

41. How much have you already borrowed for this financial year?—£222,000.

42. And how much can you borrow for the remainder of the year?—The difference between that and £1,000,000.

43. Can we therefore not lend any further to local authorities?—Not unless we have the money in hand.

44. Do you think you are justified in saying that you will refuse every loan?—If we have no power to grant money without we have the money in hand.

45. Have you not the power to borrow?—Yes.

46. Can we not borrow?—We hope to be able to borrow.

47. Do you think it is a right thing to say that you would refuse all loans of under £5,000?—I think the Board would be reluctant to grant loans if the Act is not altered.

48. Did not the Solicitor-General's opinion refer to commitments in subsequent years?—Yes. We have a return showing that we have more commitments for this year than we have money in hand, and if the Post Office cannot let us have the money we must cease borrowing. We would not lend the money at more than we are likely to get the money for.

49. Can we not get the money outside of the Post Office if they cannot lend it to us?—Not until the Act is altered. You would have to lose money on it.

50. Why not?—The Act says you must lend at the same rate.

51. I am talking about commitments for the present year. Can I not borrow it in London and lend at the same rate to local bodies?—Yes, but you would have to borrow first, because you do not know the rate otherwise. We would have to know how much you got and how much you paid for it, and then after that we could entertain loans at that rate, but not until that was done.

52. Can I not borrow from the Post Office for the remainder of this year and lend?—I think all you can borrow from the Post Office will be required to meet engagements. We may be able to borrow far more.

53. Is it quite correct to say that the local body pays back the whole of the loan under this system?—Yes, and in addition the 10s. per cent.

54. Are there no losses made?—There may be losses made, but up to the present there have not been.

55. Have there been some made already?—No.

56. Are there not £22,000 of losses already?—That is not through the fault of the local body.

57. Has the Department made a loss?—The local body borrows £1,000 and pays back £1,000. It is acutarily calculated that it must pay back so much in $36\frac{1}{2}$ years, and that includes capital and interest. The Department may have an enormous loss or it may not have any at all.

58. The Department has made some loss already, has it not?—Yes.

59. Does the local body pay back that loss?—No. The local body does not undertake to repay anything but by instalments the money it borrows.

60. I want to know whether the local bodies pay back the loss to the Department?—No. They pay back the money they borrow with interest on it.

61. What becomes of the instalments of repayments of capital made every year by the local body?—The Public Trustee under the Act gets 1 per cent. of the capital.

62. Do the repayments by the local bodies of the instalments increase every year on account of capital?—There is a very slight increase. The table is set out in the regulations. The payments for interest decrease as the capital decreases and the payments of instalments for capital increases.

63. On the seventy-third repayment, will the repayment by the local body on account of principal be £2 7s. 11d. for the half-year as against 10d. on account of interest?—Yes.

64. What becomes of the £2 7s. 11d. each half-year?—It is reinvested again, excepting the 1 per cent., which is taken out for the Public Trustee under the Act.

65. Is there any authority under the Act to repay the instalments of principal to the State-guaranteed Advances Department?—No, it falls into the Common Fund of the office, and is paid into the Local Authorities Account.

66. And from there where does it go?—It is reinvested. The interest is paid on the loans, and the 1 per cent. is paid to the Public Trustee, and anything over is invested.

67. And the balance of it, you say, remains in the Local Authorities Branch of the State-guaranteed Advances Department?—Yes.

68. Are you quite sure of that?—Yes, it falls into the Local Authorities Account.

69. That is your answer, that it remains in the account?—Yes.

70. And is it reused as capital?—Yes, it is lent out.

71. Can you point out a clause in the Act which allows that?—I do not know that there is a section in the Act, but it is the custom of the Office. You cannot get a section in the Act for everything.

72. Do you not think the Legislature should have made provision for the reinvestment of the capital?—The same practice prevails in connection with the advances to settlers and advances to workers.

73. Have you made some suggestions to me with regard to an alteration of the legislation?—Yes, I have stated so in my memo. to the Committee—the amendments necessary.

74. What is that special amendment suggested in regard to the repayment of capital?—The capital should be taken back from the Public Trustee and reinvested by the Office—paid into the account and credited to the accounts.

75. You have had some instalments of principal paid back, have you not?—Yes.

76. Do they show in the account as instalments of principal?—I am not sure.

77. Can you point out to me where they are shown as instalments of principal paid back?—No, there is nothing of that shown in this return.

78. Where do they appear in the account?—They would appear as the amount in hand.