

Mr. J. H. O'DONNELL examined. (No. 4.)

The Chairman.] What is your full name, Mr. O'Donnell?—John Henry O'Donnell.

And your official position?—Controller of Accounts, Discharged Soldiers Settlement Branch, Department of Lands and Survey.

You are in charge of the soldiers settlement accounts, and in that branch of the business you have had considerable experience with respect to intermediate credits?—Yes.

Will you make a statement to the Committee?—Well, sir, I am rather at a disadvantage in coming down here to speak on this subject to-day. I would be in a position to make a pretty full statement next week. I have written to two or three Commissioners of Crown Lands for information on certain matters, which I hope to receive to-morrow morning.

Mr. H. E. Holland : Would it not be better to postpone Mr. O'Donnell's evidence, in order that he may make that complete statement? It would be very valuable to the Committee.

Mr. O'Donnell : Our detailed administration is carried out in our district offices, and I have asked our branches to supply certain matters which are likely to be of interest to this Committee. I think it would be better if I had an opportunity to prepare a complete statement.

The Chairman.] Have you any comments to make on the Bill?—I have just read it through roughly. I have not had an opportunity of studying it. There is only one copy of it in the office, and that has been used by another officer who is well up in farming conditions.

Who is he?—The Land Purchase Inspector, a member of the Revaluation Board.

What is his name?—Mr. R. A. Rogers.

(Hearing of further evidence of Mr. O'Donnell postponed.)

STATEMENT BY THE CHAIRMAN.

The Chairman : I would like to bring before the Committee some suggestions which it is proposed to make on Tuesday next. The position appears to be that the associations alone are probably going to be a difficulty in connection with this Bill. There would probably be a difficulty in getting twenty farmers to form such an association in a great many of the districts. That was mentioned by the Prime Minister at our last meeting. And Mr. A. Hamilton and I have been considering a scheme whereby the money could be lent direct to the individual. We have proposals to submit to the Committee, and the method of procedure we are suggesting is that there should be a central Board in Wellington, whose business should be the issuing of bonds and dealing with general policy matters only, and that a Board be set up in each of the land districts of New Zealand, and that those Boards should have the right of dealing direct with the farmers. It seems to me quite clear—Mr. O'Donnell's statement this morning emphasizes that—that they deal through their branches in the various land districts. The Board in the district would be given wide authority to deal direct with the individual farmer, and the Public Trust Office—the Public Trustee is set out in the Bill as the Chief Executive Officer—would also have at all their branches throughout New Zealand capable officers to deal with these matters; and then there is also the Land Commissioner. Now, we are suggesting that the loans should be made direct to the individual, but that the applicant shall deposit his securities with, let us say for the moment, the Public Trust Office. He will deposit his securities with the Public Trust officer; and he must in addition find a guarantor for 20 per cent. of the loan. There are plenty of mercantile firms who would be glad to give that security over the 20 per cent., because they would then get an opportunity of getting his business done through them. So that, in addition to the security offered by the individual, we would have behind it the security of the 20-per-cent. guarantee. This would give to the scheme a financial backing that we think is better than the provisions contained in the Bill in many respects. I think that the individual in New Zealand would very much prefer dealing direct with the Board rather than through the association. And if the method suggested is adopted it should mean that the cost of administration must be low. If you are dealing with a stock firm, for instance, they will, firstly, guarantee you the 20 per cent. of the security, and, secondly, they would do a great deal of the administration. We assert that if the mercantile firms want to take advantage of his system of credits they should pay a proportion of the cost, and they will do so under such a proposal as we outline. If the debentures are quoted at $5\frac{1}{2}$ per cent. the money could be supplied to the farmers at $6\frac{1}{2}$ per cent. That would allow $\frac{1}{2}$ per cent. for administration expenses—and it would not cost that—while the other $\frac{1}{2}$ per cent. of all those moneys could be made use of for a reserve fund against losses. So that, as far as the Board is concerned, they will have that reserve fund, and they will have the guarantors of the individual, or association, or dairy factory, as well as the security. They would have all that behind the application for the loan, and we feel that a system like that, of dealing direct with the individual at a low rate of interest—and it should be made a low rate—would be a very valuable thing. We are not suggesting that the Committee should alter the associations in the Bill, or alter the organization in the Bill whatever. We are simply suggesting that another part should be added to the Bill, whereby the individual can deal direct with the Board.

Mr. H. E. Holland : Independent of the association?

The Chairman : Yes, quite independent of the association.

Mr. H. E. Holland : Supposing there are losses in connection with any of the associations, who makes up the loss?

The Chairman : That comes ultimately on the Board.

Mr. H. E. Holland : Supposing the whole scheme shows a heavy loss—I do not say it will—but supposing it does, will not the Public Trustee be responsible, although it is not stated in the Bill?