

21. Should other names have been mentioned?—Many. Of my own knowledge I say there has never been any political consideration in connection with the Board, and I have always gone on the principle of not mentioning anybody who is doing business with any State Department.

22. The suggestion that loans were granted at election times conveyed the idea that political influence was being used?—I left the House that night after midnight, and I was not present when the debate took place, and when I read the statement in the Press I felt that an injustice was being done to me personally as the then head of the Government, because I had never exercised political influence on any lending Board. It is quite evident that the Board thought an injustice had been done to them also. None of the members had spoken to me nor I to them except at this Committee, and they apparently came to the same conclusion as I did.

23. Have you read the papers in New Zealand outside Wellington?—I have read the strictures in the papers about the matter which conveyed the direct impression that the whole thing was a political machine used for political purposes and for engineering elections. It is absolutely untrue as far as I am concerned and as far as any member of the Government is concerned—it has never been done.

24. You read the leaders in the Press containing comments right throughout New Zealand?—Yes.

25. Are they all on the same lines?—Practically all on the same line of criticism.

26. Based upon what?—Based upon the discussion that took place early in the morning and telegraphed out.

27. What statements?—Statements made by the Prime Minister and by Mr. Allen to the effect that the Board was used for political purposes.

28. *Hon. Mr. Allen.*] Did I make any such statement?—Well, to the effect that loans were being paid at election times. The statement was made that there had been squandering and waste of money worse than in the Vogelian days.

29. *Mr. Hanan.*] We must accept Mr. Allen's statement of what he did say. Then the criticism that appeared in these papers is not founded on a statement of fact?—No, it is not.

30. *Hon. Mr. Allen.*] What is the difference between "granted" and "paid"?—It suggests that this Board had been used for political purposes at election time. Now, as a matter of fact, it has never been used for political purposes at election or any other time to my knowledge. Certainly no member of the Board was ever asked by me as a member of the Government to show favouritism in connection with the work of the Board. At that meeting which has been referred to by Mr. Hanan before the election, that business that is recorded there for consideration of the Board is ordinary business that goes into the office, and is recorded in its sequence as it arrives for consideration of the Board.

31. *Mr. Hanan.*] About election time, applications coming from districts represented by Government candidates were refused?—That is so.

32. Now, you have some idea of the location of electorates in New Zealand. Which constitutes the major—are they in the town or country?—In the country.

33. How would you locate them numerically, town and country?—Some of the country seats have towns in them, but if you eliminate the smaller class of town in the country seats, then one would be pretty right in saying that there are only sixteen towns outside of that class.

34. Then there are sixty-four country electorates that may have a town in them?—Yes, approximately.

35. Then, for political support, the system, if a Minister wanted to gain political support in that way, would be to consider those country districts that have the majority of the towns or boroughs?—If this system were worked with a view to political engineering or political assistance, then there can be very little doubt that the refusal of loans to all the larger towns would bear out what you say, and by devoting the loans to the country seats would be more advantageous from a political point of view if it were to be used, which I would regret to see. It would be more advantageous from that standpoint to confine the loans to the country.

36. If the money had been kept in the hands of the Department with a view to meeting contingent loans applied for by local bodies in country districts, what would have been the position?—The Department would have sustained a very much greater loss than £23,000 due to losses upon moneys not invested, and it would have been very bad business. In the case of the first loan of £1,500,000 by the Advances Department, it took a considerable time to get that loan out, and during that time the Department had to bear the loss of interest on any money they could not invest. I have always tried to have any credit balances lent from one Department to another, but it is very difficult to do it.

37. It was not until recently, when applications for loans came in from country districts, that this position has been disclosed?—There are always difficulties in connection with financial matters, but the difficulty of the investment of moneys from the State-guaranteed Advances Department was double-edged. The Post Office had a large quantity of money for investments, but I could not find investment for it. Taking £400,000 from the Post Office and handing it over to the State-guaranteed Advances Board meant that the State-guaranteed Advances Department was in the position of having to pay interest upon that amount before they could get it out. Now, I authorized the Secretary of the Treasury at one period, and I had done so before, to go round to all the banks and see whether they could take a deposit from us, and the banks were full of money and declined.

38. Referring to the losses, how do the losses compare with the losses under the old Act?—Under the old Act there was the definite loss from the point of view of the country, because the whole amount lent to the local bodies was not paid by them at all; so that under the old Act, according to the evidence before us, the loss was at least £2,300,000.

39. Under the State-guaranteed Advances Act there are no losses?—The whole loan has all to be repaid. Any loss that takes place is due to uninvested capital or cost of administration, for which the Department at present pays 10s. per cent. in one amount for the whole loan, or, in the event of a loan being raised at a discount, that the country would pay for it; but the loss in any case is very trifling as compared with what it was under the old system.