

134. And by Timaru being in the field early and taking that loan of £60,000 it helped the Department—the loss would have been bigger if Timaru had not taken the loan and paid interest on it?—Yes, that is right.

135. Can you say whether some of the applications from Timaru for certain purposes were turned down?—Yes, that particular loan or application was for £128,000, and it was declined.

136. There was an application for a loan for a renewal of a loan in London for waterworks, £60,000?—Yes, that was refused.

137. Was there any other loan refused for Timaru?—I could not say.

138. For municipal buildings?—I could not say without looking at the file, but if you applied for a loan for municipal buildings it would be refused.

139. The loan granted to Timaru was for drainage, sewerage, and waterworks?—Yes.

140. I do not know whether it is known that there is a sinking fund of £1 7s. 6d. that pays up the whole loan?—Yes.

141. If the State can borrow money at $3\frac{1}{2}$ per cent. and lend it at $3\frac{1}{2}$ per cent. it does not lose any money if there is a sinking fund?—The State loses the money in the way of interest while the money is lying idle.

142. *Mr. Lee.*] There was a loan of £5,000 applied for by the Borough of Waikouaiti?—Yes.

143. And provisionally approved by the Board?—Yes. It was the last loan for over £5,000 that was approved. It would be in November, 1911.

144. The Board is aware that the local authority in some way took it for granted that they were going to get that money, and entered into large contracts for the supply of water-pipes?—Yes.

145. For technical reasons connected with the taking of the poll the loan has been refused?—Yes, not only in connection with the taking of the poll, but there was a petition protesting against it.

146. And a petition from some ratepayers has been lodged since?—Yes.

147. Assuming that another poll is taken and that the necessary vote is obtained in the borough for this money, it would be a reasonable thing that the borough should get the money?—If it was under £5,000 and the money was available.

148. It was passed provisionally?—But it has been declined since.

149. Assuming that a new poll is taken and the necessary vote obtained, would it not be reasonable that they should get this money in view of the fact that they have entered into these contracts?—Well, I do not know. If they like to enter into a contract without having the thing in proper order I do not know that the State is bound to help them.

150. As to the £6,500, would it not be a reasonable thing that if they take a new poll in accordance with the terms of the Act that they should get the £6,500 now that they have entered into arrangements?—Not beyond the £5,000. We cannot make an exception in their case. If we did we should have a dozen others coming in.

151. Are there not cases where local bodies have entered into engagements in this way assuming that they would get the money?—Yes, quite a number. They are too fond of entering into engagements. In one case, after being refused, they went and built a hall.

152. I mean for purposes for which you lend money under the Act, is there any case similar to that of Waikouaiti?—I could not name the cases, but I know they have entered into contracts as soon as the provisional approval was given.

153. In connection with work upon which the Board lends money?—Yes.

154. I understand then that there is no chance, even if a new poll is taken, of the borough getting the money?—I do not say there is no chance, but they will get no more than £5,000. I might state that in the first instance the voting-paper did not state the amount of the rate to be struck, and it is a very serious matter for these people not to know what their properties are to be charged with, and they vigorously protested. If the thing had been in proper order the Board would have provisionally approved it the same as others, and it would have gone on for completion.

155. But now if the matter is put right the chances are that they will not get the money?—They cannot get more than £5,000 now.

156. That is because of the stringency in the funds of the Department?—Yes, we cannot give them more than £5,000. If we gave Waikouaiti more than £5,000 how could we refuse other people?

157. In declining this loan, was not the Department guided to a great extent by the fact that it was short of funds?—No, it was not. The Board declined it for two reasons—first of all because of the vigorous opposition by a great number of ratepayers who sent in a petition; and, secondly, the irregularity of the proceedings would not allow the loan to be granted.

WEDNESDAY, 16TH OCTOBER, 1912.

JOSEPH WILLIAM POYNTON further examined. (No. 4.)

Witness: Sir, I wish to say that I have looked into the question of the legality of granting loans to be paid beyond the year in which they are granted. I regret that I differ from the opinion given by the Solicitor-General. As the Board, however, will be reluctant to grant further loans in view of the opinion given by him unless the Act is amended, it will mean a cessation of lending. I therefore urge, as I have already done, that the Act be amended. I wish to say in reference to the $3\frac{1}{2}$ -per-cent. loans that I overlooked a circular sent out by the Office on the 19th March, 1912, to every local body that had received provisional approval of a loan at $3\frac{1}{2}$ per cent.