

during the earlier stages of the loan and a larger portion during the latter stages of the loan than under the instalment method. Reinvestment of principal in a similar manner as under the instalment method is therefore necessary.

The ratepayer's objection under the instalment method that the burden falls most heavily during the early stages of the loan is here removed. The amounts required to be raised annually are equal throughout the entire period of the loan.

The method of repayment will, where the work to be undertaken is one which will involve considerable expense in maintenance during the latter period of the loan, shift the heavier portion of the burden to future ratepayers; where, however, the loan is applied to the purchase of land or the construction of substantial buildings, and the annual charge of maintenance is not likely to increase appreciably during the period of the loan, the annuity method would appear to be the proper method to adopt, provided the benefits are calculated to continue practically unabated through the period prescribed for repayment.

This method of repayment is frequently favoured by local authorities at the time of borrowing, owing to the opportunity it affords of making the annual repayments lighter than under the instalment method. This fact should, however, not be overlooked, as the later payments will be heavier, and that the total amount required for repayment of the loan will be considerably greater than under the instalment method, this being on account of the local authority retaining a larger portion of the principal for a longer period and paying interest thereon.

I wish to draw your attention to the fact that both the instalment method and the annuity method in effect contain within themselves a sinking fund which bears the same rate of interest as the loan itself. Every time a portion of the principal is repaid, interest on that portion immediately ceases, which in effect is the same as setting aside a similar amount as a sinking fund, which when allowed to accumu-