

7. Well, how long had you to do with the applications for loans to local bodies—how many years?—As Accountant to the Treasury from 1890, as Secretary to the Treasury from 1906 to 1910.

8. And the whole of the applications for loans to local bodies would go through you?—They would go through me when I was Secretary. Occasionally I would have to deal with them as Accountant.

9. Have you known at any time in connection with dealing with these loans by the Treasury any discrimination in the matter of districts upon political grounds or applications of local bodies on political grounds?—No, I have no recollection of such being done.

10. Have you ever had at any time brought to bear upon you as Secretary to the Treasury while you were dealing with loans to local bodies any pressure from any Minister in reference to any loan on political or other grounds?—No, I have not.

11. Would the loans in the ordinary way applied for be dealt with in sequence of application without discrimination?—Yes, they would. So long as the papers were in order they would be dealt with by the Treasury in the sequence in which they were received.

12. And if they were not in order they would be duly advised?—Yes. But that would not prevent the local authority asking the Treasury to expedite a loan. Then they would not be taken in order, as the loan asked for would be dealt with specially at the request of the local authority. I have no doubt that many cases of that kind took place.

13. Under the system was there any such thing as holding back an application from one local body so as to give another application preference?—No, certainly not, not to give any application preference over another.

14. You were Secretary to the Treasury when the Taihape Borough obtained an advance from the Bank of New Zealand—are you familiar with that?—Yes, that was early in 1909. The Local Bodies' Loans Act was passed in 1908.

15. According to the file there are loans amounting to about £30,000 that the Taihape Borough obtained?—Nearly £30,000.

16. I want to deal with the £21,250 loan. Was that loan obtained from the Treasury?—No; the loan was obtained from the Bank of New Zealand under Government guarantee.

17. The guarantee was given under the Local Bodies' Loans Act, 1908, I understand?—Yes, the guarantee of the Government.

18. Now, you know as Secretary to the Treasury about that matter. Were there any representations made to you of a political nature in connection with the Bank of New Zealand receiving the guarantee from the Government for that loan to Taihape?—I can say definitely No. The Taihape Borough made its own arrangements for the loan with the Bank of New Zealand.

19. Well, just to bring my examination to an end, I want to ask you was any attempt at any time during your position as Secretary to the Treasury made by myself as Minister of Finance or by any other Minister to you to influence you in dispensing with any payments under the Loans to Local Bodies Act or under any other Act upon political grounds to any person by way of preference?—No, certainly not.

20. *Mr. Pearce.*] As regards the £21,250 loan, there is application made on the 26th February, 1909, and then on the 26th August the loan procedure is passed by the Crown Law Officer. I want to ask you if that practically sanctions the loan to the local body?—It only requires Ministerial approval. It would then be in order so far as the Treasury was concerned.

21. That is the provisional sanction?—Yes.

22. Is it not the custom in the Department to always lend the money unless there is some great objection when the provisional sanction has been given?—But this case is not one of that class—the Department did not lend the money, the money was obtained from the Bank of New Zealand under Government guarantee.

23. But would not the borough take it in the same way that they were entitled to go on with the work when it was provisionally agreed to?—I do not think there would be any doubt about it.

24. That occurred on the 30th August. Do you know that that was just prior to the by-election at Rangitikei—the election was in September?—No. I know now. I may have known at the time.

25. Not only the loan of £21,250, but a loan of £3,750 was sanctioned about the same time?—Yes, both were sanctioned at the same time.

26. *Mr. Craigie.*] You have had charge of the Department of Loans to Local Bodies?—Yes, for a number of years.

27. Do you know the system under which the money was lent out—was it profitable to the Department—was it on a sound basis?—That is a question of policy, and not one for me to answer. The money was lent to local authorities up to a certain amount. As each local body asked for a loan, so long as the money was there they got it, providing they took the necessary steps required by statute.

28. It was lent out for thirty-one years at 3½ per cent., and then it was stopped?—There were varying periods.

29. What was the result of that—was there a loss?—There was a loss to the Dominion—there is no doubt about that, but it was a matter of policy. By doing so the State rendered assistance to the taxpayer.

30. *Dr. Newman.*] Have you got a letter there signed by you apprising Taihape Borough that everything was in order?—Yes, before they sent their form of debenture.

31. No, I want one dated the 30th August?—Yes, I have it here.

32. When you wrote, "It now remains for your Council to forward draft forms and the proposed debentures and coupons, and also supply your Council's balance-sheet": did not that give them to understand that the loan was granted?—Yes, no doubt about it. The form of debenture had to be submitted to the Law Officer.