

extension of credit to consumers. The maximum currency of such loans is fixed at three years. The Board may require the endorsement of the said bank or lending agency. I may say that I have seen correspondence from one of these societies asking for what is provided in this Bill, and suggesting that they should find at least 50 per cent. of the advance.

The Chairman: That is a small society?

Colonel Esson: Yes. For its current expenses the Board will have, in addition to the grant of £10,000 to cover the first year's expenses, the whole of the income from the Government loan, and, in addition, its moiety of the 1 per cent. difference between the interest paid on debentures and the interest charged to the associations and societies. The debenture-holders will be secured upon the amount received by the Board by way of loan from the Consolidated Fund, mortgages, bills of sale, bills of exchange, and other securities the property of the Board, as well as moneys held in the Redemption Fund. The debentures will be exempt from stamp duty, and are to be available as investments for trustees and public moneys. Borrowers will have the right to repay their loans with debentures, which must be cancelled. If the Board makes default in the payment of interest on principal due on account of debentures, or if its audited accounts disclose a loss of 25 per cent. of the debenture issue, a receiver may be appointed. The usual provisions for replacing lost or destroyed debentures are included. The moneys received by the Board must be kept in an entirely separate account, which will be subject to half-yearly audit by the Controller and Auditor-General. The accounts of associations must be kept and audited as the Board may require by its regulations. The Board is further empowered to make regulations ensuring the integrity of warehouse receipts, and the orderly marketing of produce, in order to check speculative holding. It may be considered by the Committee, in regard to that, that a separate measure may be necessary. That is a question on which there may be some difference of opinion. No provision whatever is made in the Bill for any advances for general trading purposes.

The Chairman: The Bill does not prohibit it?

Colonel Esson: Well I should say that advances for general trading would not be entertained for one moment.

The Chairman: I quite agree with that, but the question is whether it should not be expressly prohibited?

Colonel Esson: Probably so. It is not provided for, however, and I think would not be allowed by the Board. Although it does not appear to be a prominent feature of the Bill, one very important provision is the establishment of Local Advisory Committees, which, acting in conjunction with the Board, can investigate farmers' difficulties in their localities, and if it is considered some farmers who are finding finance difficult but are in a sound position it may be possible to consolidate their borrowings, and put them on a footing that will enable them to work out to success. The Bill gives the producer an opportunity to work out his own salvation, and it puts him on something like an equality with ordinary commercial businesses in the matter of credit. Both producer and consumer will benefit if the Bill is made law, and the merchants and others will have the advantage of cash, instead of the present very awkward mortgage and credit system. I think that is a general outline of the intentions of the Bill, sir.

The Chairman: So far as interest is concerned, what figures have you got in mind that you think the farmers will pay?

Colonel Esson: It all depends on the price of money. The Board should be able to borrow equally as well as other people, and thus give the farmer an opportunity of getting money at its source, instead of through the merchants, bankers, and others. These debentures being short-dated should sell at a reasonable rate—i.e., a rate approximate to the fixed deposit rates at the banks.

The Chairman: Is that $5\frac{1}{2}$ per cent.?

Colonel Esson: No; they do not give $5\frac{1}{2}$ per cent.

The Chairman: I just wanted to know what you had in your mind. You would expect to get it below $5\frac{1}{2}$ per cent.?

Colonel Esson: Yes. Something like 5 per cent., or, perhaps, below that. It all depends on the price of money and the currency. The Board should get at least as equally favourable terms as the banks. There will always be a demand for these debentures for debt-repayment purposes, because borrowers from the Board will be endeavouring to pick up debentures on the market at a slight discount with which to discharge their liabilities.

Mr. H. E. Holland: Will there be any competition between those debentures and the State Advances if the State Advances comes on the market for borrowing?

Colonel Esson: I do not think so, because the State Advances long-term bonds appeal to a different class of investor—many people have small sums on fixed deposit—and there is normally a large floating balance to draw upon.

The Chairman: Perhaps the Committee would now prefer to hear what Mr. Polson has to say.

Mr. Polson: I have no desire to give evidence, Mr. Chairman. My evidence is in the Report of the Royal Commission on Rural Credits.

The Chairman: Have you any comments on the Bill?

Mr. Polson: Well, one or two only.

The Chairman: I think the Committee would like to hear you, Mr. Polson, as well as Colonel Esson.

Mr. Polson: Colonel Esson has carefully explained the provisions of the Bill, which is largely based on the intermediate rural credit recommendations of the Rural Credits Commission, with one or two alterations, which, I understand, the Prime Minister is going to have attended to.