LOANS TO LOCAL AUTHORITIES.

These are now granted by the Board of the State-guaranteed Advances Office. As was anticipated, a very large number of applications were received since the coming into operation of the State-guaranteed Advances Act on the 1st February.

The total applications for loans received from that date to the 30th June numbered 188, and amounted to £1,570,948. Of these applications, 28, for £604,820, were declined; 131, for £754,047, were provisionally approved; and 24, for £184,491, were finally approved—that is, granted; and five, for £27,590, were postponed.

At the beginning the Board decided that, as applications were likely to be in excess of funds available, those for necessary works, such as roads, bridges, drainage, and water-supply, should have preference. Applications for electric-light installation, town halls, recreation-grounds, and other things of that kind were refused.

The struggling settler whose children cannot get to school for the want of a bridge, or whose wife cannot receive medical aid at a critical time through the impassability of roads, must be considered first.

There will be a very large development of the Loans to Local Authorities Branch of the Advances Office in the near future, and alterations of the procedure in obtaining loans will be made. At present it is unnecessarily complicated. In this country, where many of the local authorities are situated in remote localities where skilled advice is not obtainable, the raising of the loan presents great difficulties. Often defects in the steps taken are discovered which have to be remedied by Orders in Council, and sometimes the whole of the proceedings have to be gone through over again. This means much expense and vexatious delays. In one case that came under my notice a sum of £300 took eighteen months to get, and cost the local body £30. My intention is to so simplify the procedure that, after the wish of the ratepayers that the loan should be obtained is clearly expressed, the whole of the remaining work to complete the borrowing operations can and will be undertaken by the Department.

The time for raising any objections by a dissatisfied ratepayer to the validity of the proceedings will be reasonably limited. After the expiration of the time fixed, no legal steps can be taken to have the proceedings invalidated.

These reforms will greatly assist local authorities, as they will simplify, cheapen, and shorten the present troublesome business of obtaining a loan.

The restrictions on borrowing-powers of local authorities, very desirable in some cases, are not necessary where the ratepayers are fully consulted before authorizing the loan, and the lending Board is completely independent, and has no interest in the matter beyond being satisfied of the legality of the purpose of the loan granted and the sufficiency of the security offered.

The term for repayment of loans by local authorities might reasonably be extended to fifty years. It would make the instalments lighter. For each £100 the instalment of principal and interest at 3½ per cent. with a term of repayment of 36½ years is £4 17s. 6d. per annum. For fifty years it would be £4 5s. only. Even at 4-per-cent. interest the annual instalments would be only £4 13s. 1¼d. per £100. Money may not always be obtainable at present rates. After a short experience of the working of the system I am satisfied that the charge made by the Department—namely, a commission one half of 1 per cent.—is too low. On a loan of £1,000 a fee of £5 is paid, and everything in connection with the loan has to be carried on for 36½ years on this fee. In addition, the costs of raising the loan must be paid.

A difference of one-tenth of 1 per cent. would be a very slight charge, but it would probably pay the cost of raising the loan, and the interest lost while funds were waiting investment.

EXTINCTION OF PUBLIC DEBT.

Although the public and private wealth of the Dominion exceeds by so much its total liabilities, public and private, and is, as I have already stated, increasing three or four times as fast each year, and our credit is very high indeed, I have determined to introduce a scheme to repay the whole of our present debt in seventy-five years, and to provide that all future loans will come under it, and be extinguished in that time after their creation.