loan to the Wairoa Harbour Board it was not very clearly explained why you at first refused the loan and then granted it a short time afterwards?—I stated why. I said that I was afraid the amount was too large for a small body, and I did not want to have another Oamaru harbour trouble in New Zealand, and I advised the Board to decline it for that reason.

117. Then I understand a deputation came to you?—Yes. They quoted figures and arguments to show that my idea was wrong, that the place was really a very good district, and that they had no means of getting their goods out except by this harbour. They only had 2 ft. of water on the bar then, and they were completely blocked. I cannot remember now what figures they quoted, but they convinced me that I had taken the wrong view, and I told them that if they submitted the matter to me in writing I would bring it before the Board again.

118. It was known when the first application was made that the bar was bad. Why did you think the security was better—was there any difference in the district?—Yes, there was a difference, because of the railway which was going through that way to Napier. I got a map showing the projected railway. I thought it came down the coast, and as it went through the back part of the country more than I had thought which was level, it would increase the land-values of the district very much, and a rate of 1d. in the pound would have been very lightly felt.

119. What steps does the State-guaranteed Advances Board take to decide on these matters when advancing large sums of money? There was a suggestion in the letter that you should send some one to investigate. What is the general custom in regard to finding out whether the security is good enough?—We have no general custom, but we look at the rateable value of the property, and the clerk works out the percentages. Care is taken to see if the security is there, and if not the loan is reduced to an amount which would bring it within the amount provided for by the rate. If the rate is 6d. in the pound or more, it is looked at with suspicion. We take care that there is no question about the security: we have the official documents to look at.

120. What struck me as being peculiar in this case was that you refused it and then granted it, and I want to know whether the Department had any expert to look into the matter?—I intended to send the Inspecting Valuer to report, but on looking into the question, and seeing that the railway was going through the heart of this country and would be completed to Napier in less than ten years, even supposing the harbour-works were a total failure, the increased burden would be so low that it would not be felt.

121. The Advances Board had some information before them which caused them first to refuse the loan, and then when a deputation from the local body came they granted it?—It was not the same information. The information before the Board when it was granted was quite different to that when I advised the Board to refuse the loan. They had a letter from the Secretary of the Board setting out the whole of the arguments, and they also had my investigations as to the route of the railway and the area of the district, and so on. It was quite different information.

122. The principal reason was the suggested railway?—No, but the suggested railway would increase the value very much more than it was then.

123. Then your reply is that you have no expert and no way of looking into the matter except general information?—We send an expert when there is any doubt about the security. We have not done it in the case of local authorities, but we have sent the officer in a number of cases of settlers and workers' loans where we were doubtful about the amount of the security. Where the values differed, or where we thought that the increased valuation as compared with former valuations was suspicious, we have sent a man to report.

124. *Mr. Craigie.*] A good deal has been said in regard to loans to local bodies. From a business point of view, Mr. Poynton, was it good business for the State to continue that system of lending money for forty-one years at $3\frac{1}{2}$ per cent. and then for thirty-two years at 4 per cent.? Was it not a clear loss to the State to lend money under those circumstances?—It was a loss of more than £2,000,000, but it was helping the local bodies. That was a matter of policy.

125. Well, by lending the money to the local bodies at $3\frac{1}{2}$ per cent. for forty-one years they got the money at bedrock prices, and at the end of forty-one years they got a gift of the whole of the capital they borrowed?—The State has to repay the whole of the capital, and has to continue to pay the interest until it is paid.

126. In regard to the loans for the Timaru body, can you look up the file and tell me when Timaru made the first application for this money?—I have not got the file here. There are so many applications. You were pretty early.

127. Can you tell me how much they got in 1910?—There is one application on the 1st April, 1911. Some of the applications were carried to another file.

128. Can you state what Timaru got in 1910?—No, I could not. There was a loan of £6,000 that you applied for on the 30th September, 1910.

129. That was about the commencement of the time that you lent money out under the State-guaranteed Advances Act?—We commenced to lend early in 1910. Your application is dated the 17th February, and the Act came into force on the 2nd February. You were earlier than that really, because there was a telegram from the Mayor of Timaru asking about it on the 14th January. You applied before the Act came into force. The telegram was signed "James Craigie, Mayor."

131. At the time that Timaru made application for that money you had plenty of money in the fund?—We had plenty of money, yes.

132. And at that time your money was lying idle and you were paying interest on the money?—We did not borrow the money then—we borrowed the money in March.

133. You had money in the fund, and you were paying interest to the Post Office and not getting interest back?—Yes.