

investment of these funds. The remuneration consists in the profit interest made therefrom. But this profit interest, assuming it to be $\frac{1}{2}$ per cent. on the capital, affords an ample remuneration. Now, having regard to the annual deficiency which has to be made good out of the profits from the Common Fund, it is plain that the sinking funds, superannuation funds, and other moneys that come in in liquid form are bearing an undue proportion of the cost of the gratuitous and non-payable work done by the office. It is not just that such should be the case.

Mental defectives' estates form one item of non-payable work, because in those cases there is seldom commission earned on capital value, the estates being kept *in statu quo* as far as practicable against recovery of the patients. The consequence is that the profit interest made on investments has in effect ultimately to bear part of the cost of managing these estates also.

This indicates that some compensation should be allowed for all Government services thus rendered—for example, by authorizing the Public Trustee to credit as office profit a suitable portion of the three-fourths profit which otherwise belong to the consolidated revenue under the office Act. Or there should be a distinct Common Fund for sinking funds, &c., and a suitable charge made to cover the expenses of investing and managing those funds. They would thus get all the interest they earned without deduction for maintaining other services of the State, and the cost of these services would become more manifest.

When the principal reduction in commission and fees was made, sufficient attention could not, we think, have been given to the foregoing considerations.

In dealing with the office finance, a further observation is desirable. Under the Public Trust Act one-fourth of the profit goes to the Public Trust Office and the remaining three-fourths to the consolidated revenue of the Dominion. From the date of the creation of the office to the 31st March, 1912, the total of the three-fourths share accruing to the Government was £135,980. It has drawn out no part of those profits except £18,000 in 1889 and £20,000 in 1905. Out of the balance a sum of £66,813 has, with the permission of the Government, been expended in the purchase of sites and the erection and furnishing of offices for the trust, thus leaving in the fund on the 31st March, 1912, £31,167. *There has been no cession or surrender by the Government to the Public Trust of the £66,813 expended as mentioned, or of the lands and offices acquired therewith, and in theory the Government would be entitled to claim them or their value.*

We think that to defend the fund against a sudden withdrawal of the money represented by land and buildings, provision should be made that it should not be interfered with or withdrawn by the Government except by authority of a special Act of Parliament.

We further think that in addition to this the whole of the profits should for, say, ten years be permitted by statute to go towards the increase of the Reserve Fund, which now stands at over £53,000. At the end of the period an opportunity for reviewing the position would occur. In the meantime the reserves are, and would continue to be, employed as part of the Common Fund, and thus tend to counteract any necessity for a reduction in the rate of interest to the beneficiaries. But liberty must be reserved to employ part in the acquisition of further sites and offices for branches.

We recognize that a permanent diversion of the whole of the profits from the Government cannot be recommended. In the first place, as the Common Fund pays no mortgage-tax, which, if levied on present investments would amount roughly to £12,000 a year, the consolidated revenue may well claim an equivalent sum out of the profits. In the next place, the consolidated revenue may claim to be fairly entitled to some return for its guarantee.

Gratuitous Work.

We have already alluded to this topic, but recur to it to emphasize the point that in effect all gratuitous work ultimately falls more or less upon the Common Fund—that is, upon those who are entitled to the interest derived