

*Right Hon. Mr. Coates* : If I can arrange it. I think one or two questions could be put. For instance, probably Colonel Esson or Mr. Polson could explain about the Board, the associations, and the Advisory Committees.

*Colonel Esson* : The Advisory Committees would be the Board's eyes and ears.

*Mr. Polson* : The idea of the Local Advisory Committee is something along the lines of the Hospital Board or the Harbour Board. A few representative men from each area could meet with the executive officer—possibly the Public Trustee for the district, for instance—and they would join with him as a sort of council.

*Mr. H. E. Holland* : But where would you get your Advisory Committee from ? Would you get it from the shareholders ?

*Mr. Polson* : No ; from the leading men in the district—a similar class of men to what you see on the Hospital Boards. They would have to be selected carefully.

*Mr. H. E. Holland* : How would they be chosen or appointed ? Who would select them ?

*Mr. Polson* : I take it the Board would select them. That would be the only way you could do it. If the Board selected carefully they should be able to get four or five capable men in each area who would give a great deal of confidence in dealing with the thing.

*Right Hon. Mr. Coates* : You can imagine the chairman of a dairy company or the managing director of a dairy factory : or we could take some one with a particular knowledge of farming ; or we could take a man with a particular knowledge of finance in the district.

*Mr. H. E. Holland* : That would be the bank-manager, would it not ?

*Colonel Esson* : It could be, but not necessarily. It is rather strange, but we were told country banks' officers in the United States acted as secretaries and treasurers of the associations, although at first the banks generally were not too favourable to the co-operative idea.

*Mr. Polson* : I think you have in your mind the prohibiting of trading. You will have to be careful not to absolutely prohibit trading. We have been trying to arrange finance for dairy factories, and we have had some difficulty in connection with trading.

*The Chairman* : Is not that a point in connection with the co-operative societies ?

*Mr. Polson* : Oh, yes ; but the associations would have nothing to do with trading. Now, some people may be inclined to ask why we should insist on the provision in connection with the share capital of the association.

*Right Hon. Mr. Coates* : Yes. There is a difference of opinion from the point of view of making it acceptable to a number of settlers who may have a difficulty in raising the money.

*Mr. Polson* : I know the suggestion is that some settlers would be so hard up that they could not raise the 10 per cent. worth of capital necessary to join the association ; but I do not think any farmer would be prevented from joining on that score. There should be no difficulty about that. I would now point out that there is a difference in the long-term and the short-term associations. The Americans all agreed that, while they had the long-term associations, they were really not much used, because the farmer who got the long-term loan relaxed his efforts and did not help the other fellow. So, while they had long-term loan associations themselves, they advised us to cut them out. But you could not work without the short-term association. You see, the loans are for a very short period, and you are lending on stock, and chattels, and all sorts of things.

*Colonel Esson* : In a report made by some Canadian bankers, a copy of which I have, some good reasons are given for the share stock of local associations. Dealing with long-term and intermediate credit, in effect it is stated the object is to make the local associations more careful in their valuations and in the persons to be recommended for loans, as all members are responsible for any mistakes to the extent of 10 per cent. of their own borrowing. They would be more anxious to recommend loans with a reasonable valuation, and to insist on payment of interest and instalments by persons who might otherwise be careless ; also to bring into the association only persons of good standing. Special inquiry is made into a man's standing, and the personal element enters into decisions regarding loans.

*The Chairman* : Have you considered, in connection with the question of co-operative societies, whether you could make some arrangements in regard to loans held by mercantile firms. Suppose, for instance, a stock and station firm has two hundred clients, and that firm desires those clients to get advances under this scheme : could you arrange advances to those individual clients, with the security of the company behind them ?

*Colonel Esson* : The Board will have power to discount paper for approved financial institutions on their endorsement.

*Mr. Elliott* : Does not clause 55, subclause (2), state that the Board shall determine whether a society is a co-operative society or not ?

*Colonel Esson* : Yes.

*The Chairman* : The point is that we have a large number of farmers obtaining money from mercantile firms at a high rate of interest.

*Mr. A. Hamilton* : The mercantile firms carry no liability.

*Colonel Esson* : Their endorsement would be required in such cases. It is not proposed to relieve the mercantile firms of their "lame ducks," who are overloaded with debt, the cost of which cannot be met out of their farm income.

*Mr. A. Hamilton* : Many of these people coming under this scheme may be financed by mercantile houses already. This scheme is not going to make provision for something not already provided for. It will, however, reduce interest, and that is the main factor. Perhaps it will assist in providing a sum of money ; but these people can get it to-day—that is, they can get it from other sources already.

*Mr. Polson* : It will not provide much fresh capital, but it will reduce interest.