



1921.

PARLIAMENT OF TASMANIA.

PUBLIC ACCOUNTS:

REPORT OF STANDING COMMITTEE.

Brought up by Mr. Treasurer, September 8, 1921, and ordered by the House of Assembly to be printed.

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REPORT.

"THE STATE LOANS TO LOCAL BODIES BILL, 1921."

REPORT of Standing Committee on Public Accounts on the above Bill.

1. "The State Loans to Local Bodies Bill, 1921," which was referred by your Honourable House to the Standing Committee on Public Accounts for consideration and report has been carefully considered by the Committee, and it now presents its report upon the Bill itself and upon some other matters which incidentally arose during the consideration of the Bill.

2. The main object of the Bill is to bring "The Local Public Works Loans Act" (which was passed in 1890) and its several amendments into accord with existing practice, to include a large number of provisions which have been usually included in recent Acts authorising the State to grant loans to local bodies for specified purposes, and to prepare the way for a standardised borrowing Act which will conduce to uniformity, simplicity, and economy.

3. The Bill deals primarily with future applications for loans and does not interfere with existing loans to Local Bodies, except in regard to—

- (a) The percentage paid for administration.
- (b) The power to raise additional rates to meet interest and sinking fund.
- (c) The powers of receivers.

4. The Committee approves of the general principles of the Bill, and submits the same to the favourable consideration of the House. Three points, however, engaged the attention of the Committee upon which it is deemed advisable that special reference and recommendations should be made.

5. A uniform administration charge of Ten Shillings per centum per annum has been made in the past. This was designed to cover not only the expense and trouble incurred by the Treasury in raising the loans for the Local Bodies, collecting interest, looking after sinking funds, keeping the necessary books of accounts, and correspondence generally, but was also designed to recoup the Treasury in some measure for the loss incurred through non-receipt upon due date in many cases of the interest, &c., payable by local bodies to the Treasury.

6. The Committee was informed that on the 1st September, 1921, there was owing by Local Bodies on that date on account of :—

	£
Interest and administration charge, payable 1st January, 1921	9888
Contribution to Sinking Fund, payable 1st January, 1921 ...	2871
Interest and administration charge, payable 1st July, 1921...	12,226
Contribution to Sinking Fund, payable 1st July, 1921	2286

Total amount in arrear on 1st September, 1921... £27,271

As regards the amount of interest so overdue by local bodies, the interest on the loans raised for the Local Bodies had been promptly met by the Treasury, and the loss occasioned through the non-punctual payment by the Local Bodies necessarily fell upon the taxpayers of the State as a whole.

7. The Bill provides for the payment of a slightly increased rate of interest by Local Bodies and for the remission of such increase if the interest is paid within thirty days of due date. It also provides for a reduction upon a sliding scale in the administration charge in the case of Local Bodies which have borrowed large sums from the State.

8. The Committee is of opinion that it is unfair to those Local Bodies which meet their obligations promptly that they should be penalised by a higher administration charge in order to make good the deficiencies caused by other Local Bodies which are not equally punctual in their payments. It is also of opinion that the proposed modifications as outlined in paragraph 7 of this report do not entirely meet the position. It proposes, therefore, that the administration charge should be reduced to 5s. per centum per annum upon the first £25,000, and 2s. 6d. on the balance, with a maximum of £200 per annum, and that interest should be payable by Local Bodies upon interest in arrear for more than thirty days and upon sinking fund contributions in arrear for more than three months.

9. A question arose as to liability of Local Bodies to pay interest upon any interest that might be in arrear at the time the Bill becomes law, and the Committee is of opinion that no interest should be payable upon such arrears for twelve months, but at the same time considers that any future payments made by Local Bodies behindhand in their payments should be credited to the payment of arrears until such arrears are entirely liquidated, and that interest should be payable upon future interest unpaid within the specified time.

10. The second point had reference to the contributions made by Local Bodies to the Sinking Funds established to liquidate their respective capital indebtedness. The Marine Board of Burnie and Table Cape finds it impossible with its present revenues to meet its half-yearly interest and sinking fund obligations and asked through one of its Wardens, Mr. T. L. Mace, who attended before the Committee and gave evidence, that the contributions to the Sinking Fund should be suspended for a period, or, failing suspension, that such contributions should be reduced. Having regard to the long life which the Burnie breakwater may be expected to have, the Committee considers that a contribution of one-quarter per centum per annum upon the amount actually expended upon the construction of the breakwater, which would, if accumulated at £6 per centum per annum, liquidate the loan in 55 years, or at £5 per centum per annum in 62 years, should be sufficient. The Committee, therefore, recommends to Parliament that if the Marine Board of Burnie and Table Cape submits a proposal to

this effect in a separate Bill it should receive favourable consideration from your Honourable House. It does not, however, consider that the proposal should be included in the general Loans Bill now under its consideration. In the case of all other existing Loans to Local Bodies, the Committee is of the opinion that the contributions to Sinking Funds should be continued at the present rates. As regards future loans, each special Act will provide for the amount of annual contribution to the Sinking Fund to be made in each case, and provision is also made for the suspension of the Sinking Fund for such period during construction, not exceeding three years, as the Governor in Council may think proper.

11. The third point had reference to the rate of interest chargeable upon existing loans. At the present time the loans may be regarded as divided into two classes—

- (a) Those issued prior to 1904 or under certain special Acts, upon which interest, administration charges, and sinking fund contributions are fixed at a total of £5 per cent. per annum.
- (b) Those issued since 1904 upon which interest is now charged at the same rate as is from time to time payable by the State upon Local Inscribed Stock.

It was ascertained by the Committee that of a total of £1,133,655 now lent by the State to Local Bodies, £273,371 is included in class (a), and £860,284 in class (b).

In regard to (a) no question arises, but in regard to (b) an application was made by the Master-Warden of the Launceston Marine Board (Mr. E. H. Ritchie), and by Mr. Mace on behalf of the Burnie and Table Cape Marine Board, that the rate of interest should be reduced.

12. The following alternative suggestions were made by the two witnesses named :—

- (a) That during the currency of the loan the rate of interest should not be varied but should remain the same as it was when the loan was first granted.
- (b) That the rate of interest should not be greater than the average rate payable by the State upon all the loans raised by it.
- (c) That if it can be established that money was borrowed by the State on account of any Local Body upon a long-dated loan then the Local Body should only pay interest at that rate, at all events upon such moneys as it took up prior to 1916 when the "Local Public Works Amendment Act" was passed.

13. Out of the total of £1,133,655 borrowed by the State to lend to Local Bodies, £231,765 has been raised in London on long-dated loans, £166,666 on Treasury Bills issued to the Commonwealth Government originally redeemable in Two years, which term was subsequently extended for 12 months, and further extended to not later than 1925, and £735,224 has been raised in Tasmania by the issue of Local Inscribed Stock. The lastmentioned stock has been in the main very short-dated, generally Three years, and as the stock matures from time to time it has to be renewed or replaced, and in recent years at an increasing rate of interest. If the Local Body only pays the State the rate of interest payable at the time when the loan was made, then any difference between that rate and the rate required to be paid upon renewals would have to be made good by the general taxpayer. As the loan was made to the Local Body for local purposes, it seems that the people who derive the benefit from the undertaking upon which the money has been expended, and who have accepted the liability for such expenditure, should also accept the burden of the increased rate of interest rather than that it should fall upon the whole community. Further, each Local Body, at the time it was granted, was informed that the interest would be subject to variation from time to time, and accepted the advance subject to that condition.

14. It would be manifestly unjust to the taxpayers that Local Bodies for whom the State has raised moneys in the main by Local Inscribed Stock, and in comparatively recent years, and at increasing rates of interest, should receive the benefit of the rate of interest payable upon long-dated loans, some raised many years ago for Railways, Public Works, and other undertakings designed for the benefit of the whole community,

and for large sums and at times when the rate of interest was much lower than that prevailing at the present time. The proposal implies a remission of approximately £2 per centum per annum upon the loans made since 1904 to Local Bodies, or a total sum of over £17,000 to be made up annually by the people of the State who are already losing very heavily over the loans bearing interest at the low rate of $3\frac{1}{2}$ per cent. made prior to 1904.

15. The position of the Launceston Marine Board presents certain features not shared in generally by other Local Bodies. The Treasurer has been authorised to borrow £260,000 for the purposes of the Tamar Improvement Scheme. Of this sum £26,478 was included in the loan raised in London in 1913-14 at $4\frac{1}{5}$ per cent., and £166,666 was included in Treasury Bills for £1,000,000, issued to the Commonwealth Government in 1914-15 at $4\frac{1}{8}$ per cent, and now redeemable in 1925. Up to 1916, when the "Local Bodies Loans Amendment Act, 1916," came into operation, the Board had borrowed £91,420 out of abovementioned sums of £26,478 and £166,666.

The Committee recommends that the Board, as from the 1st July last, should pay interest at the rate of $4\frac{1}{4}$ per cent. on £26,478 until 1950, and at the rate of $4\frac{1}{8}$ per cent. on £64,942 until 1925, these two sums making up the beforementioned sum of £91,420.

If the Launceston Marine Board should promote a Bill to enable it to obtain relief to the extent mentioned in this paragraph, the Committee is of opinion that such Bill should receive favourable consideration.

16. In regard to all other moneys advanced by way of loan between 11th November, 1904, and 30th June, 1921, the Committee is of opinion that the rate of interest payable by Local Bodies during each year should be fixed at approximately the average rate payable by the State during the preceding year upon the whole of the Local Inscribed Stock for the time being issued. The rate shall be so fixed as soon as practicable after the first day of July in each year, and shall be the rate payable by Local Bodies on the succeeding first January and first July.

In regard to all loan moneys advanced since 30th June, 1921, and to be hereafter advanced, the rate of interest should be fixed as that payable by the State on Local Inscribed Stock at the date when the money is actually advanced to the Board, subject to variations from time to time according to the rise or fall of the rate of interest upon the issue of Local Inscribed Stock in accordance with the existing practice.

17. In order to enable certain Local Bodies which have not at present any rating powers and are unable to meet their obligations out of their present revenues, such Local Bodies should be empowered to levy a rate, not exceeding an amount to be determined by Parliament, upon the annual value of all properties within the voting district established in connection with the local body, or within such portion of the voting district as the local body may determine.

N. E. LEWIS, Chairman.

No. 1. Committee Room,

House of Assembly,

7th September, 1921.

MINUTES OF PROCEEDINGS

TUESDAY, AUGUST 30, 1921.

The Committee met at 10.30 a.m.

Members present.—Mr. Treasurer, Mr. Newton, Mr. Lyons, Mr. Sheridan, Mr. Marshall, and Mr. Hobbs.
The Clerk read the Order of the House appointing the Committee.

The Treasurer was appointed Chairman.

Mr. Hobbs submitted, and laid upon the Table, a letter, dated 26th August, 1921, from the Secretary of the Burnie and Table Cape Marine Board, with reference to charges for interest and sinking fund. (Appendix A.)

The Treasurer laid upon the Table a standard form of special Bill applicable to Loans to Local Bodies under the Bill before the Committee.

The Committee having gone through the State Loans to Local Bodies Bill, 1921, clause by clause;

Clauses 1 to 5 agreed to.

Clause 6 postponed.

Clauses 7 to 31 agreed to.

Schedule postponed.

The Committee adjourned at 12.55 p.m. until Thursday, September 1, at 10 a.m.

THURSDAY, SEPTEMBER 1, 1921.

The Committee met at 10 o'clock.

Members present.—Mr. Treasurer, Mr. Ogden, Mr. Newton, Mr. Lyons, Mr. Sheridan, Mr. Marshall, and Mr. Hobbs.

The Minutes of the last Meeting were read and confirmed.
Resolved, That the Under-Treasurer have leave to be present during the taking of evidence.

Thomas Lee Mace, representing the Marine Board of Burnie and Table Cape, was called and examined.

Mr. Mace withdrew.

Ernest Henry Ritchie, Master Warden of the Marine Board of Launceston, was called and examined.

Mr. Ritchie withdrew.

Arthur John Anderson, Accountant to the Marine Board of Launceston, was called and examined.

Mr. Anderson withdrew.

Percival John Strutt, Under Treasurer, was called and examined.

Mr. Strutt withdrew.

The Committee adjourned at 12.30 p.m. until Wednesday, 7th September, at 10 o'clock.

WEDNESDAY, SEPTEMBER 7, 1921.

The Committee met at 10 o'clock.

Members present.—Mr. Treasurer, Mr. Ogden, Mr. Newton, Mr. Lyons, Mr. Sheridan, Mr. Marshall, and Mr. Hobbs.

The Minutes of the last Meeting were read and confirmed.
The Chairman brought up the Draft Report, which was considered, amended, and agreed to.

The Committee adjourned at 12.15 p.m.

THURSDAY, SEPTEMBER 8, 1921.

The Committee met at 2.15 p.m.

Members present.—Mr. Treasurer, Mr. Ogden, Mr. Newton, Mr. Lyons, Mr. Sheridan, Mr. Marshall, and Mr. Hobbs.

The Minutes of the last Meeting were read and confirmed.

The following accounts were passed for payment:—

	£	s.	d.
J. E. Ogden, 2 days, at £1 1s. 0d.	2	2	0
J. C. Newton, 3 days, at £1 5s. 0d.	3	15	0
J. A. Lyons, 3 days, at £1 5s.	3	15	0
W. Sheridan, 3 days, at £1 1s. 0d.	3	3	0
E. Hobbs, 3 days, at £1 5s. 0d.	3	15	0
A. T. Marshall, 3 days, at £1 5s. 0d.	3	15	0

At 2.30 p.m. the Committee adjourned *sine die*.

EVIDENCE.

THOMAS LEE MACE *was called and examined.*

1. *By the Treasurer.*—Your name?—Thomas Lee Mace.

2. And you are a member of the Burnie and Table Cape Marine Board?—Yes.

3. I understand you desire to make a statement to this Committee?—Yes. In 1910 we borrowed £120,000, the rate of interest then being $3\frac{3}{4}$ per cent., plus 1 per cent. to the sinking fund and $\frac{1}{2}$ per cent. for administration charges. At that time we were under the impression that £120,000 would about carry us through with the work we had in view, and we had a nest-egg to the credit of the revenue fund of £21,000 at fixed deposit. We felt that we would require a certain proportion of that amount to pay the interest on the loan during the time the construction was going on and before we received any benefit from the work then in hand. During the five years of construction we paid the interest at the rate of $3\frac{3}{4}$ per cent. In 1917 the interest was raised another $1\frac{1}{4}$ per cent., making it 5 per cent. In 1918 it was increased by another $\frac{1}{2}$ per cent., and in 1921 another $\frac{1}{2}$ per cent., so that the total interest we now have to pay is £16,500.

4. On what amount?—On £220,000; and we now have notice that next year there is to be another $\frac{1}{2}$ per cent. increase to it, making a total annual interest bill of £17,500 to the Treasury, or £6500 per annum more than we anticipated when we borrowed the money under the previous rate of interest. I might state that owing to the increased cost of everything we had to borrow more money than we anticipated, but I am taking it that if we had continued to pay interest at the rate of $3\frac{3}{4}$ per cent., we are now asked for £6500 per annum more than we would have had to pay. We are now paying at the rate of 6 per cent. There is one other matter I would like to point out, and that is the sinking fund. On the class of work such as that we have been carrying out, most of which, as you know, is of concrete structure, a sinking fund of 1 per cent. seems to us to be unnecessary, because it will pay off the loan in about 40 years, or rather it was anticipated at the time of the first loan that it would be wiped off in about 40 years. There is another charge which seems to be iniquitous, and that is the $\frac{1}{2}$ per cent. administration charge. It surely cannot cost one tithe of that amount to administer the loan—collect the interest on a loan of this class. We can understand on a small loan there might be more expense, but on a loan of £220,000 a $\frac{1}{2}$ per cent. seems to be out of all reason.

5. *Mr. Lyons:* Perhaps it might shorten the evidence if the Treasurer were to inform Mr. Mace what amendment is being proposed to meet the objections just raised.

6. *The Treasurer:* Yes. I might tell you, Mr. Mace, and also you, Mr. Ritchie, on behalf of the Launceston Marine Board, that we had a meeting on Tuesday, and we considered this question of administration charges. The administration charge has been looked upon to pay for the trouble of raising the loan, looking after the affairs of the local bodies, also for the trouble of collecting the interest. In addition, we have a very large amount of interest from time to time in arrears from local bodies. We as a State have to pay the interest promptly, and if the local bodies are in arrears the State Treasury suffers. I may inform you that the return I had made out on the 4th of August there were amounts payable on the 1st of January last totalling £14,600 which was then unpaid. In addition to that,

there were moneys due on the 1st of July amounting to £30,400 that was unpaid on the 4th of August, so that the total sum outstanding at that date was £45,000, which the Treasurer, so far as the interest is concerned, had to pay from the State coffers to those from whom the money had been borrowed. We had to borrow the money before we could lend it to the local bodies. The proposal that has been submitted and I think will meet with the approval of the Committee, is that the administration charges should be reduced to 5s. per cent., and that there should be a maximum administration charge of £200; but in addition to the revised administration charge it is proposed that interest should be charged on all moneys for which interest is in arrears for more than one calendar month.

7. *Mr. Lyons:* Will that be retrospective?

8. *The Treasurer:* We have not discussed that yet.

9. *Mr. Lyons:* It is a suggestion.

10. *The Treasurer:* It may be made liable on amounts now in arrears as from some future date to be decided on. I had it down for consideration as from the 1st of October next. The question of arrears has not been fully considered. This is the principle—that we are going to make the defaulters pay. Those that do not pay their interest promptly, we will make them pay interest on their arrears at the same rate as would be chargeable to the Treasurer by the Commonwealth Bank for any overdraft that may be at the bank. There is no question about the amount we have to pay, as we know from time to time what we have to pay on our overdraft, and that could easily be communicated to local bodies. Now you know those facts, it may lessen the evidence, and the Committee will be glad to have the views of the witnesses on that point.

11. *Mr. Mace:* We are paying £1100 now for administration charge, and your proposal will save us £900, and that is something.

12. *The Treasurer:* We must then endeavour—and I do not know whether we will be very successful—to get it from the local bodies who delay the payment of their interest.

13. *Mr. Mace:* Speaking of the rate of interest, we, with others, are back with our interest. If we are to pay compound interest on that, it is going to again hit us very heavily. The question with us and others is, “has this interest been fairly put upon us?”—the amount of interest we have been paying. At the present time I understand that the total indebtedness of the State is £16,000,000, and the average rate of interest on that amount is about $4\frac{1}{2}$ per cent. It seems to me to be very unfair indeed that we should be charged up at 6 per cent., and that the Government should make $1\frac{1}{2}$ per cent. out of us, as it were. You might borrow a small amount of money on local inscribed stock at $7\frac{1}{2}$ per cent., and charge us with that rate. That would manifestly be unfair—to charge us the outside rate of interest. Why not meet us in some way, on the average rate of interest which we could pay? But if you charge the maximum amount of interest we will not be able to pay our way; it would be utterly impossible.

14. *By Mr. Lyons.*—By what amount do you fail to meet your interest bill now?—We cannot meet it by, approximately, £7000.

15. *The Treasurer:* On the 1st of January last the interest was in arrears by £7950. They have not paid anything off that, and they have not paid the further amount of £8700, which fell due on the 1st July last. They owe at the present time a total sum of £16,450.

16. *Mr. Mace*: I think we cannot pay our interest by £7000 a year.

17. *By Mr. Lyons*.—You could not meet your obligations to the State, then, if you were paying the old rate of interest?—Not just at the present. We could have done had it been kept at that all through. As I told you, we had a nest egg of £21,000, from which we paid our first lot of interest. We had paid £57,000 in interest before the first ship was berthed at the wharf. If we increase our shipping charges it would put us in a worse position, and drive our trade away. We have doubled our charge all round, practically. We are about the same as Devonport in many things, but we are a little above them in some respects. We cannot afford to go any higher, because we have another charge of haulage over the line—the portion that belongs to the Emu Bay Company. There is a charge of one shilling a ton on everything that passes over it, so that puts another one shilling charge on the port fees.

18. *By the Treasurer*.—What services do you get for that?—They call it haulage; carting produce over their bit of a line from the station to the wharf.

19. *By Mr. Sheridan*.—Have you not got a rating area?—No. The position is this: Burnie is serving such a large district; we are the port, practically, for the West Coast. Up till recently we derived one-third of our revenue from the West Coast trade. It was pointed out at the time we borrowed the money that it would be very difficult to define a rating area. We have no power to do so.

20. *By the Treasurer*.—When I met you in Burnie a few weeks ago Mr. Willis had prepared a statement showing the revenue and expenditure of your Board; have you got those figures now?—Unfortunately, I have not got them with me. There is one thing that you pointed out when you were at Burnie, and that was that in the event of your making any distinction between us and the other local bodies, so as to relieve us in any way, you would have the whole of the local bodies on you for the same concession. I do not think you can scarcely put it that way. The port of Burnie is almost, if not entirely, a national affair. It is not, at any rate, a purely local matter. It serves a very large portion of the North-West Coast, and also the West Coast, whereas if you take the local bodies, they are purely and absolutely local for their particular municipality. That is the great distinction between the two.

21. *By Mr. Hobbs*.—Don't you think that the harbours should be nationalised?—I do not know what is the best to do.

22. *By Mr. Ogden*.—Don't the importers pay that 2s. 6d. a ton haulage and shunting charge, or does it fall on the Marine Board?—The Marine Board does not pay it; it is an impost on the importers and exporters. It is an added cost on the users of the port as against those who use the port of Devonport. If we were to put our rates any higher, on top of the haulage charge, a good deal of the trade would go elsewhere. A good deal of the produce from Penguin already goes to Devonport.

23. *By Mr. Lyons*.—They do very little for that charge of 2s. 6d. per ton?—Very little indeed; in fact, they do not do anything.

24. *By the Treasurer*.—Have you got any other comparisons to make with regard to rates, say from Stanley?—No; I have not got any comparative figures with Stanley.

25. Have you any idea as to whether your rates are as high as those of Stanley?—We are higher than Stanley. On my way down to Hobart I got a copy of the rates ruling at Devonport, and I made a comparison as I came along, and found that the rates on some lines were higher and in others slightly lower, but on the average we are a little higher than Devonport. We are in hopes that we would be assisted by extending the terms of the sinking fund for one thing, and also have

capitalised the interest that is now due, so that we can start afresh at the lower rate of interest.

26. Capitalise your interest and pay a lower rate on it?—Yes.

27. What do you mean by a lower rate of interest?—We are in hopes that you will be able to see your way clear to average the rate of interest paid by the State on all its loans and charge us on the average. It seems to be unfair that you should make a profit out of local bodies and marine boards, as you are doing at present. You are not paying 6 per cent. interest on all your local inscribed stock.

28. *The Treasurer*: We have a great deal of it at present rate and higher. We had to renew £800,000 at 6½ per cent. this year, and a million must be renewed this year at 6½ per cent. It is all three-year stock, or the bulk of it is. You have long-dated loans at a varying rate of interest.

29. When you borrow money from the Government you are aware that is at a varying rate of interest?—We did not think of that, nor did we anticipate that the rate of interest would go as high as it has done. If we had had that idea we would have tried to borrow what we wanted in a different way. Knowing it was a large amount and for a fixed date, 40 years, the Government of the day should have arranged for the loan for that length of time.

30. *By Mr. Lyons*.—If you are relieved of the administration charge to the extent of £900 a year, and suppose we make the sinking fund contribution ½ per cent., which would liquidate the loan in 55 years, that would relieve you of about £2550 per annum?—That would be a help, of course.

31. And after that we would have to deal with the rate of interest?—Yes, that is so.

32. *By the Treasurer*.—If you got money at 4 per cent. you would not be able to pay your way. The reduction in the administration charge and the reduction in the contribution to the sinking fund, that would not do you?—We have every reason to believe that vessels will be coming into the port now, and that will assist us. There is depression in shipping all over Australia.

33. *By Mr. Lyons*.—You don't anticipate making the deficiency up by special rating?—We have not got the power.

34. If the power is given to you?—We cannot do it yet.

35. *By the Treasurer*.—Can you tell us from memory, or can you supply the Committee with information as to what amount out of the £220,000 that has been actually expended on the breakwater and what amount has been expended on the wharves. You can see what I am driving at. The sinking fund for the wharves should pay a higher rate to the sinking fund than that on the breakwater. Have you any figures as to that?—I have not the exact figures, but something like £10,000 or a little more on the wharf.

36. *By Mr. Lyons*.—You spent some out of revenue on the wharves?—Yes.

37. How much did you spend out of revenue?—The new wharf was built out of the £220,000, I am sure of that.

38. Do you do maintenance out of revenue?—Yes. I should say the new wharf cost something like £20,000, judging by what the old one cost. As the old one cost about £10,000, the new wharf, by comparison, would cost £20,000.

39. *By the Treasurer*.—You state you borrowed £110,000 in 1910; as a matter of fact, we had it available for you, but you did not take it up?—We only took it as we required it.

40. *The Under Treasurer*: You started taking it up in 1912, and the whole of it was absorbed by June, 1916.

41. *By the Treasurer.*—And in the meantime, we had to pay the interest, and the rate had gone up?—It is certain we cannot meet our obligations under present conditions. We are doing our level best to economise, and we have put up our rates and charges as far as we dare, and if we go beyond that we are afraid that we shall drive the trade away from the port, and that will put us in a worse position than we are in now.

42. *By Mr. Lyons.*—You have got a big area for electoral purposes?—Yes, we go down to Table Cape and Rocky Cape, under the old Act, but under the new Bill Rocky Cape has been cut out.

43. If you had the rating power a very light rate would meet your difficulty?—Yes, it would; but at the same time I do not want you to get away from the position that we are being asked to pay a good deal more than we should be asked.

44. If we were to relieve you by charging your Board at the rate of $4\frac{1}{2}$ per cent. you could not pay your way then?—We would be pretty well able to meet it at $4\frac{1}{2}$ per cent.

45. No; your figures are just under 4 per cent. You are asking a good deal from the Government.

46. *The Treasurer:* If you do not find the money it has to be found by the State.

47. *Mr. Newton:* You want to capitalise the interest already due; that would ultimately increase your trouble.

48. *By the Treasurer.*—Do you put that forward seriously—that you want a flat rate of interest?—Yes; because we cannot see any possibility of meeting it, under present conditions, and we do not want it to go on accumulating; and we do not want to be charged compound interest on it. That would accentuate the trouble.

49. *By Mr. Newton.*—Have you gone into the question of asking Parliament to have a rating power given to you?—No.

50. *By Mr. Hobbs.*—Produce is lower at Burnie than at Devonport; is that due to the higher rate?—I know that because of the higher rate the trade is going to Devonport.

51. *By Mr. Newton.*—If you capitalise your interest that is now owing would you not be in a worse position than you are now?—We would then have to ask Parliament to grant us the necessary power to rate. During the past three years we have had a lot of trouble to contend with, what with strikes, and then influenza, which isolated Tasmania, and everything in the State was at a standstill.

52. *By Mr. Lyons.*—Under present conditions, when there are no strikes nor influenza, you are still in difficulties?—We should not have been; our revenue would have increased.

53. I am not talking about your past revenue, but your present-day revenue?—We can hardly say. Of course, just now the trade is not so good; the timber trade is dropping off to some extent, but now we have a probability of having outside steamers calling direct to Burnie to load timber for England. It is likely that there will be three Federal steamers calling at Burnie before the end of the year.

54. *By the Treasurer.*—On the figures that you supplied to the Treasury you show, based on the 1920 figures, that your total revenue is estimated to be £12,600, and from that you deduct £2600 for maintenance and other expenses, leaving available for interest £10,000. That £2600 does not make any provision for actual maintenance. That £2600 is made up of salaries £1500, two watchmen £560, carpenter £300, labourer £150, and material £75; making a total of £2600. So that there is really nothing for actual maintenance, repairs, &c.?—Our works are good for many years to come; repairs will be a very small item. All our wharves are new except one, and one carpenter can easily do all the work required. The cost of material will not amount to

much. The piles are nearly as good as when they were put down. A diver went down a little while ago and took chips out of the sides of some of them, and he found that they were practically as good as when they were put down. The piles are of the turpentine variety, and have only been down 20 years; that is the old wharf.

55. *By Mr. Hobbs.*—If you get power to rate, would it not be a good policy to strike a small rate, so as to reduce your port charges?—I do not know that we should do that. The port charges are all right at present. If we put them any higher it would drive the trade away. At present we are only a little above Devonport; what we are losing on is the 2s. 6d. per ton haulage.

56. *By the Treasurer.*—What trade are you losing?—Penguin, for instance; that trade goes to Devonport.

57. *By Mr. Ogden.*—You do not lose much from the western side?—No; it is the Penguin side. It is a very much longer run from Penguin to Devonport than to Burnie, and yet the trade goes there.

58. *By the Treasurer.*—If your revenue is as good as you anticipate, do you think you can manage to pay your way?—If it is as good as last year we could meet our liabilities if the interest was 4 per cent. There is every probability of it being better than last year.

59. You have paid nothing towards your interest this year?—Not towards this year's interest, but there has been money paid this year, I think.

60. *By Mr. Newton.*—Have you any figures to show the extent to which your trade has fallen off?—No; but I could get them for the Committee.

The witness then withdrew.

ERNEST HENRY RITCHIE, *called and examined.*

61. *By the Treasurer.*—Your name.—Ernest Henry Ritchie.

62. And you are Master-Warden of the Launceston Marine Board?—Yes.

63. I understand you desire to make a statement to the Committee?—Yes; but I am not in a position to make a very definite statement, but I want to put before you what we intend to ask for. We are taking up a rather stronger position than Burnie. We are claiming that you are not entitled to charge us the full rate of interest that you are doing, but that you are only entitled to charge us at the average rate of interest that the State is paying on its loans. What we ask, or rather wish to point out to this Committee, is that, under authority of our Act—that is, "The Tamar Improvement Act" (4 Geo. V. No. 2), we have made certain borrowings through the Treasury. In 1913-14 we borrowed £26,478, local inscribed issue in London, at 4 per cent., redeemable in 1950. In 1914-15 we borrowed £166,666 on Treasury Bills, at $4\frac{1}{2}$ per cent., redeemable in 1925. In 1920-21 there were amounts of £3130, local inscribed stock, at 6 per cent., redeemable in 1923-24; £300, at $6\frac{1}{4}$ per cent., redeemable in 1925; and £2875, at $6\frac{1}{2}$ per cent., redeemable in 1927-28. We would like to point out that for the full amount borrowed by the Government—£199,449 odd—the State is paying £8327 per annum.

64. *The Under-Treasurer:* The total amount raised is £208,144.

65. *Mr. Ritchie:* The position I am putting up, or the Board is putting up, is as it was on the 1st of March last, when this statement was compiled, and it was then, roughly, £200,000, for which we say the State is paying £8327, and is charging the Launceston Marine Board £11,967 for interest and 1 per cent. for sinking fund £1994, and $\frac{1}{2}$ per cent. administration charge £997; or a total of £12,964. We recognise that it is sound finance to have a sinking fund. What we claim is more

of a legal question, I think, than a question for this Committee, and that is under the last "Local Public Works Loans Act" (6 Geo. V. No. 64), provides that the interest to be so paid by the public body may from time to time be fixed and determined by the Governor at such rate as to only include and cover the interest at the rate for the time being payable by the State. You see that it says the interest for the time being payable by the State. We say that the meaning of that term is the average rate of interest being paid by the State on the whole of its public loans.

66. *Mr. Ogden*: That is a questionable determination.

67. *Mr. Ritchie*: It is the legal position, and we have had it supported by other counsel in Launceston.

68. *By the Treasurer*.—You did not take this money at the time it was borrowed for you?—*Mr. Anderson*, our accountant, will tell you when we received it from the Government. The Treasurer was authorised, under "The Tamar Improvement Act," to borrow at 4 per cent.

69. We were authorised by Parliament to borrow for you at 4 per cent. Parliament can do a lot of things, but it cannot get the money at a less rate than that prevailing?—I am not speaking from any inside knowledge of the State's methods of financing, but from information supplied; all these loans were borrowed under this particular Act for us. There is another matter I would like to point out. As you know we have urged on you before the desirability of reducing the heavy administration charge we are under. Although we would like to see the maximum £200 reduced to £150, still, if you, as Treasurer, cannot see your way clear to meet us any better than that, I suppose we will have to pay the £200. But, at the same time, it seems to me, from the statement you made, that where a public body is in a position to do so, and does pay up its interest as it falls due, even £200 is a very heavy administration charge.

70. You are not questioning the contribution to the sinking fund?—We are not questioning it, but circumstances may arise when we might have to ask you, as Treasurer, to relieve us from that sinking fund for one, two, or three years. I think we would probably accept that position of paying that 1 per cent. unless the necessity arises and we are called upon to ask to be relieved for one or two or three years, rather than ask for a reduction to $\frac{1}{2}$ per cent.

71. There are three questions under consideration. First, there is the sinking fund, and you are not asking for any alteration in that at the present time?—No; but I would like to have an expression of views from you as to whether, in the event of our finding it necessary to make application to be relieved of the sinking fund, whether it would be possible for.

72. You are satisfied generally as to the administration charge?—Yes.

73. Are your works as permanent as the Burnie breakwater? Are your wharves as permanent? I should say that your works are not of the same permanent nature as the breakwater at Burnie?—That is so; but we spend a considerable amount of our revenue in maintenance. We are rating up to our full power, and they are always being kept up to standard. As far as our financial position goes, we have always met our interest as it becomes due, but with the increases that are coming along now in every direction, our position is this: that we require this relief from this rate of interest to enable us to meet our obligations. We want to pay the State what we say is the average rate of interest that the State is paying. The average rate of interest on the 30th of June, 1920, was 4.16 per cent., and on the 30th June, 1921, it was 4.45 per cent, and as the State's interest goes up in that way so would our interest go up.

74. Do I understand you to claim the rate of interest that is payable on all the State's indebtedness?—Yes.

75. Including items like the purchase of the Main Line of railway, and so on?—I do not know what it includes; I take it is on the 16 millions that the State owes. How is our interest calculated?—

76. *The Treasurer*: At the present time on the rate we are paying for local inscribed stock. That was the condition on which the money was borrowed by you, and on which we agreed to lend it to you. The rate of interest is subject to revision from time to time, under the provisions of "The Local Bodies Public Works Act." That was always notified to you, and you knew the amount you had borrowed?—That may have been notified to us, but we took it this way: We are borrowing under this Act, which provides for loans to public bodies. That Act says that the rate of interest shall not exceed a certain rate. We presumed that we were borrowing under that.

77. We had to increase all these rates of interest when we had to pay 5, 5 $\frac{1}{2}$, and 6 $\frac{1}{2}$ per cent. Now there is no maximum? If every local body in the State was paying the average rate of interest that the Government was paying, the Government could not possibly be losing. Surely the Government does not want to make a profit out of the loans to local bodies? Are we to get no benefit from the cheap money that has been borrowed? We are being asked to pay top rate.

78. We as a State want all the cheap money that we can get, particularly for the Hydro-Electric Department. If we have to pay a high rate of interest for money for developing the hydro-electric power of the State, and we find that we are not in a position to let the people of Launceston have their power at the rate that has been contracted for, and increased it—say from the £5 7s. per horsepower to £8 per horsepower—the people of Launceston would not agree to that being done. They would not agree to any variation of their contract with the Government, even if the State cannot get cheap money.

79. *Mr. Ritchie*: Assuming that the return that we have had prepared is correct, and that the £166,666 borrowed under our Act at 4 $\frac{1}{2}$ per cent., which is not redeemable till 1925, why should we not average that up with the rest of the State loans.

80. *Mr. Lyons*: It has got to be watched that such a policy as that does not act as a boomerang. You might come along to the State and ask for a further loan, and the Treasurer might not raise it for you because he might have to pay 6 $\frac{1}{2}$ per cent. for it, and you would say that you want it averaged up at 4 $\frac{1}{2}$ per cent.

81. *By the Treasurer*.—If we had to do that we would have closed down on loans to local bodies when the rate of interest exceeded 4 $\frac{1}{2}$ per cent. We have had to pay 6 and 6 $\frac{1}{2}$ per cent. since December last, and we have given the local bodies six months to turn round?—We are banking on getting relief from the high rate of interest, and if your Government takes up the position that our rate of interest has got to go up at the beginning of next year we will be in the same position as Burnie; we will not be able to meet our interest bill. You know we have got a rating area up there, and we are up to the maximum of that rate; we are also up to the maximum of our port charges like Burnie, and we have got another £2500 a year to meet additional with this last wages board award. We cannot put on any further taxes or put the rates up. We have only got a limited revenue to meet our liabilities.

82. *By Mr. Lyons*.—How do you stand with your revenue and expenditure?—At the present time, do you mean?

83. Yes?—I believe that we can just about balance.

84. *By Mr. Sheridan*.—If you cannot pay your way, now, how are you going to get on when you borrow another £100,000, as is proposed?—That is a matter for consideration when the time comes.

85. *By Mr. Lyons*.—What do you say with regard to the sinking fund?—It is quite possible that we may

have to ask for it being suspended for one or two years, but we are looking for relief from the high rate of interest, and with relief from other sources. We know it would be sounder finance to continue paying into the sinking fund.

86. *By Mr. Ogden.*—You are not asking for relief from that source?—No; because it would be establishing a bad precedent.

The witness then withdrew.

ARTHUR JOHN ANDERSON, *called and examined.*

87. *By the Treasurer.*—Your name?—Arthur John Anderson.

88. And you are the accountant of the Launceston Marine Board?—Yes.

89. Is there anything you would like to address the Committee on with regard to this matter?—There is not very much more that I would like to add. There is one point that Mr. Ritchie did not stress in regard to "The Tamar Improvement Act," and how the money is being borrowed by the Government, and how "The Local Bodies Loans Act" was amended in a double-barrelled manner, some 12 years after. In 1914 "The Local Public Works Loans Act" (4 Ed. VII. No. 24) provided, in Section 1, that there shall be payable and paid by any public body to the Treasurer of the State upon any sum or sums of money advanced as a loan to such public body after the commencement of this Act under "The Public Works Loans Act, 1890," interest at such rate, not exceeding £6 per centum per annum, as the Governor may from time to time fix and determine. Section 2 says the interest to be paid by the public body shall be fixed and determined at such rate as to only include and cover the interest from time to time payable by the State in respect of the moneys raised from time to time for the purposes of the loan. Under that Act the Government had loaned to the Launceston Marine Board £91,421 up till 1916. In 1916 "The Local Public Works Loans Act" was amended by 6 Geo. V. No. 64 by providing for an increase in the rate of interest from 6 per cent. to 7 per cent., and it was also further amended by substituting the following section:—"The interest to be so paid by the public body from time to time be fixed and determined by the Governor at such a rate as to only include and cover interest at the rate for the time being payable by the State." And the amendments made by that section were to have a retroactive operation. I say it was double-barrelled in this way—the interest payable by the State. We claim that on that £91,000 at least we should be paying simply the rate of interest that the Government is paying plus the $\frac{1}{2}$ per cent. administration charge; and I think it is a fair claim. On that £91,000, we should be paying no more than 4 per cent., and they are charging us 6 per cent., and it is to be $6\frac{1}{2}$ per cent. Evidently the Treasury officials did not realise, or have not realised yet, as to the position of the interest chargeable to local bodies, because they have miscalculated the amount of interest to come from local bodies in 1915-16 to the extent of £13,650, out of an estimate of £39,000; 1916-17, £17,000 on estimate of £50,000. In 1917-1918, when they should have had the rate at their finger tips, they miscalculated to the extent of £7600 on an estimate of £6800.

90. *The Treasurer.* We have to make allowance for those who do not pay their interest.

91. *Mr. Anderson.* They miscalculated to the extent of £7600 on an estimate of £68,000 in 1917-1918. Evidently the Treasury has been calculating the rate of interest as to what we claim now is a fair rate.

92. *The Treasurer.* There were £14,000 not paid last year for interest.

93. *Mr. Ritchie.* The position now is that we cannot go to the ratepayers any more. We have already gone to the extent of £46,000.

94. *By Mr. Marshall.* Leave the rest of the loans out of consideration for a moment. On that £91,000 you have referred to, you claim that under the Act you are entitled to a 2 per cent. reduction from 6 per cent. to 4 per cent.?—Yes; we claim that the average rate you are paying for local inscribed stock and in London is not higher than 5 per cent., and you are charging us 6 per cent.

95. Your general contention is that you should be charged the average interest being paid by the State on all its loans, and, failing that, you say that on that £91,000 you should only pay 4 per cent., but on which you have been paying 6 per cent.?—Yes, that is correct; but we would be satisfied to pay the average rate.

96. *By Mr. Lyons.*—Of course, you are aware that there are some local bodies that have had their loans raised at a special rate?—Ours was a special Act. The State owes 16 millions, some of which extends to 1950. What we say is that when the State has to renew any of its loans and has to pay a higher rate of interest—say, 7 per cent.—then the average is struck, and we pay on the increased average rate.

97. *The Treasurer.* What you want is to call upon the general taxpayer to find another £20,000 a year interest.

98. *By Mr. Newton.*—What have you got to say with regard to the sinking fund?—I would not reduce it at all.

99. *By Mr. Marshall.*—How do you think your revenue and expenditure will come out this year?—They will about balance, but next year we have to find another £2500 to meet increased wages.

100. *By Mr. Hobbs.*—What will a penny rate bring you in?—£1350 a year.

101. *By Mr. Sheridan.*—Has your revenue been increasing?—During the last few years you cannot make a fair comparison, but last year was a record.

102. *By Mr. Ogden.*—How do your port charges compare?—We are slightly less than Burnie, but Burnie makes a rebate or a concession to steamers like the "Oonah," which make two calls in one day.

103. *By the Treasurer.*—You have got an export duty?—Yes.

104. *By Mr. Ogden.*—Is there any chance of your increasing your rates?—No. We would be in the same position as Burnie. We would drive our trade away. The only way to bid for trade is to have your port charges less than the other ports. The trouble is that we are over-capitalised on our northern ports.

The witness then withdrew.

PERCY JOHN STRUTT *was called and examined.*

105. *By the Treasurer.*—Your name?—Percy John Strutt.

106. And you are Under-Treasurer for the State of Tasmania?—Yes.

107. *By Mr. Ogden.*—With regard to the under-estimating of the interest of local bodies' loans, is that due to the allowance made for unpaid interest?—Yes. Annually there is a very large amount of unpaid interest, and that is always allowed for.

108. *By the Treasurer.*—As to the £91,000 that has been mentioned by Mr. Anderson, I presume that is correct?—We raised in London £26,478 and £166,666 at $4\frac{1}{2}$ per cent. on Treasury Bills issued to the Commonwealth Government.

109. The position is this: The Commonwealth offered us one million pounds, and that was accepted. They had

to have some security, and they took up Treasury Bills. One of the securities they took was under "The Tamar Improvement Act"—Parliament authorises a certain number of public works under "The Public Works Execution" and other Acts, and as the money is raised so it is distributed over these Acts. As the loans are raised so the money is distributed as far as it will go. Very little money has been borrowed outside of local inscribed stock for local bodies. From a return prepared from 1904 up to 1920 it shows that there had been raised in Tasmania as loans for local bodies £1,053,648, and only £162,764 in London. So that of £1,216,000 raised altogether for local bodies only £162,000 has been borrowed outside the State.

110. *By Mr. Ogden*.—How does the average rate of interest appeal to you?—It means that someone else has got to pay. There was a loan of a million at $3\frac{1}{2}$ per cent. for the purchase of the Main Line of Railway, and if that is averaged up the State will have to find the difference. An average rate to local bodies does not appeal to me.

111. *Mr. Ritchie*: What we want is consideration given to a reduction in the interest on the amount which was borrowed at 4 and $4\frac{1}{2}$ per cent. under our Act.

112. *The Treasurer*: We have now got to borrow £35,000 for you, and the interest will be $6\frac{1}{2}$ per cent.

113. *Mr. Ritchie*: If we can get the relief we are asking for we will be able to pay our way.

APPENDICES.

APPENDIX A.

MARINE BOARD OF BURNIE AND TABLE CAPE.

Burnie, Tasmania, 26th August, 1921.

DEAR SIR,

My Board has had under very serious consideration the situation that has arisen as a consequence of the greatly increased rate of interest charged on their loans, and I am asked to place the position before the members for Darwin with the view to getting their support to an effort to obtain a substantial alleviation of the burden placed on the Board.

The Hon. the Treasurer, when recently at Burnie, very courteously received a deputation from the Board on the subject, and discussed fully with them the Board's financial position. While promising to give the matter his sympathetic consideration, the Treasurer pointed out that the various increases in interest which had been made during the last few years were all in accordance with the law governing loans to local bodies, and that the principal difficulty in arranging relief to the Board was the certainty that any concession made to my Board would have to be conceded to other local bodies.

The high rate of interest now being charged is beyond the power of the Board to meet, unless such port charges are imposed as would have the effect of diverting shipping from the port and making the position worse than it is at present.

The history of the Board's operations may be summarised shortly, as follows:—When the Board arranged in 1910 for a loan to improve the harbour by the construction of a concrete breakwater, &c., the interest charged was $3\frac{3}{4}$ per cent., plus 1 per cent. sinking fund and $\frac{1}{2}$ per cent. administration charges of the loan, in all, $5\frac{1}{4}$ per cent. On this basis my Board saw its way to finance the loan without difficulty. This rate of interest was charged to the Board during construction for five years, from 1912 to 1916 inclusive. In 1917 the rate was raised $1\frac{1}{4}$ per cent., making $6\frac{1}{2}$ per cent. in all. For the next three years, 1918, 1919, 1920, the rate was raised to 7 per cent. For this year, 1921, the rate of interest charged is 6 per cent., with 1 per cent. sinking fund and $\frac{1}{2}$ per cent. administration, making in all $7\frac{1}{2}$ per cent., and on our loan of £220,000 the amount payable is £15,400.

Notice has now been received that a further increase takes place from 1st January, 1922, the interest being increased to 7 per cent., sinking fund as before, 1 per cent., and administration reduced to $\frac{1}{4}$ per cent., in all $8\frac{1}{4}$ per cent. This represents an annual payment of £18,150, or £6600 more than would have been paid under the rate charged in the years 1912-1916. The Board's revenue is obtained entirely from charges on ships and cargo, and the Board cannot conceive any scheme for increases which can meet this extra interest, even if the port was not suffering from the general trade depression which is affecting the whole Commonwealth. The only suggestions that the Board can make are that the rate of interest should not be made subject to the fluctuations of interest paid by the State on inscribed stock, and that the sinking fund should be entirely suspended for a number of years.

The Burnie Harbour improvements are of such a permanent character that the Board consider their loan should be included in the long-dated overseas loans, or should, at the worst, be charged no greater interest than the average interest paid by the State for all their loans, which, it is understood, is under $4\frac{1}{2}$ per cent. The suggestion that the

sinking fund should be deferred entirely for a number of years and then fixed on the basis, say, of $\frac{1}{2}$ per cent., will, I believe, appeal to you as reasonable in view of the very substantial character of the work. I have to point out that the Board's works are of a very different nature from the schemes of many local bodies, which have a much shorter life, and have, in their character, much less certainty of permanency, and that special consideration might well be given to the circumstances of this Board without touching the general question of local bodies' loans, although local bodies generally must find it difficult to meet the new charges. Even on the basis of interest paid for inscribed stock the proposed charge of 7 per cent. interest is most unfair, even if it may have the authority of an Act of Parliament. The State is paying for inscribed stock now being issued a maximum interest of $6\frac{1}{2}$ per cent., but this rate must be very much higher than the average rate of inscribed stock now current.

It is understood that an enquiry will shortly be held into the question of local bodies' loans. Mr. Whitsitt has taken considerable interest in the matter, and I am instructed by my Board to request that you will kindly give the matter your consideration, and co-operate with Mr. Whitsitt in obtaining such terms of interest and repayment of loan as will enable the Board to carry on.

It may be mentioned that during the construction and before the first ship berthed at the new wharf the Board paid to the Government in interest, sinking fund, &c., the very large sum of £57,116 out of their surplus revenue.

I am,

Yours faithfully,

P. B. WILLIS, Secretary.

E. HOBBS, Esq., M.H.A., Parliament House, Hobart.

APPENDIX B.

MARINE BOARD OF BURNIE AND TABLE CAPE.

Burnie, Tasmania, 30th August, 1921.

DEAR SIR,

I HAVE just noticed a couple of discrepancies which have crept into my letter of 20th instant.

On the second page, at the end of the first paragraph, it is shown that "the annual amount payable is £15,400." This, obviously, should be "£16,500."

Then the first half of the second paragraph on the same page should read:

"Notice has now been received that a further increase takes place from 1st January, 1922, the interest being increased to $6\frac{1}{2}$ per cent., sinking fund as before, 1 per cent., and administration reduced to $\frac{1}{4}$ per cent., in all $7\frac{3}{4}$ per cent. This represents an annual payment of £170,050, or £6050 more than would have been paid under the rate charges in years 1912-1916."

I shall be glad if you will make these adjustments before referring to the letter in Hobart.

Yours faithfully,

P. B. WILLIS, Secretary.

E. HOBBS, Esq., M.H.A., Parliament House, Hobart.

APPENDIX C.

Re Loans for the Purpose of Tamar Improvements.

SIR,
We have received a claim for £8205 12s. 4d. for half-year's interest due by the Board to the Government for the six months ending 1st July, 1921, made up as follows:—

3 Geo. V. No. 52	£210,599 16 8	@ 7½% for six months	£7897 9 10
ditto	8200 0 0	@ 7½% from Feb. 10th to June 30th	237 11 5
ditto	5125 0 0	@ 7½% from Apr. 25th to June 30th	70 11 1
	£223,924 16 8		£8205 12 4
Interest 6%	6364 9 10		
Administration ½%	547 0 10		
Sinking Fund 1%	1094 1 8		
	£8205 12 4		

We ask that that amount be reduced by £1819 19s. 7d., being difference for six months on £199,449 14s. 9d. at £7 10s. per cent., the rate charged the Board, and £5 13s. 6d. per cent, which is the average interest at the rate for the time being payable by the State, plus ½ per cent. administration and 1 per cent. sinking fund, on the amount of £199,449 14s. 9d.

"The Local Public Works Loans Act, 1890" (54 Vict. No. 30), provides:—

Section 3.—The Treasurer of the Colony is hereby authorised to issue any such sum or sums of money as aforesaid out of moneys raised by the Governor in Council by the issue and sale of debentures under any Act passed for the purpose of raising money to be advanced under the provisions of this Act.

Section 4.—There shall be payable and paid to the said Treasurer upon any sum or sums of money advanced as a loan as aforesaid to any such public body interest at the rate of *Five Pounds per centum per annum*.

Section 5.—The said Treasurer shall in every year cause a sum of money equal to one per centum per annum on any such loan as aforesaid out of the moneys received as interest on such loan to be set apart as a sinking fund.

"The Local Public Works Loans Amendment Act" (4 Edw. VII. No. 24), provides:—

Section 1.—There shall be payable and paid by any public body to the Treasurer of the State upon any sum or sums of money advanced as a loan to such public body after the commencement of this Act under "The Local Public Works Loans Act, 1890," interest at such rate, not exceeding Six Pounds per centum per annum, as the Governor may from time to time fix and determine.

Section 2.—The interest to be paid by the public body shall be fixed and determined at such a rate as to only include and cover:—

- (i) The interest from time to time payable by the State in respect of the moneys raised from time to time for the purposes of the loan; and
- (ii) A sum of money equal to One Pound per centum per annum on any such loan as aforesaid, and such sum shall be set apart by the said Treasurer as a sinking fund until the Auditor-General shall certify that such loan has been completely liquidated; and
- (iii) A sum of money equal to Ten Shillings per centum per annum on such loan as aforesaid to be retained by the Treasurer and form part of the Consolidated Revenue Fund.

"The Tamar Improvement Act" (3 Geo. V. No. 52), provides:—

Section 17.—It shall be lawful for the Governor to grant, in accordance with the provisions of "The Local Public Works Loans Act, 1890," any sum or sums of money not exceeding in the whole Four hundred thousand Pounds and any such sum shall be defrayed out of moneys to be provided by Parliament for that purpose.

"The Inscribed Stock and Treasury Act (No. 1)" (4 Geo. V. No. 2), provides:—

Section 2.—(1) It shall be lawful for the Treasurer of the State to borrow, raise, and receive under the author-

ity of this Act, by the issue and sale of inscribed stock or Treasury bills, or all or any of the said means, a total sum not exceeding Four hundred thousand Pounds, for a loan under Section 17 of "The Tamar Improvement Act, 1912," by the Governor to the Marine Board of Launceston in accordance with the provisions of "The Local Public Works Loans Act, 1890."

Section 5.—Every sum borrowed by the Treasurer under the authority of this Act shall bear interest at a rate not exceeding Four Pounds per centum per annum.

Under the authority of 4 Geo. V. No. 2 the Treasury have borrowed as follows:—

Year.	Amount Raised.	Nature of Security.	Rate. Per Cent.	When Redeemable.
	£ s. d.			
1913-14...	26,478 14 9	Inscribed Stock issued London.....	4	1950
1914-15...	166,666 0 0	Treasury Bills	4½	1925
1920-21...	3130 0 0	Local Inscribed Stock	6	1923-4
	300 0 0	Ditto	6½	1925-6
	2875 0 0	Ditto	6½	1927-8
	199,449 14 9			

For the full amount borrowed by the Government, viz., £199,449 14s. 9d., the State is paying £8327 per annum, and charging the Board £11,967, plus 1 per cent. (£1994) for sinking fund, and ½ per cent. (£997) for administration, a total of £12,964, or a difference of £4637 per annum in the Government favour.

The amount of £193,144 14s. 9d. was borrowed by the Treasurer, who loaned to the Board £91,421 before "The Local Public Works Loans Act" (6 Geo. V. No. 64) was amended, as follows:—

Section 2—

Clause (i)—

- (a) By omitting the word "Six" in the fifth line thereof, and substituting therefor the word "Seven."
- (b) By inserting immediately after the word "determine," occurring in the sixth line, the words "and the Governor may, in his discretion, from time to time revise the rates of interest so fixed, and again fix and determine same."

Clause (ii).—As to Section 2 thereof, by omitting the first five lines thereof, and substituting therefor the following:—

"2. The interest to be so paid by the public body may from time to time be fixed and determined by the Governor at such a rate as to only include and cover—

- (i) Interest at the rate for the time being payable by the State; and
- (ii) The amendments made by this section shall have a retroactive operation.

We claim that undoubtedly the just way of repaying the Government for any loans is to pay the Government at a rate at which the Government borrowed the money, plus 1 per cent. sinking fund and a fair administration charge—this was the mode of calculation under 4 Edw. VII. No. 23, by which the administration charge was fixed at one-half per cent. However, in view of the omission of the words "in respect of the moneys raised from time to time for purposes of the loan" in 6 Geo. V. No. 64, it would seem we might possibly be excluded from claiming the right to only pay the same rate of interest that the Government are paying in respect of any particular loan. It might be argued that the Treasurer could not say what money was borrowed in any year for any particular purpose, but we submit that the amounts borrowed in 1913-14, 1914-15, amounting to £193,144, were ear-marked for the Tamar Improvement Scheme.

What I submit to you, Sir, on behalf of the Board is that we should only be charged on the full amount borrowed by the Board, viz., £223,924 16s. 8d., interest for the six months ending 1st of July, 1921, at the rate of £4 9s. (4½) per cent. per annum, that being approximately the average rate of interest payable by the State on all moneys borrowed by the State.

I am, Sir,

Yours obediently,

E. RITCHIE, Master-Warden.

To the Honourable the Treasurer, Hobart.