

TUESDAY, 4TH OCTOBER, 1927.

Mr. W. MACHIN examined. (No. 5.)

*The Chairman.*] Your full name, Mr. Machin?—William Machin.

You are the manager of the Farmers' Co-operative Association at Christchurch?—Yes.

Have you seen a copy of the Bill?—Yes, I have read it over several times.

We will be very glad to have your comments on the Bill?—Well, sir, I think I will only really trouble you with comments in regard to Part III. As far as Parts I and II go, I am not sure that I can see how they are going to work out; but Part III, naturally, from my own occupation, interests me very much; and when I saw the Bill I naturally thought how it could be taken advantage of, by our needy clients, and how the people who it was intended to benefit might get the best benefit from it. We have the feeling that if we understand Part III aright—and here I am speaking not only for myself, but also for my directors, with whom I have discussed the matter, and who know pretty well the problems of the small farmers—we thought that considerable advantage might be taken of this Part III through organizations like our own. I want, however, to make it clear at the outset that we do not want anything directly for ourselves. I have not come before the Committee to suggest that what would be of benefit to our clients would be a direct benefit to us, though naturally any benefit that our clients derived would have a reflex effect on us. We suggest, in short, that it is possible under this scheme to give so-much cheap money to a bunch of secured clients who would not otherwise take advantage of Part I or Part II of the scheme because their securities are already tied up to concerns like our own, but who have at present to pay pretty heavily for their money; and if any scheme could be devised to enable us to give these people cheaper money than they have at the present time—if that is the intention of Part III—we would welcome it. For the sake of argument, supposing these people, under this scheme, could get an advance against, say, £100,000 worth of chattel securities, belonging, say, to one hundred farmers, and averaging £1,000 each. I am much more interested in the man with round about £1,000 than the larger man, because he is the man who is feeling the pinch more than anybody else to-day. Now, if it would be possible to bunch the whole of those securities together, and get an advance against them, say, at 5 per cent., it would be a very great help indeed. At the present time the money in use is costing 7 per cent. from the banks, and when concerns like ours have to add a further 1 per cent., it means that the charge to the settlers is 8 per cent. This having to pay 8 per cent. is constantly being talked about. Moreover, it is a pretty big burden. Now, if, for the sake of argument, instead of us getting that money from the banks at 7 per cent., it could be got at 5 per cent., my organization would be quite willing to add merely the present 1 per cent., so that the settlers could get the full advantage of the reduction, which would be 2 per cent. We would past that reduction straight on to the settlers. And that would have the effect which we imagine is the general object of this Bill—that the people should be able to get their money at as low a rate as possible. Referring to Parts I and II, there would probably be difficulties in doing this in the same way that Part III presents, for the simple reason that clients would not have sufficiently good securities to offer. Probably their securities would be placed already. Their financial position in many cases is not good; and, moreover, there is a strong objection—a very strong objection—on the part of those individuals letting their neighbours know their financial position. But under Part III it would not involve their neighbours knowing about it; and I assume from reading the Bill that it might be possible to lump all their securities together, and then if you got behind those securities a guarantee from concerns like our own it would strengthen the values and help to equalize things out, and give every participant a proportion of his debt at a lower rate of interest than at present.

*The Chairman.*] That was not the intention of the Bill?—Apparently there is no definite expression of opinion on the point as far as Part III is concerned. It apparently deals with straight-out loans to associations; but what I felt was that a marriage of the ideas of Part I and Part III might probably be a better method of framing Part III of the Bill. I assume the main object of the Bill is to enable the settler to get his money a little cheaper than he otherwise would be able to get it. And the proposal I make would have the additional advantage that the machinery would cost nothing. None of us wants to duplicate the machinery. It would not mean putting a shilling on to present overhead charges in connection with advances.

*Right Hon. Sir Joseph Ward.*] What do you mean when you refer to the cost of machinery?—I mean the working-expenses of the organization. The organization is there, in concerns like our own. It would cost no more to use that organization, and there would be no working-expenses. Those concerns are running those settlers at the present time, and, as I have said, you would not increase the overhead expenses, and you would be giving them some material benefit. You would be giving them a definite material benefit in interest and a psychological benefit at the same time. We have assumed, after carefully reading through the Bill, that that is the intention of the Bill, and that sums up the best thing we can get out of the Bill. That is really, in short, what we wish to convey to this Committee.

*Right Hon. Mr. Coates.*] You suggest that the money could be got at 5 per cent.: I would like to know whether you could indicate any way in which we could get all this money at 5 per cent.?—That is a matter for the Government. That is what the Government seems to wish to do. It is not for us to suggest how you should get the money. The whole machinery of the Bill, we think, is of no use if you cannot provide money cheaper than the banks do to-day.

I do not suppose the bonds would realize 5 per cent. now, if we were selling bonds to-day?—Is it not the Government's intention, in the first instance, to provide a quarter of a million of money?

Yes; but that, of course, is only to stand behind the assets?—Precisely.

Do you suggest that the farmers should get the money through the stock and station firms?—Yes.