

69. Am I right in saying that those local bodies that obtained loans from the State-guaranteed Advances Department effected considerable saving in regard to interest and other charges?—Oh, yes. There was no procuration fee, no discount, no underwriting, or whatever fees they charge. All those little things that increase the cost were all avoided by borrowing from the Department. The only charge was 10s. per cent. for the commission.

70. Am I right in saying that up till recently the practice of the Department in granting loans to boroughs or bodies outside the backblocks districts was justified inasmuch as the conditions did not arise which necessitated them applying for loans to your Board?—The applications did not come in in too great numbers until November last.

71. Then the policy was one in accordance with the policy put forward by the districts of New Zealand?—Yes.

72. By reason of new conditions arising—that is to say, by bodies coming to you for loans that did not come before—it was necessary to impose a limit?—Yes.

73. Does not the fact that the Board is there to act somewhat guarantee that political influence cannot be used?—I suppose that is the object of having the Board.

74. And also to see that the security offered and other conditions are such that should warrant the loan being authorized?—Yes, it has to do with the procedure of the loan, and I think the fact of having the Board there should remove all suspicion of political influence.

75. Are you aware that right throughout New Zealand any number of newspaper comments have been made to the effect that there has been a record of squandering and political influence in connection with the Board?—There have been statements made in the Press, but my desire was to remove the impression from the minds of members of Parliament that undoubtedly existed.

76. As a matter of self-respect and a matter of duty to the people of New Zealand, you felt that the statement had to be made?—I wished for an inquiry to show that there was no political influence ever used.

77. *The Chairman.*] Would you mind showing me the resolution passed in the first instance regarding the £5,000 limit?—On the 13th November it was decided to give preference to loans of £5,000 and under. There was no formal resolution entered up.

78. But what happened after the 31st October—that is the starting of the £5,000 limit?—There was correspondence between the Post Office and myself about it, but the thing did not come back till the 29th December. The first discussion was after consulting with the Post Office towards the end of October. I thought it my duty to express to the Board what the position was, that we were not likely to get the same amount of money as we expected to get, and that as the Post Office required more interest, that we had better limit the advances to £5,000 and to fix the rate of future loans at  $3\frac{1}{2}$  per cent. They agreed to that without a formal resolution, and on the 13th November the first loan at  $3\frac{1}{2}$  per cent. was raised. It went on, and in January a lot of the bodies that had previously had more than £5,000 began to come in for £5,000 loans. It was discussed again in January at a meeting, and a formal resolution was put into the books.

79. I want to know when the £5,000 was first instituted and took effect?—On the 13th November. I am satisfied we did not grant any after that. Applications continued to come in for larger sums than £5,000, and some of the bodies that had already received large loans put in applications for £5,000, and then the matter came up in January.

80. Were there any grants between the 31st October and 13th November?—I think Waikouaiti was the last one.

81. You have not made it clear whether the £5,000 limit extends to one application or to the total amount of applications of any local body received?—If any body received £5,000 they would not get any more. That was decided on the 15th January: “Resolved that in granting loans to local bodies preference be given to those to which loans have not already been granted. Limit to remain £5,000, and rate to be  $3\frac{1}{2}$  per cent.”

82. Can you tell me how many County Councils came under that limitation?—No, not without getting a return out.

83. Have there been many rejections under the £5,000 limit?—Yes, there have been a good few rejections. On the 6th November the last application for a sum of over £5,000 was provisionally approved. That was for Waikouaiti. The original amount applied for was £9,000, and of that amount £6,500 was provisionally approved previously.

84. There was one item for £42,000 and £5,000 finally approved for Remuera. Did it strike the Board at all that they were harassing the needy and backblock districts in finally granting the £42,000?—No. I told you that we considered ourselves open to grant a loan already provisionally approved, and to have refused to grant a loan after a local body had gone to expense in connection with the matter would have been very wrong.

85. You think it would have been a breach of agreement?—Yes, I think it would have been a shocking breach of agreement.

86. Then in regard to the second loan of £37,050, which you said was not in order but finally granted in December, did not the Board have any discussion as to the wisdom of advancing that £37,000 barring another amount of £5,000 really still in force?—No, we considered that those people who had completed the arrangements at  $3\frac{1}{2}$  per cent. were entitled to have the agreement carried out by us.

87. Although they had failed in their legal duties?—They might not have crossed a “t” or dotted an “i,” but that is no reason why they should lose the loan.

88. Would the Board call that a technicality?—No.

89. In the list you have given us there is a £20,000 loan granted a month after the £5,000 limit was in force?—We did not provisionally approve of any loan after the 13th November. That does not say we were going to reduce the loans provisionally granted. To cut that loan of £42,000 for Remuera down to £5,000 would have been monstrous.