

country could not obtain the money necessary for them to carry out their works. I had been applied to repeatedly in my official position for amounts for municipal bodies, County Councils, Road Boards, River Boards, Drainage Boards, Harbour Boards—in fact, every form of local body provided in this country—for advances beyond the limitation existing for the respective bodies under the old law, and I found that it was necessary for me to do something. I was confronted with this difficulty: that if I expanded the conditions under the loans to local bodies, under which the country at that time to my knowledge had lost—irrevocably lost—over £2,000,000 sterling of the capital advanced to local bodies, the expanding of the then system meant putting an enormous increase by way of further direct loss upon the country. After very full consideration I decided that it was not possible to extend the old system by which the country sustained the whole loss of the capital lent to local bodies, and that if I attempted an expansion of it that I could not do it to anything like the extent that the actual necessities of local bodies of this country required; and I finally decided to introduce the new system and to repeal the old Loans to Local Bodies Act, extending it under Part II to enable any current undertaking to be finally provided for. Now, prior to coming to the decision of submitting the scheme that I did to the House, I was interviewed by deputations, by Chairmen, and by Mayors of local bodies both in Wellington and in different portions of New Zealand prior to my going to England, who urged that I should try and make an arrangement by which they could obtain the money required for them in England; and the great majority—not all—of those who interviewed me told me that they were not able to obtain the money they required in this country; and those that said there was a possibility of obtaining it declared that the rate of interest they would be called upon to pay was such that they could not accept the responsibility. Now, I quote the representative of the Spreydon Road Board, who gave a typical illustration of what was taking place at that time, and, in addition to which, some of the leading financial men outside the Government of this country were very anxious that these local bodies should have a system by which their institutions were relieved of granting dead loans for the time to local bodies on account of the inability of those local bodies to obtain their loans. Now, when I went to England I saw two of the leading members of the London Stock Exchange, and I placed the position of the local bodies in New Zealand before them, and I asked them if it would be possible, if the Government introduced legislation enabling the local bodies to group themselves into one organization, for loans to be granted to the individual bodies of that organization; and as a result of two interviews which I had I was satisfied that the proposal was not feasible. They declared, among other things, that for what they called small loans for local bodies, they could only be obtained at a heavy discount and by heavy charges being imposed. Among other things, I recollect quite well both of those gentlemen telling me that in great commercial undertakings in England it was customary at that time for rates of interest to those requiring money for debenture stock of every kind to be at $5\frac{1}{2}$ and 6 per cent.; and as I had the idea of grouping the bodies with a view of getting the money direct, I went so far as to suggest that I would ask Parliament to guarantee the loan; but as the outcome of the representations I came to the conclusion it was not feasible. Upon my return I went into this system of State-guaranteed advances, which is the subject of discussion at the moment. Now, I have taken the trouble to look up what has taken place in the House upon this matter. It was intended from the start that the State-guaranteed Advances Act should apply to boroughs as well as counties and various other public bodies, and in going through the records of Parliament I cannot find a division or suggestion of any member of the House that the system of advancing under the State-guaranteed Advances Act should not apply to boroughs. I believe the House distinctly agreed—and I will quote from it presently—that municipalities were included; but I cannot find a division or statement to the contrary by any member of Parliament in connection with the proposal; and that information, of course, is available to every gentleman to obtain just as easy as it has been for me.

Mr. Lee: It would not matter what was debated. It is in the Act now.

Witness: I want to deal with the aspect that has been suggested in connection with the statement that County Councils have suffered.

4. *Hon. Mr. Allen.*] They are suffering now, are they not?—Perhaps you will allow me to finish and make my statement as to what the position was when I introduced this Bill, and why it was introduced. I am stating what the position was at that time; I am not exaggerating the position at all. I want to take the opportunity of saying this while upon this point, Mr. Chairman: that, supposing the State-guaranteed Advances Board at the start had decided not to advance a shilling to a borough in this country, then not one penny-piece more would have been advanced in the first and second years to a County Council or Road Board than was advanced, for the reason that every application from every County Council and every Road Board was granted in full, providing the security was right, and not one of them was refused.

5. Up to the 30th November?—Up to the time the decision was arrived at to reduce the amount to all local bodies, including boroughs, to £5,000. But I am taking the first and second years, and up to that period not one of them was refused. There was a short period in the first year, and not one of them so far as County Councils were concerned would have obtained anything more than was granted, because no application that came in was declined in favour of a borough, and where refusals took place it would be on the ground that there was not the proper security or else the conditions had not been complied with. Now, I want to put on record here in connection with this matter a statement made in the House by Mr. Allen in connection with this legislation. It was on the second reading of the State-guaranteed Advances Bill, on the 29th October, 1909 (*Hansard* 147, page 735). Mr. Allen said, "However, I would like the right honourable gentleman to explain to us the additional works for which local bodies can borrow under this Bill." "The Right Hon. Sir J. G. Ward: Town districts cannot get a loan under the existing law, or to only a limited amount." "Mr. Allen: Yes, certainly they can—under the Loans to Local Bodies Act. As I have said, I question whether this Bill will be of any advantage to the local bodies; on the contrary, I believe it will be to their distinct disadvantage. For instance, under clause 68 the actual rate of interest they have to pay means the rate fixed