

paying about £1,600 a year towards the extinction of the loan which has been referred to. Now, under the old system, if it had been possible for Timaru to have got that loan we would have lost the whole of the principal, and we would have got no sinking fund from the local body at all. I recognized that by advancing to local bodies under the Loans to Local Bodies Act we lost all our capital, and the House stopped that at my request. I simply want to emphasize another point upon the score of political influence, and it is not referred to from an egotistical point of view. I represented a portion of the country who knew I was a Minister of the Crown, who knew I was on the State-guaranteed Advances Board, and in the principal borough of my electorate application for a loan was made and refused. I never made application after the refusal—I was not in the country, or, at all events, absent from Wellington when the loan came up for consideration, but no representation was made by me of any sort or kind to the Board. Now, in regard to the application from Invercargill for a loan of £32,000, after the limit was reduced to £5,000, that was applied for close up to the election. It is perfectly well known to most people in this country that I have personally considerable interests in the town of Invercargill. Now, that loan was dealt with by the Board on the 8th November, just before the elections, and if the suggestion of political influence on that Board could be justified at all, it is pretty certain that as I know the whole of the members of the Invercargill Borough Council, and if political influence could be brought to bear, that they would have asked me to exercise some influence upon that Board, and that if political influence was being exercised that I would have attempted to exercise it. The fact that the loan was declined by the Board at such a time stands against even a suggestion of the kind. At the same time there was a loan of £71,000 granted to a County Council in a district which at that time was represented by a man who was in strong opposition to the Government. That was advanced by the Board in the ordinary way, and it does not require any stretch of imagination upon our part to see that if there was political influence being exercised upon that Board that it would have been easy in a matter of that kind to stop the loan if there was anything in the suggestion at all. But the whole experience of the working of these Boards proves to the contrary, and I think it is remarkable that in view of what has taken place a Minister of the Crown should endeavour to make out that political influence has been exercised in connection with an important lending Department like this, and that men, whatever their political views are, and who have not shown any disposition to use political influence on that Board that they should have for the time being the unwarrantable stigma attached to them.

8. *Mr. Lee.*] I should like you to refer to the question of the reduction of the limit to £5,000?—In regard to the reduction to £5,000 that took place in November, a circular was sent to the local bodies in November advising them that the rate of interest would be  $3\frac{1}{2}$  per cent., and the amount of a loan limited to £5,000. That was perfectly well known. The principal reason for it is that the Post Office intimated that they could not furnish funds to the extent they had been furnishing, and asked for a higher rate of interest.

9. *Hon. Mr. Allen.*] Where is that?—It is in the evidence.

10. The Post Office said they could not produce it at  $3\frac{1}{2}$  per cent?—*Mr. Poynton* in his evidence said they could not furnish the funds. I am almost confident that *Mr. Poynton* has put on record in his evidence that they could not produce funds at the same rate. At all events, there is one thing certain, that the cause of that was that the Department had not the funds available to meet what, I think, *Mr. Poynton* said were the large increased applications for funds, and for that reason they reduced the limit.

*Hon. Mr. Allen:* Here is the letter: "8th November, 1911.—Investment of Post Office Savings-bank Funds.—Memorandum for the Hon. the Postmaster-General.—Referring to the attached letter from the Secretary to the Treasury, I beg to point out that the Secretary to the Treasury asked this Department some time ago what would be the probable average balance available for investment through the Treasury. The information was fully forwarded, and so far as I know the Post Office has not failed to provide the sum anticipated. The whole trouble is that  $3\frac{1}{2}$  per cent. is not a profitable rate to the Post Office. I agree with *Mr. Poynton* that future loans obtained from the Post Office should bear a higher rate of interest than at present. As we at present pay 3 per cent. and  $3\frac{1}{2}$  per cent. on the deposits made in the savings-banks, it is necessary that some margin should be provided if we are to pay that rate of interest and provide for working-expenses as well. In the past we had a certain proportion of money invested in securities bearing a higher rate than that usually paid by the Treasury; but, for some reason, the Treasury has gradually managed to withdraw the bulk of these securities and substituted  $3\frac{1}{2}$ -per-cents. in their place. It is quite true that the Savings-bank is to a large extent crippled by the large sum, approximately £2,250,000, invested in 3-per-cent. Consols, but this scarcely affects the main point—namely, that the ruling rate of interest on loans is at present higher than  $3\frac{1}{2}$  per cent. If all future loans made by the Post Office bear a rate of  $3\frac{3}{4}$  per cent. or 4 per cent. the position will be fully met, and I would recommend that the Treasury be instructed accordingly. If this is done, and there is no delay on the part of the Treasury in finding investments, there will be no objection to the Post Office not considering any investments offered from outside. As the case stands at present, however, it is absolutely necessary that we should have at least a proportion of our money invested at as high a rate as possible consistent with safety.—D. ROBERTSON."

*Witness:* I also think *Mr. Poynton* said that the reason for the reduction to £5,000 was due to the large applications for money they were receiving, and that there was not enough to go round, as the applications were coming in for such large amounts or so fast that the amount available was not sufficient to go round. It has to be remembered that even if the Post Office could provide £3,500,000 in one year the Advances Board was limited under the Act to advance £1,000,000. If the applications were in excess of the £1,000,000, that, of course, rightly at the time would be a reason for reducing the limit. But the fact remains, if the political aspect was considered in any way, that the effect of reducing the amount was distinctly detrimental to the Government of the day by the reduction and also