

54. And that is why you restricted the applications to loans of £5,000?—Yes.

55. You are aware I was Minister of Finance in the Mackenzie Ministry?—Yes.

56. Did I ever attend a meeting of your Board?—I do not recollect your attending a meeting of the State-guaranteed Advances Board.

57. As a Civil servant who has had a clean record and a long and honourable career, when you read in the newspaper in the morning that there had been political influence used, you naturally resented any suggestion of the kind?—I cannot say that I resented it actually, but I thought that the charges involved the Board, and that they should not rest on the members of the Board.

58. In other words, until the matter is cleared up you would feel more or less under a cloud?—Certainly. I felt that the public would regard us as involved in the charges whether they were directed against the Board or not, because the loans required the approval of the Board.

59. Then you entirely deny any imputation of political influence or plunging as far as the Board is concerned?—Yes.

60. *Mr. E. Newman.*] Did the Board fix a limit for advances to local bodies?—I think not—not if there were moneys.

61. If a County Council had received an advance up to £5,000, could it receive a further advance if it produced security sufficient for it?—I think not.

62. Then they must have fixed a limit?—The Board fixed a limit of £5,000.

63. When did it fix the limit?—I could not say for certain—I should have to refer to the record.

64. Was it a month ago?—More than a month, I should say.

65. Did you not understand that under the Loans to Local Bodies Act the State had to provide a sinking fund in connection with the money advanced to local bodies?—At one time, at any rate.

66. Until the State-guaranteed Advances Act took its place, was not that so?—I think it was—I am not quite sure.

67. If a local body wanted an advance you provided the money if you had it: as long as you had the money you tried to get it out?—Yes.

68. Were some of these loans to extend over a period of years before they would all be taken up?—Some local bodies asked that their loans might be issued to them in instalments sometimes for periods of years. I do not recollect whether it was actually years in every case.

69. When you were considering such applications extending over a period of years, did it occur to the Board that money might go up in the meantime, and that it was not wise to fix the rate that they were to get it at for the whole period?—It did not occur to me, and I do not think it occurred to the Board.

70. It did not occur to the Board that there was an opening for considerable loss if they undertook to provide money at  $3\frac{1}{2}$  per cent. and money went up to 4 per cent.?—No, it did not occur to me. I thought that the Department was very fortunate in getting what I understood to be a promise from the Post Office to supply money at  $3\frac{1}{2}$  per cent.

71. Did the Board not fix any proportion for boroughs and counties as compared with the towns?—I do not think so. I do not recollect so.

72. They looked upon it that they simply had to get the money out so long as the security was all right?—There was no authority to discriminate.

73. *Dr. Newman.*] Was any other loan but this one of £40,000-odd to Remuera granted by being sent round to the various members for their signature?—I do not recollect any other in this particular Department.

74. Why was there the hurry?—The minute on the record which I have just read explains that it was omitted to be brought before the Board. This was the granting of money in respect of a loan which had been provisionally approved by the Board, and it should have come up according to the memo. at the meeting which had just closed, and I understood it was one of the transactions to which there was no objection, and one which the Board would have passed and would be sure to confirm, and I signed it.

75. Was the Board approached by the Hon. Mr. Fowlds about a loan for Onehunga?—Not to my knowledge. No one ever approached me or the Board. The Board may have received a letter from Mr. Fowlds, but I do not recollect it.

76. Have you read the opinion of the Solicitor-General on the question of the legality of lending money at  $3\frac{1}{2}$  per cent. when money was at a higher rate?—No, I have heard of it, but I have not read it.

77. Do you remember an application for a loan by the Wairoa Harbour Board?—Yes.

78. You remember it was refused?—Yes.

79. It was a loan of £78,000: what circumstances led up to its being accepted?—That the Board was satisfied that the grounds of the previous objection had been removed.

80. What grounds were there for refusing?—The fear that the money would be wasted on a scheme that was not likely to prove successful.

81. Did the Board have any fresh professional advice which made it alter its opinion?—I cannot speak very accurately—it would be better to refer to the record.

82. You were doubtful about lending it at first, and afterwards it was lent?—Yes.

83. What circumstances made the Board change its mind?—I have explained that the grounds of the Board's objection were subsequently removed, and my impression is they were removed by expert information.

84. I want the grounds upon which the refusal was based, and then why it was granted?—After looking at the record my answer must be that I was satisfied, and the Board was satisfied, that the security was good.