

JOSEPH WILLIAM POYNTON further examined. (No. 6.)

1. *The Chairman.*] I understand you have a return you desire to put before the Committee?—Yes; I produce a return asked for showing “Loans which were provisionally approved up to the 10th July, 1912, and which Approvals are now in Force, with the Position of each Application.” [Return put in—Exhibit L.]

2. *Right Hon. Sir J. G. Ward.*] Mr. Poynton, there is one matter I wish to clear up. All the moneys advanced since the State-guaranteed Advances Act, 1909, has been in operation, the full amount of the capital, has to be repaid by the local bodies, the same amount of interest as is paid by the State, and in addition to that there is a sinking fund for the extinction of the loan?—Yes, the instalments include payment of capital as well as interest. On the termination of the last instalment the whole capital is repaid with interest at the fixed or agreed-upon rate over the whole term. Instead of a sinking fund being set aside by the local body, as is usual, the sinking fund is included as part of the instalment. The capital is repaid by instalments as well as the interest.

3. In other words, in each payment the local body is making of interest there is an amount included over the period to repay the whole cost of the loan?—Yes, capital and interest are included in the instalment.

4. So that the capital and interest is repaid in full by each local body under the State-guaranteed Advances Act?—Yes.

5. And under the old loans-to-local-bodies system, which the State-guaranteed Advances Act superseded, the local body paid no portion of the principal back at all?—It paid no portion, but the extra interest or interest in excess of the amount paid by the State should be credited to that body in considering the liability to the State. For example, in the forty-one years' loan the exact amount of interest was paid by the local body as was paid by the State.

6. But the local body paid no portion of a sinking fund for the redemption of the amount of the loan?—No, it paid interest. If it was a shorter term it paid a lesser sum. If the term was forty-one years the local body paid $3\frac{1}{2}$ per cent. interest, for a thirty-two years' loan 4 per cent. Its liability then ceased, but the State had to pay the capital borrowed to lend to the body, and the local body should be credited with the extra interest paid—that is to say, for a twenty-six years' loan the State paid $3\frac{1}{2}$ per cent. and the local body paid $4\frac{1}{2}$ per cent. The 1 per cent. over twenty-six years should be actuarially calculated and allowed in reducing the liability of the State.

7. But it would not reach anything like the amount of the principal?—It would not reach half the principal.

8. And under the new system there is no loss under those headings except for the non-investment of any funds held?—No, and there is received 10s. per cent. commission.

9. Do you recollect obtaining authority from me to call upon the different banks with a view to seeing whether they would take a considerable amount of money at interest that we had uninvested?—Yes.

10. What was the result of the application?—We could not get investments.

11. What date was that?—It was some time in 1911—some time after the five-million loan. We had a lot of money in the Office, and had no room for temporary investments, and you suggested that I should go and see the banks.

12. Among others, the State-guaranteed Advances money was included?—Yes, we wished to reduce our bank balance.

13. Although an effort was made to invest considerable sums of money at the time, it was not possible to do it?—No, we could not get any investments.

14. Now, in reference to the investments of the Post Office: the return you furnished to the Board shows that in the years 1910, 1911, and 1912, £1,772,000 was lent by the Post Office to the State-guaranteed Local Authorities Branch?—Yes, it is in the return, and that would be correct. It is not signed by the Accountant, but it was furnished by him.

15. Would you look at the return and give the totals for each of those three years—what the Post Office had available every year for this particular Department?—We look at it from the 31st March to the 1st April, and in that case we would have borrowed in the first year up to 31st March, £400,000; in the second year, £975,000; and in the last year, £222,000. Taking the Post Office year from the 31st December, the amounts would be £975,000, £512,000, and £285,000.

16. There is a return which has been put in this morning showing the Post Office Savings-bank funds invested in securities granted outside the Treasury or Government Departments to the 31st December, 1911. I find on looking through the return that, outside the guaranteed debentures to the Greymouth and Westport Harbour Board and the Dunedin Garrison Hall, the whole of the other investments made outside the Treasury leave an amount of £246,000 under the various headings extending over the whole period up to 31st December, 1911?—That would be a long time before I came into the Treasury.

17. Over the whole of that period, approximately the total investments the Post Office made, outside of those guaranteed debentures to Westport and Greymouth and one or two small items, is only £246,000 out of £15,000,000 that the Post Office has invested outside, and none of it on mortgages of land?—No, it is not the custom of the Post Office to advance on mortgage—I do not think it has power to do so.

18. Now, in regard to the return of commitments that you placed before the Committee, during my administration did you at any time experience any difficulty in my providing money for commitments when they became due two years ahead of any contract?—No.

19. Has there at any time since you have been Secretary to the Treasury been any inconvenience from a financial point of view caused by delay or inability on my part as Minister of Finance to find money for commitments ahead?—No.