

*Rural Intermediate Credit Bill.*

*Section 4.*—The meaning of this section is somewhat obscure. If the Public Trustee is to be the principal member of the Board, then the section appears to be in conflict with section 7, providing for the election of a Chairman. As Commissioner of Rural Intermediate Credits, the Public Trustee's duties are defined in section 20, and there is no necessity to create the office of Commissioner. Section 20, in this event, would require the word "Commissioner" in the third line of subsection (1) to be altered to "Public Trustee." If the intention of section 4 is that the Public Trustee shall be the principal executive officer of the Board, then the word "officer" should be used instead of "member," and a provision should be incorporated with section 11 dealing with the other officers of the Board.

*Section 12.*—Nothing is said as to the procedure at meetings of a Local Advisory Committee, or as to the effect of any decisions arrived at by such Committee.

*Sections 14 to 17.*—These sections are objectionable, and unsound in principle, in that they provide for advances to be made to the Board on terms which are far from businesslike. If the scheme is to be successful, then it should be capable of standing on its own feet without assistance in the direction of the Crown making advances, either free of interest or at a rate of interest lower than the current rate it is paying for money at the present time. The banks, as large taxpayers, strongly object to grants of this nature being made to one section of the community at a time when the Minister of Finance does not see his way to reduce the burden of taxation upon the mercantile community generally.

Section 17 is additionally objectionable in that it provides for a straight-out gift of £10,000 to the Board out of public funds.

*Section 18, Subsection (1).*—The principle embodied in this section is entirely wrong. The power of the Board to borrow should depend on its assets, and not upon its liabilities. The limitation of the Board's borrowing-powers in the Bill as at present framed depends, in the first place, upon the amount borrowed by the Board from the Crown, and, in the second place, on the amount advanced by the Board to borrowers. Assuming that a Board borrows the maximum amount of £250,000 from the Crown, it becomes entitled to borrow a further £250,000 on debentures from the public before it has made any investments at all other than the investment of £125,000 in the Redemption Fund.

*Section 18, subsection (2),* is defective in that it does not state when, if ever, the floating charge is to crystallize. Apparently the first series of debentures issued by the Board must be paid in full before holders of the second series receive anything; but no provision is made for a case where a later series of debentures is issued prescribing a maturity date earlier than that prescribed in the first series.

The section does not make it clear what is the order of priority between debenture-holders and, say, those who discount bills of exchange for the Board, or between debenture-holders and the Crown.

*Section 19, Subsection (3).*—As the Board is a statutory authority, the form of debenture to be issued should be set out in a schedule to the Bill in the same way as is done in the Local Bodies' Loans Act.

*Section 20.*—While recognizing that the Crown feels that some senior Government officer should be responsible for the administration of the statute, it is felt that it would be preferable if a Treasury officer were appointed rather than the Public Trustee under this section.

*Section 22.*—The exemption from stamp duty of the debentures and stock issued under the Bill is not proper. There should be the same liability for stamp duty as is the case in connection with debentures and stock issued by any of the institutions competing with the Board.

*Section 26.*—It is considered that at least until such time as the Board is in an undoubted financial position the securities issued by the Board should not be made a trustee investment, unless, of course, they are guaranteed by the State. It is scarcely necessary to point out that in the earlier years the Board will be financially unsound, quite apart from any losses which it may make in respect of its loans. It will only be when the profits of the Board's operations have been accumulated to such an extent as to provide a reasonable margin of assets over and above liabilities that the Board will be financially sound.

The classes of investments to be made by the Board are not themselves trustee investments, and are not even the class of investment which an average creator of a trust would allow his trustees to invest in in cases where permission is given to invest in investments other than those specified by the Trustee Act, 1908. In the past the class of investments authorized for trustees has been limited, and efforts to enlarge it have always been looked upon with disfavour. With one or two exceptions, the securities of the wealthiest of our Harbour Boards are not trustee investments, nor are shares in any of the soundest companies trading in the British Empire.

*Section 27.*—The provisions in paragraph (b) of subsection (1) allows altogether too large a loss of the Board's capital before the debenture-holders are entitled to take steps to get their money back.

*Section 32* provides for an audit of the accounts at six-monthly intervals. Reference in paragraph (b) of section 27 is to an annual audit. The two sections should be reconciled with one another, and provision should be made for the publication of the result of every audit, so that if it be ascertained as a result of an intermediate audit that the Board has suffered a loss justifying the debenture-holders claiming payment of their money they will not have to wait until after the 31st March next following.

*Sections 35 to 37.*—The form of these sections could quite well be improved. It would be sufficient if section 35 contained a declaration that a company might be formed under the Companies Act, and that all the rules in the Companies Act should apply except as expressly negatived or modified in this Bill.

With regard to the form of memorandum, it would appear to be quite unnecessary to depart from the statutory form contained in the Companies Act, except in so far as is essential for the purposes of this Bill. It is quite unnecessary to mention the name of the acting-secretary in the memorandum.