

TUESDAY, 11TH OCTOBER, 1927.

Mr. R. E. HAYES, examined. (No. 9.)

*The Chairman.*] Your full name, Mr. Hayes?—Robert Edward Hayes.

And your official position?—Secretary to the Treasury.

You have read the Bill, Mr. Hayes?—Yes, sir.

Have you any comments to make on it?—Yes, sir, I have a few general comments I would like to make. I would like to say that, as to the details of this class of finance, I do not profess to have expert knowledge. I have not handled chattels and farm-stock and station-agent finance in detail, and I do not profess to be competent to express opinions as to many of the matters mentioned in the Bill. As to the general principles involved, of course I have read the Royal Commission's report, and I think the Bill as set out practically enunciates what the Royal Commission considers to be essential machinery in order to place the scheme on a sound financial basis in the future. As far as I can make out, the Commission's views are that it is absolutely essential that co-operation should exist amongst the farming community in the different districts. That is practically the basis of their scheme, and I think that is in the Bill—that is to say, in order to make a success of the attempt to give them sound finance the movement, as it were, would have to come from that direction rather than from the top. With the co-operation spirit being worked up, the efforts of the central organization would be more effective. As far as I can make out from reading the Commission's report, in nearly every country that appears to be the chief essential for progress and success in establishing finance of this kind. The next point which, of course, interests me is in connection with the Consolidated Fund, and how far its standing in this matter is affected. In the Bill the State is lending a quarter of a million, and the new organization is to take over securities or use in establishing a basis for credit organization. That is in the Bill as printed. I have some suggestions in connection with that matter which I would like to bring before you as affected by the further proposed amendments.

We would be glad if you would?—I would like to do that, because these new amendments affect that clause to some extent. The original clause as set out in the Bill is that we should hand over to the Board securities—that is to say, investments—of our own. Now that, I understand, is proposed to be altered, and we shall have to find the cash—that is to say the Treasury will be required to sell its investments at any time, and it may not be at a time when it is profitable to do so, and any loss will have to be borne by the Treasury in disposing of the securities in order to find the cash for the Board, and also the interest is free for a certain number of years. There is a further proposal made, I notice, in the new suggestions, and it is that those moneys to be advanced out of the Consolidated Fund shall not be repaid or repayable, so as to reduce the amount for the time being held by the Council. That is the new proviso to clause 14 (2). It appears to me that that is going to make the State grant perpetual; it will never be repaid. That is quite a new proposal. As far as I understand the principle of this finance, in all other countries the farming industry eventually repays to the State whatever aid they may have got from the State; the farmers eventually clear off their indebtedness to the State.

*The Chairman.*] The reason for that suggestion, Mr. Hayes, was that a low rate of interest might be secured, the State being a further security to the bondholders. The State would not be bearing any losses, and it would be getting interest on the money?—Of course, I can see the object of it. The industry undoubtedly benefits, and it is not supposed to be a guarantee, although it is made perpetual. But putting that sum down in perpetuity really makes it a guarantee up to that amount; that is what it virtually means. Then there is another new clause, which deals with the issue of debentures. That is one of the new proposals. It is clause 19A, and is as follows: "Notwithstanding anything in the last preceding section, the Council may, with the prior consent of the Minister, issue debentures that are not expressed to be redeemable at the expiration of any fixed period, but are in accordance with the provisions of such debentures in that behalf made redeemable at the option of the Council, or made redeemable at the option of the holder in the event of default being made by the Council in compliance with the terms of the debenture as to payment of interest or otherwise." That is to say that those debentures are perpetual. They are something in the nature of perpetual bonds.

*Mr. Elliott.*] What are you quoting from?—From the new amendments put forward in connection with the Bill. A copy has been handed to me. I understood these have been before the Committee.

*The Chairman.* They are the new proposals which have been brought before the Committee. They have now been drafted by the Crown Law Draftsman, and a copy was forwarded to Mr. Hayes. We have not got extra copies here yet.

*Mr. Hayes.* Of course, the first thing that struck me when I read that clause was that long-term money was being raised for a short-term credit; and the generally accepted opinion is that short-term credits should have short-term money. Difficulties may arise through that.

*The Chairman.*] Do you think that clause is rather objectionable?—I say that that clause should be very carefully considered. I suppose this will be something like a perpetual deposit system. Then there is another point: It may affect the long-term money we are raising for the rural advances if these perpetual debentures go on the market. We are, of course, raising long-term money for rural advances shortly, and those bonds will be on the market every year from time to time. How this is going to affect them I do not know. You are asking for long-term money here as well. Those are the chief points I thought I would draw attention to. I notice that these unredeemable investments are not made trustee investments. The new proposals have one or two good features. I should say that the new proposed Board is a very good Board. The idea there is to get men who know the conditions in the different districts. I think that is a very good Board. Then there is another point, and that is the new proposals practically make this a trading concern or an agricultural bank. You are trading outside now,