

CONTENTS.

	PAGE.		PAGE.
PRIME MINISTER'S STATEMENT—		INVESTMENTS FROM THE COMMON FUND—	
Death of late Public Trustee	1	Collection of Interest	8
New Business	1	Mortgagors Relief Legislation	9
Value of Estates and Funds	2	Loans to Local Bodies	9
Wills on Deposit	2	Loans Conversion	9
Organization	2	Selection of Securities	10
Investments from the Common Fund	2	Granting of Loans	10
Result of Year's Working	3		
		FINANCE—	
PROGRESS OF THE OFFICE—		Commission	11
New Business	4	Result of Year's Working	11
Value of Estates	4	Investment of Funds	11
Wills on Deposit	4	Advances to Estates and Beneficiaries	11
Table showing Expansion of Business	5	Insurance Companies' Deposits	11
		STAFF	12
ADMINISTRATION OF ESTATES AND KINDRED DUTIES—		OFFICE ORGANIZATION AND REPRESENTATION—	
General Survey	5	Branches and Agencies	12
Wills and Trusts	6	Decentralization	12
Intestate Estates	6	Inspections and Audit	13
Agencies	6		
Estates of Persons under Disability	7	RURAL INTERMEDIATE CREDIT	13
Workers' Compensation	7	CONCLUSION	14
Local Authorities' Sinking Funds	7		

1934.
NEW ZEALAND.

PUBLIC TRUST OFFICE.

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1934.

Presented to both Houses of the General Assembly in accordance with Section 47 of the Public Trust Office Amendment Act, 1913.

PURSUANT to section 47 of the Public Trust Office Amendment Act, 1913, I have the honour to lay before Parliament the attached report on the working of the Public Trust Office for the year ended 31st March, 1934.

1. It is a matter of deep regret that I have to record the sudden death on the 21st June, 1934, of Mr. J. W. Macdonald, who for fourteen years had occupied the position of Public Trustee and had previously held other important posts in the Public Trust Office. His period of office as Public Trustee was marked by an unprecedented expansion of the business of the Public Trust Office, and this was due in no small measure to the efficient control of the operations of the Office and the energetic advancement of its interests by the late Mr. Macdonald. Not only as Public Trustee, but also as a member of a number of Government Boards and the Rural Intermediate Credit Board, the late Mr. Macdonald rendered valuable services to the Government and to the Dominion, and by his death the Dominion lost a public servant of special ability.

2. Following on the death of the late Mr. Macdonald, Mr. W. M. Barr, Assistant Public Trustee, was appointed Deputy of the Public Trustee by Warrant dated the 26th June, 1934, given under my hand in accordance with the provisions of section 8 of the Public Trust Office Amendment Act, 1917.

3. The figures contained in the attached report afford ample evidence of the continued confidence of the people of the Dominion in the services rendered by the Public Trust Office, and constitute convincing testimony to the satisfactory performance of the duties undertaken by it. The business at present dealt with by the Department and the reserve of future business are both greater now than at any earlier period in the history of the Office, and its future development on a sound basis is assured.

4. The new business reported for administration during the year amounted to £5,468,643, representing the aggregate value of 2,637 estates and funds, and was approximately the same volume as that reported during the previous year.

5. As is well known, there has been a considerable loss of private wealth through the unfavourable conditions which have ruled during recent years, and this is necessarily reflected in the figures relating to the new business of the Public Trust Office. There has, however, been no falling-off in the volume of the work requiring to be performed by the Office, for, in consequence of the conditions, there have been added responsibilities and increased work involved in the custodianship of trust assets, and many assets which would normally have been realized in

the course of administration have been withheld from sale pending an improvement of prices, so that there has been an accumulation of estate assets requiring management. The total value of the estates and funds under administration by the Public Trustee at the close of the year was £60,760,493, representing an increase of £1,003,044 over the corresponding figure for the previous year, and being the highest recorded in the history of the Office. The actual increase in the volume of business dealt with was, however, greater than this comparison indicates, for there has been a further fall in the values of some classes of assets, and this has affected to some extent the total value of the business as at the close of the year.

6. The expansion of the Public Trust Office over the past twenty-five years is shown by the following table giving the value of the business under administration at five-yearly intervals:—

Year.						Value of Estates and Funds under Administration. £
1909 ..	..	..	..	..	..	6,399,567
1914 ..	..	..	..	..	..	12,282,883
1919 ..	..	..	..	..	..	19,242,347
1924 ..	..	..	..	..	..	32,404,724
1929 ..	..	..	..	..	..	48,334,790
1934 ..	..	..	..	..	..	60,760,493

7. My belief that the future development of the business on sound lines is assured is supported by the constantly increasing number of wills held on deposit for testators who have appointed the Public Trustee to act when the time comes as their executor and trustee. During the year 3,651 such wills were deposited with the Public Trustee, and the total number held increased from 79,535 to 81,403, a net increase of 1,868 for the year. It is interesting to note that during the year 3,522 wills were redrafted by the Public Trustee for clients to provide for alterations in the terms of their wills. Revision of existing wills at regular intervals is always desirable, but it is particularly advisable under existing conditions to ensure that a testator's plans for the distribution of his estate after his death bear a proper relation during periods of changing values to the condition of his estate. It is evident that the special facilities provided by the Public Trustee for the revision of wills is freely resorted to by clients and that there has been considerable activity in this portion of the work of the Office.

8. It will be seen from the report that further thought has been given to the organization of the work of the Office so that it may be divided to the best advantage, and subject to the imposition and maintenance of proper safeguards, between the Head Office, as an office of reference for authority for the more important decisions to be made, and the branch offices, which are responsible within the Department for the performance of the work. As a result of the attention devoted to the staffing of the branch offices, the greater experience of the local officers, the systematization of the work, and the provision of a system of regular inspection, it has been possible to extend the system of decentralization, inaugurated originally in 1912 and developed gradually since that time, by entrusting still wider powers to the district officers and to senior officers at the branch offices. Within the Head Office the same principle has also been developed. As the result of these measures, the performance of the work of the Department has been facilitated and further economy in operation achieved.

9. Of particular interest to the persons beneficially interested in moneys invested in the Common Fund of the Public Trust Office is that portion of the report which deals with the investment by the Office of the moneys constituting the fund. It is evident that the investments have been made prudently and on a conservative basis and that a wider margin of security has been obtained than that which a private trustee is permitted by law to accept when investing trust funds. The policy of granting loans on an instalment basis under which the principal is gradually repaid from year to year has been an additional factor making for the safety of the moneys invested on mortgage, and the effect of this policy, allied to the prudent investment of the funds, is observable from the results obtained.

10. Difficulties arising out of the economic conditions and the legislation passed for the relief of mortgagors have been encountered in the control of the investments and the collection of interest, but these have been no greater than those experienced by lending institutions generally. Probably the difficulties are of lesser degree in the case of the Public Trust Office in view of the conservative basis on which the moneys were invested and the excellent organization which exists for the collection of interest and the control of securities.

11. One result of the present conditions is that the work involved in the management of the investments of the Public Trust Office and in the administration of estates and funds has increased out of proportion to the growth of the business. This, however, has not adequately been compensated for by increased commission earnings, which have been affected to a material extent by the fall in values, the reduced revenue from assets, and the absence of a market for sales of many classes of assets. Notwithstanding these adverse circumstances, the operations of the Department over the past year resulted in a profit of £1,318 after making substantial provision for losses of interest in respect of the investments, and this result is to be regarded as satisfactory in the difficult conditions now prevailing.

12. The report indicates that the operations of the Office are being conducted with economy and efficiency and that the interests of beneficiaries and clients are carefully protected.

GEO. W. FORBES, Prime Minister.

Wellington, 28th August, 1934.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR
ENDED 31st MARCH, 1934.

Public Trust Office, Wellington, C. 1, 27th August, 1934.

SIR,—

I have the honour to submit a report on the working of the Public Trust Office for the financial year ended 31st March, 1934.

1. It is with deep regret that I have to record the death on the 21st June, 1934, of the late Mr. J. W. Macdonald, who had occupied the position of Public Trustee from 30th November, 1920, until the time of his death. Mr. Macdonald first joined the staff of the Public Trust Office in 1906 as Assistant to the Solicitor to the Office, following earlier service with the Justice Department. His advancement was rapid, for in 1909 he was appointed Solicitor to the Office, and in 1917 to the position of Assistant Public Trustee, which he held until his appointment as Public Trustee.

Mr. Macdonald brought to the position a boundless energy, a far vision, and a zeal for the interests and the advancement of the Department which are reflected in the remarkable progress recorded by it during his term of office. His death at a comparatively early age is deeply regretted by his colleagues and by the staff of the Public Trust Office.

NEW BUSINESS.

2. Despite the difficult conditions which continued to rule during the past year without substantial recovery of a general character, the business transacted both in volume and in composition affords clear evidence that the Office continues to enjoy the widespread confidence of the community.

3. During the year 2,637 estates and funds of a total value of £5,468,643 were accepted for administration, and this represents in the circumstances a very satisfactory influx of business, being of approximately the same volume as during the previous year.

4. The aggregate amount of the 21,058 estates and funds now under administration by the Public Trustee is £60,760,493, exceeding by slightly more than £1,000,000 the corresponding figure for the previous year, which, up to that time, was the highest recorded in the history of the Office. The present figure has been arrived at after making allowance for the reduced value of estate assets under existing conditions. In addition to the business included in the above total and representing estates and funds where the Public Trustee has active duties to perform, there are matters such as trusteeships for debenture-holders and the statutory duties of supervising the administration of the estates of mental patients by private committees or of aged and infirm persons by private managers. The total value of the assets and funds of this nature which in one way or another are subject to the Public Trustee's control or supervision is £2,246,733.

5. The wills held in safe custody on behalf of living testators who have appointed the Public Trustee their executor and trustee increased during the year from 79,535 to 81,403, which also represents the highest figure recorded in the history of the Office. The total number of wills deposited during the year was 3,651, and the net increase after allowing for wills withdrawn on the death of testators or otherwise was 1,868. Most of the new wills deposited during the year were prepared by the Office, which, in addition, offered to its clients special facilities for the redrafting of wills where changes in the financial circumstances of the testators or their families or in their desires regarding the distribution of their estates made alterations in the terms of their wills necessary. This service is of particular value to testators at times such as the present, when important

changes in the values of assets or in the income derived from them may necessitate material alterations in the dispositions by will in order to prevent hardship being imposed on near relatives. The need for will revision which exists at present is one that is becoming more widely realized, and it is of interest to record that the number of wills redrafted during the year was 3,522, or approximately the same as that of the new wills prepared.

6. The development of the business of the Office, both present and prospective, is indicated by the following table :—

Year.	Value of Estates and Funds.	Moneys at Credit of Estates and Funds.	Number of Wills on Deposit.
	£	£	
1925	35,570,642	20,109,822	44,102
1926	38,009,480	24,426,009	48,957
1927	41,043,523	26,485,917	53,531
1928	44,155,548	28,485,442	58,065
1929	48,334,790	31,043,172	62,841
1930	53,049,437	34,049,290	68,253
1931	57,527,263	36,488,434	73,523
1932	59,132,512	36,859,518	77,124
1933	59,757,449	36,815,941	79,535
1934	60,760,493	37,155,883	81,403

ADMINISTRATION OF ESTATES AND KINDRED DUTIES.

7. The primary function of the Public Trust Office is the administration of estates and funds and the performance of fiduciary work of a similar character, and it is from these duties that other important functions of the Office, such as that of investing funds, are in the main derived. Naturally, the Office, with its large and constantly growing business, its long and varied experience, and its wide representation throughout the Dominion, is able to offer to its clients special facilities for the performance of the various classes of work which it undertakes, and to provide an assurance of faithful and efficient service. The continued and increasing resort of the public to its services, as demonstrated by the figures already given, sufficiently indicates that the work is performed to the satisfaction of clients.

Even in times of general prosperity the administration of such a large aggregation of trust estates is one of considerable responsibility. The administration of trust estates is highly specialized work, calling for a technical knowledge in law and accounting, a wide and diversified experience in business matters, and other important qualifications. The assets coming under the care and control of the Public Trustee cover the whole range of property rights and interests, and include investments of every description. Moreover, each estate is a separate entity with its own special problems and requirements. The problems encountered in the ordinary course in the discharge of trustee duties become greatly intensified in times of difficulty such as the present, and the amount of work entailed in the administration of estates is increased to a considerable extent. The present absence of demand for many classes of assets, and in particular landed properties, at prices acceptable to the beneficiaries means that the administration of many estates is a more protracted process now than it was in past years when conditions were more favourable. As a result of this, a greater amount of work has necessarily to be performed for the estates. The management and control of the individual assets and their utilization to the best advantage has also become a matter of increasing difficulty, particularly where they involve the supervision of estate mortgages, the leasing or letting of landed properties, the management of farming operations, or the conduct of businesses. Greater difficulties are also encountered in the collection of payments from tenants, mortgagors, and others indebted to estates. Applications from such parties for concessions are numerous, and careful investigation is necessary to ensure that the interests of the estates are protected to the fullest extent, bearing

in mind the fact that those dependent upon the estates are often in no better circumstances than those who are seeking relief from their obligations to the estates. In considering these applications each case is dealt with individually, and, in consultation with the persons beneficially interested, an endeavour is made to arrive at arrangements which, while assisting applicants genuinely in need, are consistent with the Public Trustee's duty to protect the assets under his control and the interests of those who are beneficially entitled.

All these factors have contributed to a considerable growth in the work involved in the administration of estates and funds, and the staff has been called upon to shoulder increasing burdens of work and responsibility. By careful attention to the organization of the work it has been possible to cope with the increase without a corresponding growth in the expenses of management and without either curtailing the services rendered and facilities provided or increasing the scale of charges for the Public Trustee's services. There has been no relaxation of the safeguards adopted to ensure that the interests of the estates and beneficiaries are adequately protected, and these have been increased and strengthened whenever it has been thought advisable to do so to meet any special requirements arising out of the existing conditions.

Particulars of the main classes of estates dealt with by the Office are given below.

8. *Wills and Trusts Estates*.—This class has for many years represented the most valuable portion not only of the estates under administration, but also of the new business reported from year to year. The number accepted during the year was 1,425, of a total value of £3,502,977.

In these estates it is the function of the Public Trustee to act as executor and trustee of the wills of deceased persons or as trustee of funds constituted by settlors during their lives. When in an estate administered under a will the Public Trustee has completed his duties as executor, his remaining duties are to see that the trusts in the will are performed. Whether the trusts arise under a will or under a deed of trust, the duties must be carried out in accordance with the provisions of the relevant instrument and the law applicable to trustee administration.

In estates privately administered inevitable changes in the personnel of the trustees—through death, disqualification, and other causes—are disturbing factors which, in the course of a few years, may remove any personal association with the trust concerned or any personal qualifications which the original trustees may have possessed. This may cause a trusteeship to devolve upon individuals who for various reasons may not be in a position to give the best attention to the work involved. The result is that frequently the Public Trustee is requested to take over administration of estates previously administered by private trustees.

9. *Intestate Estates*.—The number of intestate estates accepted during the present year was 380, of a total value of £245,296.

Each year greater numbers of people realize how essential it is that they should make testamentary disposition of their property to ensure that their estates will be distributed as they desire, and not in accordance with the arbitrary rules which govern distribution on intestacy. Such distribution is necessarily rigid, and at best there can be but a small minority of cases where such distribution conforms to the manner in which the deceased person would have wished to see his estate distributed.

Numbers of intestate estates are small in value and often the administration is not remunerative. The safety and security ensured by the Public Trustee's administration and the moderate charges made are of particular value to the next-of-kin in these small estates.

10. *Agencies*.—The permanence and continuity of administration by the Public Trustee and the Dominion-wide representation of the Office commend themselves to those persons who for various reasons—ill-health, advancing years, or impending absence from the country—desire to entrust the conduct of their affairs to an agent. The contacts established in this way are most valuable, and frequently result in the appointment of the Public Trustee as executor of the wills of the persons for whom he has acted as agent.

An important branch of the agency work performed by the Public Trustee is that arising out of the representation in New Zealand of overseas executors and administrators. Where a person dies domiciled in a foreign country leaving assets there and in New Zealand, it is necessary for the foreign administrator to obtain representation in New Zealand before he can collect or otherwise deal with the New Zealand assets. In these circumstances the services of the Public Trustee are frequently availed of by foreign executors and administrators.

11. *Estates of Persons under Disability*.—Most jurisdictions impose legal restrictions on the capacity of persons under disability to deal with their property, and in the interests of such persons provide for their care and for the protection and proper control of their estates and interests. At times the reasons for these provisions are not fully appreciated and are to some extent even misunderstood. There are, however, persons who by reason of mental incapacity or other disability are unable to act for themselves, and it is very necessary, therefore, that provisions should be made for the competent management of their property. In the Dominion the Public Trustee is called upon in most instances to safeguard such property, and in cases where he does not actually undertake the administration he is charged with the duty of supervising the administration of the estates by private committees or managers.

Except where the Court has appointed some other persons to act as a private committee, the Public Trustee has, under the Mental Defectives Act, 1911, the custody and control of the estates of all persons mentally defective within the meaning of the Act, and he exercises supervision over the accounts and administration of any private committees appointed. The greater proportion of the estates of mentally defective persons are dealt with by the Office. During the year 396 estates, with assets amounting to £452,559, belonging to persons suffering from mental disability came under the Public Trustee's management, making a total at the 31st March, 1934, of 2,039 such estates, of an aggregate value of £2,362,663, in the Public Trustee's care.

The Aged and Infirm Persons Protection Act, 1912, provides that the Supreme Court may make an order appointing a manager of the estate of any person who by reason of advancing years, mental or physical disability, or other causes is incapable of managing his or her own affairs. The Public Trustee is frequently appointed in such cases to act as manager, and where some other manager is appointed the Public Trustee is called upon, as in the case of estates administered by private persons on behalf of mental patients, to exercise supervision over the accounts and administration of the manager.

Under Part III of the Prisons Act, 1908, the custody and administration of the estates of prisoners are to be entrusted to such persons as the Governor-General may by writing under his hand appoint. In pursuance of a general appointment made by the Governor-General all such estates are in practice administered by the Public Trustee, with the exception of those of Natives within the meaning of the Native Land Act, 1931, whose estates are administered by the Native Trustee.

12. *Workers' Compensation*.—Under the Workers' Compensation Act, 1922, the Public Trustee is, unless the Court of Arbitration directs otherwise, statutory custodian of all compensation paid in respect of the death of a worker, and he is also frequently appointed custodian of compensation-moneys payable to a person who is under the age of twenty-one years or is of unsound mind or is subject to any other legal disability. Very often the dependants of a deceased worker or the minors or other persons of whose funds the Public Trustee is custodian possess no means beyond the compensation-moneys, and for this reason the work involved in the administration of the funds has always been done at a minimum cost. In the aggregate a very substantial amount of business is transacted by the Office under this heading.

13. *Local Authorities' Sinking Funds*.—The Public Trustee acts as Commissioner of a large number of the sinking funds established in connection with loans raised by local authorities in the Dominion. The sinking funds have for the most part been invested in the Common Fund of the Public Trust Office pending the maturing of the loans to which they relate, though in a few cases they were at the instance of the local bodies invested in separate securities outside the Common Fund. The

majority of the loans are now being converted under the provisions of the Local Authorities Interest Reduction and Loans Conversion Act, 1932–33, and it has been necessary to consider a large number of proposals for alterations of the original conditions regarding the release of the sinking funds where they had been invested in the Common Fund. The original loans to which the sinking funds relate were for the most part repayable in one sum at a given date, and each sinking fund was consequently repayable in one amount on the maturity of the related loan. In many of the conversion operations provision is being made for the redemption of a certain number of the new debentures each year, and the Public Trustee has been asked to assist in the conversion of the loans on this basis by agreeing to the release of a portion of the sinking funds each year. Careful consideration has been given to every such request to ensure that an undue strain will not be imposed upon the finances of the Office in later years by consenting to the release of sinking funds to a large aggregate amount in advance of the times originally fixed and allowed for in the investment policy of the Office. It has been possible, however, to meet the wishes of the local bodies substantially, and much has been done in this direction to assist the conversion operations in respect of local-body indebtedness without prejudicing the interests of the Office and of those whom it represents. Further assistance has been given in the release of portions of the sinking funds invested in the Common Fund to discharge the premiums payable on conversion and the expenses which have to be met in connection with the conversion operations, and in the adjustment of the loans where the Public Trustee is both lender and Sinking Fund Commissioner.

INVESTMENTS FROM THE COMMON FUND.

14. *Collection of Interest.*—It is pleasing to report that the marked and unexpected improvement in the prices obtained for wool and produce during the past year resulted in a corresponding improvement in the collection of interest under mortgages secured on properties used for sheep-farming. During the year many mortgagors engaged in sheep-farming operations have been able not only to pay current interest in full, but also to liquidate a portion of the substantial arrears which had accrued during the preceding period of depressed prices. Where the mortgagor's income has been insufficient to permit of liquidation of all the arrears as well as to provide for reasonable maintenance of the security, the Public Trustee has met the mortgagor by arranging for payment of the arrears of interest to be spread over a period of two or three years.

Unfortunately, there has been no improvement in the prices received for dairy-produce, but it is satisfactory to report that, notwithstanding this fact, less difficulty than might have been anticipated has been experienced with dairy-farmers whose properties are mortgaged to the Public Trustee. This result is largely attributable to the policy which was laid down some nine years ago, when it was decided that as many loans as possible on farming properties should be on a reducing basis, and borrowers who then obtained loans for the first time or secured renewals of existing loans were encouraged to take them on instalment mortgages. The extent to which borrowers responded to this suggestion is evidenced by the fact that, out of a total of 1,493 mortgages existing on dairying properties, no fewer than 942 are on an instalment basis. Under this system borrowers have been enabled, during normal years, to reduce their indebtedness by periodical repayments of principal, whilst in times of difficulty like the present the improvement in the original margin of security has enabled postponements of principal or even of interest to be granted readily by the Public Trustee without danger to the security of his investment. An analysis of the mortgages secured on dairying properties alone discloses that in a very large percentage of cases the interest is either up to date or is in arrear to only a small extent. In other cases the arrears, though more substantial, are still moderate in amount, and will be substantially reduced immediately any improvement is manifested in the position of dairy-farmers.

15. *Mortgagors Relief Legislation.*—During the year numerous applications for relief under mortgages to the Public Trustee have been considered by the Mortgagors' Liabilities Adjustment Commissions and the Supreme Court. The number of cases in which orders for remission of arrears of interest have been made has increased considerably during the year. The improvement in the prices for meat and wool has, in many cases, resulted in orders being made for payment of interest at the full rate and for liquidation of portion of the arrears out of the season's surplus income.

The provisions of the arrangement which was entered into between the Public Trustee and the leading stock companies for a *pro rata* distribution of the surplus income of mortgagors engaged in farming operations have been applied to many mortgages, and with few exceptions no difficulty has been experienced in carrying on mortgagors on this basis. Although minor points of difference arise from time to time, and a few stock companies have failed to apply the agreement, it may be said that the arrangement has proved most satisfactory in dealing with the affairs of many mortgagors under the conditions which have prevailed during the past few years. The necessity for entering into a *pro rata* arrangement is, of course, not pressing where it is clear that the improved prices received for primary produce will enable the mortgagor to meet all his obligations in full.

In December, 1933, the existing mortgagors relief legislation was consolidated and extended. Two most important provisions of the new legislation were, firstly, the incorporation in a schedule to the Act of forms of standard agreements made between the principal stock companies and various mortgagees of land, and, secondly, the empowering of the Court to make a binding order on a stock mortgagee who has been joined in any proceedings for relief under a mortgage on the land. This latter provision remedied an obvious defect in the legislation to which particular attention was directed in the Public Trustee's last report, and ensures not only that the financial position of the mortgagor is fully disclosed in the investigation by the Mortgagors' Liabilities Adjustment Commissions, but also that a stock mortgagee who controls the income from the property will comply with the provisions of the Court order and make such payments to the mortgagee of the land as the Court deems just and equitable in the particular circumstances.

LOANS TO LOCAL BODIES.

16. Payments under loans to local bodies have been received in a most satisfactory manner, and in six cases only has any material difficulty been experienced in the collection of interest.

In 1932, owing to the financial position of the Borough of Thames, a Commissioner was appointed in accordance with the provisions of the Thames Borough Commissioner Act, 1932. The Public Trustee, as one of the principal creditors of the borough, was largely responsible for the adoption of the system of Commissioner control, which has proved very satisfactory. The services and amenities of the borough have been reasonably maintained, while substantial payments have at the same time been made to the debenture-holders. The Thames Borough Commissioner Act expires in May, 1935, and in view of the results attained to date it is anticipated that the Commissioner system of control will be continued for a further period and that the financial position of the Borough will gradually improve.

17. *Loans Conversion.*—The extent of the Public Trustee's holdings in loans to local bodies which have arranged conversion under the provisions of the Local Authorities Interest Reduction and Loans Conversion Act, 1932, has involved a large amount of work. A substantial number of the conversion loans have been put on an instalment table basis, while others have been placed on an annual redemption basis. The work has proceeded smoothly and expeditiously, and the Public Trustee has been able to afford local bodies substantial assistance in connection with the work, and has charged a specially reduced fee where, as lender, he has prepared the new debentures. It has also been possible for him to reduce

the work involved by arranging for the destruction of the debentures for the existing loans in the presence of an officer of the Audit Office, thereby saving the large amount of handling and expense which would have been occasioned in posting large parcels of obsolete debentures to the local body in exchange for the new debentures.

PROVISIONS GOVERNING LOANS ON MORTGAGE BY PUBLIC TRUSTEE.

18. While the conditions which have prevailed throughout the Dominion in recent years have necessarily affected the mortgage investments of the Office in common with those of all other mortgagees, the precautions which have been taken in the past in making investments have ensured that the funds have been safeguarded to the fullest extent.

19. *Selection of Securities for Loans.*—An efficient system exists for the selection of suitable securities. The Public Trust Office has the advantage of an organization which extends over the whole Dominion, and practically every branch of the Office thus becomes a channel through which suitable applications for loans reach the Public Trustee after they have been carefully scrutinized and reported upon by district officers. A special system has been instituted to ensure that applications are submitted in standard form, giving all the requisite particulars. The applications forwarded by the district officers as being suitable are submitted to further scrutiny and examination in the Head Office, and only when the Public Trustee is satisfied that the application is a suitable one is it entertained for consideration.

20. *Granting of Loans.*—When an application has been entertained for consideration, a special Government valuation of the proffered security is obtained, the valuation figures being supported by a detailed report by the Government valuer giving particulars of the security, and stating whether it is considered suitable for the investment of trust funds by the Public Trustee. The Government valuer is required to state the amount of the loan which he considers could safely be advanced, such amount being restricted to three-fifths of the capital freehold value, or three-fifths of the lessee's interest if the proffered security is leasehold of the class on which the Public Trustee is authorized to make advances. The valuation and report from the Government valuer, certified by the Valuer-General as correct, is submitted to the Public Trust Office Investment Board, which decides the amount of the loan to be granted. It is open to the Board to reduce the amount recommended by the Government valuer or to decline to grant any amount if it is dissatisfied with any feature of the report.

Although the Board is authorized to lend up to three-fifths of the special Government valuation, it has, as a matter of precaution and on account of fluctuating markets, restricted the advances on dairying securities in many cases to 50 per cent. of the Government valuation. A conservative policy has been adopted by the Board in granting loans, and when it is borne in mind that the Government valuations were substantially lower than those made by the great majority of private valuers, that private trustees have in a number of cases advanced moneys freely up to two-thirds of the amount of valuations by private valuers, and that private investors managing their own funds have frequently exceeded even this extended margin, it will be seen that the Public Trustee's mortgages must be regarded as well secured despite the recent fall in land-values. This statement is fully borne out by an analysis of figures which have recently been extracted relating to mortgages secured on properties which are used exclusively or mainly for dairy-farming purposes. The analysis reveals that the total advances on properties of this class equal only 45·3 per cent. of the total capital Government valuation. As the Government valuations were made for the express purpose of considering applications for loans, and were on an admittedly conservative basis, these mortgages must be regarded as first-class trustee investments. In connection with mortgages secured on sheep-farming properties, the substantial rise in prices for primary produce has further strengthened the position.

FINANCE.

21. During the year funds came to credit much more freely than was the case in the previous two years, and the difficulties encountered in those years in financing the operations of the Office and of the estates under its control were not so manifest. The position, however, is still far from normal, and although new business totalling nearly £5,500,000 was accepted for administration no material increase was shown in the amount of commission and other earnings. This was due to the failure of the property market to improve sufficiently to enable estate assets to be realized at satisfactory prices, the lowered rental value of landed properties, and the reduced revenue derived from estate mortgages. These factors, together with the general lowering of investment interest-rates, had the effect of reducing considerably the receipts on which commission is chargeable.

Expenditure was kept under close review, but the growth of the business and the greater amount of work involved in protecting assets and in collecting income made it impossible to effect any reduction. With the difficulties encountered it is satisfactory to record that after making substantial provision for bad and doubtful debts a profit of £1,318 for the year was recorded after payment to the Consolidated Fund of the salary reductions effected by the Finance Act, 1931 (No. 1), amounting to £23,121.

22. *Investment of Funds.*—The investments completed during the year totalled £1,139,996. On the 31st March, 1934, the investments held by the Office, including special investments held on behalf of estates and funds, totalled £36,468,207.

23. *Advances to Estates and to Beneficiaries.*—Under present conditions, when difficulty is being experienced in realizing assets, the statutory power of the Public Trustee enabling him to advance moneys on the security of estate assets has proved of great service to estates under administration and to beneficiaries dependent upon their interests in those estates.

In many estates where there were insufficient liquid assets to provide funds for payment of administration expenses, death duties, debts, legacies, &c., the Public Trustee during the year was able to make advances on the security of the estate assets, thus making it possible for the realization of assets to be postponed until conditions improve.

Advances on the security of their interests in estates under administration were also made to a number of beneficiaries who would otherwise have been compelled to await the development of a more favourable market for sales or, in the alternative, to have the assets disposed of at the reduced prices obtainable now.

The amount of advances to estates and beneficiaries current on the 31st March, 1934, was £669,556.

24. *Insurance Companies' Deposits.*—All foreign insurance companies carrying on business in New Zealand, excepting those the operations of which do not extend beyond life, earthquake, and marine insurance, are required to lodge with the Public Trustee, in pursuance of the provisions of the Insurance Companies' Deposits Act, 1921–22, and its amendments, deposits varying in amount according to the nature of the business conducted. The capital amount of deposits held on 31st March, 1934, was £1,110,000. These deposits were held on behalf of thirty-eight companies.

Two companies commenced business during the year and lodged the required deposits, totalling £55,000. In addition, one of these companies and another company, both of which commenced to undertake insurance business in terms of the Motor-vehicles Insurance (Third-party Risks) Act, 1928, each lodged the deposit of £10,000 required under section 53 of the Finance Act, 1933 (No. 2). One company ceased operations in New Zealand and uplifted its deposit.

In terms of the Life Insurance Act, 1908, and its amendments, securities totalling £722,805 were also held by the Public Trustee on the 31st March, 1934, on behalf of fifteen life-insurance companies.

STAFF.

25. The staff employed by the Public Trustee on the 31st March, 1934, numbered 874, of whom 672 were on the permanent staff and 202 (mainly female officers) were employed on a temporary basis. This represents a staff increase of twenty-three, but this is accounted for by the appointment during the year of twenty-nine cadets for training. During 1931 and 1932 no appointments of this nature had been made. It is, however, the experience of the Office that it is to the junior officers trained in the Office work that the Department must look for its future staff requirements, and the appointments made during the years 1933 and 1934 have been strictly necessary to meet current staff requirements and make reasonable provision for future needs. It should also be stated that for some years past the numerical vacancies created by the transfer or retirement of senior and experienced officers have in the main been filled from the existing personnel.

OFFICE ORGANIZATION AND REPRESENTATION.

26. Apart from the opening on the 14th November, 1933, of a part-time office at Reefton, which is visited fortnightly by an officer from the Greymouth district office, and the closing on account of transport difficulties of the part-time office at Owaka, there have been no changes in the representation of the Office by members of its own staff. During the year the agencies at Middelmarsh, Murchison, and Rakaia were discontinued on the resignations of the Agents, and suitable arrangements have been made for the conduct from the controlling district offices of the Public Trust Office of the business requiring attention in these districts.

There are at present twenty-three District Public Trustee offices, nineteen District Manager offices, and five part-time offices, and this establishment, with the additional representation by thirty-six Agents in other centres of population who are acting on a commission basis, has proved adequate for the existing needs of the Office.

27. *Decentralization.*—It was recorded in last year's report that the principle of decentralizing the work of the Office by the delegation of powers to District Public Trustees in connection with the administration of estates and funds had been extended by the conferring of additional powers upon such officers, and that in view of the increasing volume of the work dealt with further consideration was being given to the division of the work to the best advantage between the Head Office and the branch offices.

During the year proposals for increasing the measure of delegation to district officers were formulated, but before deciding upon their adoption it was thought desirable to have the proposals, which were of a very important nature, considered in conference by the executive and controlling officers of the Head Office and representative District Public Trustees. Such a conference was convened, and as a result of the extremely valuable discussions and exchange of views which were thus possible comprehensive proposals for the delegation of additional powers to controlling officers at the Head Office, district officers, and subordinate but senior officers at the district offices were drawn up with the provision of adequate safeguards for the protection of the interests of the estates and funds under administration and of the Office. They extended to matters incidental to the management of the mortgage investments of the Public Trustee and other phases of the Office work as well as to the administration of estates and funds.

These proposals were adopted almost in their entirety, and after the partial revision of the standing Office instructions which was necessary had been completed the further delegated powers were made operative from the 1st June, 1934. It is anticipated that in consequence the performance of the work of the Office will be

facilitated and that economy will result without any relaxation of the safeguards adopted to ensure the proper performance of the work and to afford due protection to beneficiaries and clients.

The opportunity was taken at the Conference to discuss other matters of interest in relation to the work of the Office, and a number of minor changes of Office practice or procedure were decided upon as the result of these discussions.

28. *Inspections and Audit.*—The system in force for the regular inspection of the work of branch offices has been maintained on the lines described in detail in previous reports. This system has been in operation since 1920, and, briefly, it provides for a regular review of the work of every branch office, conducted by officers conversant with all phases of the Office work, and covering the administration of estates and funds, the investment of Office funds, the internal auditing checks, and the verification of securities, and, in addition, matters relating to staffing, organization, and accommodation.

In view of the delegation of additional powers to branch officers the inspectorial staff has been strengthened since the close of the year by the appointment of an additional officer.

RURAL INTERMEDIATE CREDIT SYSTEM.

29. At the inception of the system the Public Trustee under the power conferred by section 13 (2) of the Rural Intermediate Credit Act, 1927, which provides that the Board may utilize the services of any Department of State for the purpose of carrying out its duties, entered into an arrangement with the Rural Intermediate Credit Board under which the Public Trust Office acts as the agent of the Board in the administration of the system. The Board, however, remains responsible for the general policy and direction of the system.

During the year the work has continued to prove exacting, the conditions which have prevailed in the farming industry rendering it essential that a close supervision of the loan accounts should be maintained. The volume of work has not shown any reduction from that performed in the previous year, and as a large proportion of it has involved the consideration of applications for concessions which require a full investigation of the circumstances of each case the time of the officers engaged on the work has been fully employed.

The conditions in the dairy industry have not shown any improvement over those of the previous year, and it has consequently been necessary to consider applications for relief from numerous dairy-farmer borrowers. The position of sheep-farmers improved towards the end of the year, with the result that the Board's accounts with farmers of this class were placed in a stronger position. In the first half of the year, however, many concessions were given to sheep-farmers after full inquiry into the circumstances relating to the individual accounts. In many cases the financial operations of borrowers have been controlled by the Board with resulting benefit to the farmers, but with increased work on the part of the Board's officers.

The arrears of interest owing to the Board from time to time have been very small, and this excellent result is attributable largely to the careful attention given by the Board's officers to the supervision of the accounts, and has earned the special appreciation of the Board.

The Board has adopted a policy of gradually delegating to district organizations the power to deal with matters of administration such as the granting of loans, further advances and readvances, and the fixing of repayments, subject to certain safeguards introduced by the Board for the protection of its debenture-holders. These delegations have increased the work in the branch offices in addition to imposing additional responsibility on the officers concerned.

CONCLUSION.

30. It is gratifying to record that despite conditions of exceptional difficulty affecting all operations of the Department the work has proceeded systematically and smoothly, and that the high standard of service which has come to be associated with the name of the Public Trust Office has been fully maintained.

The foremost position which it occupies in the Dominion in executorship and trustee work has been maintained, and satisfactory progress in future may confidently be anticipated. The results which have been achieved would not have been possible but for the devoted and efficient services of the staff of the Office and of the Agents who represent it in many parts of the Dominion, and I desire to take this opportunity of recording appreciation of the manner in which their duties have been performed. Cordial thanks are also due to the members of the Investment Board for the assistance which they have given throughout the year in matters relating to the investment of the Office funds.

I have, &c.,

W. M. BARR,

Deputy of the Public Trustee.

The Right Hon. the Prime Minister.

Approximate Cost of Paper.—Preparation, not given; printing (5,760 copies), £28.

By Authority: G. H. LONEY, Government Printer, Wellington.—1934.

Price 6d.]