

it be favourably considered?" The reply on the 11th September was, "The Hon. the Minister of Finance, Wellington.—*Re. Clutha County Council's Loan*: The Department has received an application for a loan of £3,000 to metal roads in the Clydevale Riding, but as the Council has already had £3,000 provisionally approved, only £2,000 more can be submitted for the Board's provisional approval, which totals a limit of £5,000. The enclosed copy of a letter was sent to the County Clerk on the 10th instant and a form of application was enclosed.—J. W. POYNTON."

135. *Hon. Mr. Allen.*] Is there any further letter from me?—No.

136. Did I speak to you about it?—No.

137. *Mr. Hanan.*] Have you a return showing the total amount of loans granted for water-works, sanitation, and drainage?—No; they have not been dissected. The total could be given.

138. Are you aware that the majority of the electorates are in the country districts in New Zealand?—I have not considered the question of electorates.

139. Do you know if at times representations have been made at Municipal Conferences to the Government for them to supply money to these boroughs with a view to securing a reduction in the amount of interest paid on the loans?—Yes, I believe at every conference; the question was a perennial one. I have seen it in the newspapers. It is a very burning question with the local bodies to get money as cheap as possible.

140. Now, supposing the money had not been advanced to these boroughs by the Department, what would have been the position—what effect would it have had on industries and enterprises if the money was borrowed locally from outside sources?—They would have to pay more interest. They certainly could not get it at the rates they are getting it at now, and perhaps the money that would be applied to clearing bush or purchasing farms and other industries would be, to a certain extent, locked up in these investments.

141. In other words, it would tighten money and increase the interest for business enterprise?—It would lock up capital. Of course, the money lent to these local bodies was always for new works, and therefore the money was not locked up as on a loan being repaid and the money going to England. This money lent by the Department was all expended on new works.

142. Having regard to the opinion given by the Solicitor-General, what is the position now regarding the advance of loans?—The position is that we will have to discuss the opinion at to-morrow's meeting of the Board, and, knowing the members of the Board, I think they would hesitate to grant any more loans until the Act was amended to allow them to enter into engagements ahead.

143. Does that mean closing down the Department so far as that aspect of the operations is concerned?—Yes; I am anxious to avoid that, and I would urge an amendment of the Act accordingly. It would be a serious thing for the local bodies if the Office had to wait until other liabilities were wiped off.

144. In your opinion, is it necessary to close down?—It is not, in my opinion, but others may think differently. When it has been said by the highest legal officer in the country that the procedure is irregular, it would not be right to go on lending money.

145. Do you know what the effect would be in the country if these advances are not made now?—It would not be so bad now, because the summer is on; but later it would be rather serious. If the Act were amended during this month or next month, then engagements could be entered into. I merely urge it so that the Committee may help to get the Act amended.

146. *Dr. Newman.*] I want to ask you, Mr. Poynton, when you borrow a loan, say of £40,000, for a local body from the Post Office, when is the Department to pay back that £40,000?—Debentures are issued for thirty-six years and a half.

147. For all these loans you issue debentures at thirty-six years and a half?—Yes.

148. Do you not think that when the Board was lending money lavishly it would have been wiser to have stopped these big loans, and therefore to have hoarded more money for these applications?—We lent money in these large amounts till we got intimation that the funds were not so plentiful, and then we reduced. The first intimation we got from the Post Office was in October that the funds would not be so plentiful as they had been in the past. Immediately this was brought before the Board the rate of interest was increased and the limitation of £5,000 imposed.

149. When a Committee like this asks for returns, should not those returns be checked by somebody, and not merely left to a clerk, before they are presented to this Committee?—Yes, but I have not time to check them. I go to a responsible clerk and say, "I want that return," and I assume it is correct.

150. *Right Hon. Sir J. G. Ward.*] As a matter of fact, you have been in attendance on this Committee every morning?—Yes, I have other duties to perform, and I am certainly not going to check all those returns of the clerks. There are two clerks in charge of the work, and they check them.

HENRY KEMMER sworn and examined. (No. 7.)

1. *The Chairman.*] You are a member of the New Zealand State-guaranteed Advances Board?—Yes.

2. *Right Hon. Sir J. G. Ward.*] You have been a member of the State-guaranteed Advances Board, Local Authorities Branch, since its inception?—Yes, since its inception.

3. Have you at any time had any attempt made of political pressure in connection with any loans dealt with or any business of the Board?—None whatever.

4. Have you ever been asked by me as Minister of Finance or by any other Minister of the Government of which I was head to assist to pass a loan of any kind at that Board?—Never—never spoken to by a Minister or anybody else.

5. During the time you have been a member, have you had any occasion to call the attention of the Board to anything in the shape of squandering of money, or has there been any squandering of money by the Board?—No. If I thought there had been any squandering of money I