

for myself; but it strikes me that a loan provisionally approved before the limit was imposed would, if the conditions had been complied with, be granted subject to the rate being raised from  $3\frac{1}{2}$  to  $3\frac{3}{4}$  per cent.

118. In reference to your statement just now that you felt justified in committing the country two years ahead, is there anything in the Act to give that power, or was it ever discussed by the Board?—I do not recollect that it was discussed by the Board. It was assumed that the grant of a loan at  $3\frac{1}{2}$  per cent. would be in accordance with the law.

119. I am not making any point of the rate of interest at all. What I wish to draw from you is whether you considered the Board justified in granting loans outside the year in which the loan they operated upon was for?—Yes, I think the Board considered itself justified by law in granting a loan in instalments extending over a year or two, otherwise it would have been difficult to apply the Act successfully.

120. I understood from your evidence just now that the Board took up the attitude of getting rid of this money as soon as possible because they were losing interest on it?—That was the feeling of the Board—*i.e.*, that the money should be lent as authorized.

121. Then why did they want to commit the next two years of loan-money which was not yet raised?—The difficulty of raising money was not foreseen by the Board.

FREDERICK WILLIAM FLANAGAN sworn and examined. (No. 10.)

1. *The Chairman.*] What are you?—Valuer-General.

2. *Right Hon. Sir J. G. Ward.*] How long have you been in the Public Service of New Zealand?—About thirty-seven years and a half.

3. What are the principal positions you have filled in recent times?—I have filled the positions in recent times of Chief Draughtsman in the Lands and Survey Department, Commissioner of Crown Lands, and now Valuer-General.

4. Are you a member of the State-guaranteed Advances Board?—I am.

5. How long have you been a member of the Board?—Twelve months.

6. Since you have assumed the office of Valuer-General?—No, some time afterwards. I was appointed on the 1st November, 1911, in lieu of the Solicitor-General.

7. Have you been asked at any time by any Minister of the Crown in your capacity to expedite or support a loan on political grounds for any local body in this country?—I have never been spoken to by a Minister of the Crown or a member of Parliament, or any person in any way connected with the granting of loans or any business connected with loans.

8. Have you at any time at a Board meeting had any political representation made for consideration in granting a loan by any one?—No.

9. Has there at any time during your membership of the Board been anything that would warrant the statement of squandering in regard to the issue of loans to local bodies?—No. The question was considered on several occasions as to whether a loan should be granted or not, and the amount of it was under consideration, but the Board held that so long as there was money available, and so long as the statutory requirements had been complied with, they had no option but to grant the loan. There was no discrimination. We did not consider we had any discrimination.

10. In other words, under the Act which authorized £1,000,000 a year to be lent, if you had the money you considered the application, and if the security was right you granted the loans?—That is so.

11. Well, looking at it in the light that you have a duty to administer in accordance with the law, could there be anything in the shape of squandering applied on the part of the Board?—I have only been a member of the Board since the £5,000 limit was introduced in November last—at my second meeting. At that meeting the question of limiting the amounts to £5,000 on account of the scarcity of money was discussed, and on the 15th January a specific resolution was passed limiting the amount to £5,000, because some of the larger local bodies who had borrowed more than £5,000 thought the £5,000 limit applied to them. The resolution made it clear, however, that it applied to local bodies that had not received any loan previously.

12. Was there any squandering under the £5,000 limit?—No.

13. From your knowledge of the members working on the Board, would you think they would be parties to squandering public moneys under the Act?—Most decidedly not.

14. During the time you have been a member of the Board have you seen anything in the direction of waste in connection with the administration of the Board?—No.

15. Do you consider the Board is well managed?—I do. Of course, so far as the Board is concerned, it depends on the Superintendent to place before it all facts and figures and correspondence, and to see that all technicalities and statutory requirements are fully met.

16. As a matter of procedure, before you have finished with a loan there is a certificate by the Solicitor-General to the effect that everything according to law has been complied with?—Yes.

17. That is attached to the loan before it is finally approved?—Yes.

18. *Mr. Craigie.*] Do you know, Mr. Flanagan, that if any local body applied for a loan of £5,000 since the limitation was agreed upon, if they had had a loan of £5,000, £10,000, or £20,000 before, would their application be turned down because they had had money advanced to them before?—I would not agree to any further loan.

19. You would not give them any more?—Not considering the state of the money-market.

20. *Mr. E. Neuman.*] For how long did you reckon the £5,000 restriction was to last—for one year or for all time?—I understood it was to last until the money-market became relieved. It would be inadvisable to limit a loan to £5,000 for backblock requirements. There are backblocks that require up to £10,000 for legitimate work, such as construction of roads and bridges.