

Particularly in the matter of the investment of the funds coming under his control was the Public Trustee seriously hampered by his limited powers. Up to that time the Public Trustee was authorized to invest in Government securities of the United Kingdom, of New Zealand, or of the Australian colonies; securities issued by a County Council, Borough Council, Harbour Board, Road Board, or Town Board in New Zealand; mortgages of freehold lands; fixed deposits with any incorporated bank carrying on business within the Dominion; and, of course, in any way provided by a will or trust instrument.

The bulk of the investments were by way of mortgage over real securities, the principal of these mortgages in a large number of cases being made up by contributions from more than one estate of such funds as stood to their credit awaiting investment. The system was cumbersome, and in many ways quite unsuitable and unsatisfactory. The financial and commercial depression of previous years, too, caused a considerable depreciation in the value of many of these securities.

There were also other features in connection with the running of the Department which were not conducive to the best results. The machinery and methods had become quite unsuitable. This was only to be expected. The establishment of the Office was a State experiment of a distinctly novel nature, and there were no precedents to guide those responsible for its control. From modest beginnings the business of the Department was, even in those days, rapidly increasing, whilst each year saw fresh duties of a public and often onerous nature committed to the Public Trustee by the Legislature. This was especially the case when the West Coast Settlement reserves were vested in him in 1881, and the Native reserves of Nelson and Westland in 1882.

All these circumstances, then, contributed to a certain amount of dissatisfaction by beneficiaries and other persons having dealings with the Office. In the session of 1890 the position was brought up in Parliament, and a Commission set up to investigate the working of the Department, and to consider, *inter alia*, in what respects (if any) the scope of the powers and duties of the Public Trustee might be enlarged, and how far the law affecting the various matters in connection with the Department might be advantageously amended, added to, or modified.

Of the questions considered by the Commission the foregoing have had the most important bearing on the improvement and subsequent development of the Department.

On the 27th February, 1891, His Excellency the Governor appointed the Hon. W. J. M. Larnach and Messrs. T. K. Macdonald and Andrew Loughrey as Commissioners to conduct the inquiry. The Commission commenced its proceedings on the 16th March, 1891, and conducted a most extensive and searching examination, lasting over three months. In presenting their report the Commissioners, besides pointing out the defects and weaknesses of the existing system, recommended that the powers of the Public Trustee should be of an extensive character in order to facilitate the conduct of the business. In the opinion of the Commissioners, the management of the Office, in the interests of the Dominion and of its clients, should have the same extended and trusted authority as the head of a large mercantile and financial institution, with full and unrestricted powers to transact business with promptitude and readiness. The Commissioners also found that the existing practice of combining moneys belong to two or more estates and investing them *pari passu* in one security, although necessary owing to the difficulty of readily finding investments to suit the exact sum to be invested, was not satisfactory either from the point of view of administration by the Public Trustee or of the beneficiaries or clients. As the outcome of the findings of the Royal Commission, the Legislature promptly passed the Public Trust Office Acts Amendment Act, 1891, under which it was provided that in all cases where the investment of funds was left to the discretion of the Public Trustee the security of such funds was to be guaranteed by the State. The statute further provided for a Common Fund, which was to include all funds coming into the Public Trustee's hands from investments (unless expressly forbidden by the trust instrument or otherwise to be so invested). These funds were henceforth to form one blended fund, and to be invested indiscriminately, so that no investment was to be earmarked to any individual estate. The Act also authorized the regular quarterly payment of a common rate of interest to all estates and persons whose moneys were held in the Common Fund, without break for any interval of non-investment. The rate of interest was to be fixed from time to time by the Governor in Council as the prevailing conditions should require.

This is one of the most important Acts which has been passed in connection with the Department, and has not only put its investments on a satisfactory footing and simplified the book-keeping and accountancy, but, through the State guarantee, has inspired public confidence in the institution, and has contributed largely to its magnificent development and the extension of its business in the period that has elapsed since then.

As the result of the Commission, the cumbrous and unsatisfactory methods of book-keeping were replaced by improved and up-to-date methods as simple and expeditious as were deemed consistent with safety. The system of audit, too, was simplified and improved in such a manner as to prevent delays in the transaction of business.

Public Service Commission, 1912.

This Commission was set up early in 1912 to inquire into the methods adopted by the Public Service. In making its report on the Public Trust Office the Commissioners stated that the Department was doing fine work and, in their opinion, had before it a great sphere of usefulness. In the matter of realizations, however, the Commissioners were of opinion that the system could be improved. In view of this finding, the Public Trustee, in a memorandum to the Minister in Charge of the Office, pointed out that the statement might have a damaging effect, and might shake public confidence in the institution. The Public Trustee pointed out and furnished instances where the realizations had resulted in prices being obtained far in excess of the Government valuation. The memorandum dealt with a number of other special advantages peculiar to the Office, and the Minister, in justice to the Department, took an early opportunity of reading the communication to the House. As a result of the