

3. *Investment in Public Securities.*—We have had presented to us by Mr. G. S. Crimp, of Hamilton, a proposal for improving the conditions relating to local-body loans. The proposal is to establish a Local Body Finance Corporation of substantial strength and size, dealing only in local-body loans. This corporation would issue debentures to the public along the lines followed by agricultural mortgage credit banks, and use the proceeds to advance moneys to local authorities on table mortgage, repayment in this form replacing the method of repayment by sinking funds. Loans would be spread over local bodies of different types scattered throughout New Zealand. By virtue of its size and the spreading of risk in the above manner debentures would be readily marketable, and if proper care were exercised in the constitution of the board of directors the debentures would be accepted as trustee securities.

Since a corporation of this sort would be in a better position to assess the extent of the risk, a small but sound local authority would be able to issue loans at a cheaper rate than would otherwise be likely. The debentures of such a local authority are not likely under present conditions to be freely quoted on the stock exchange, and this is a factor affecting the rate at which they can be issued.

Debentures in such a corporation would be readily marketable, and since the corporation, when well established, would have sufficient resources (in the form of reserves made up by amortization payments or in other ways) to redeem its debentures at par or thereabouts, an investor who was forced to realize would have smaller risk of loss through depreciation in the value of his security than in the case of debentures in a small local authority for which there was only a limited market.

If such a corporation were successfully established, it would prove of great benefit in marshalling the finance available for smaller local bodies, and in stabilizing and equalizing interest-rates. It would replace a variety of securities with different degrees of risk and marketability by a standardized security which should be readily marketable. It would provide a secure and reasonably remunerative avenue for investment to individuals and institutions.

In the formation of such a corporation due regard should be paid to the national character of its operations, and we feel strongly that it should be incorporated by special Act and should be established as a quasi-public concern. In short, the principles of control by a joint board of Government and shareholders' representatives should be followed. We would strongly recommend that the proposal be the subject of further consideration and report.

4. *Enhancement of Security and Improvement in the Machinery of Company Flotation.*—We now refer briefly to a number of related suggestions made by a group of individuals amongst whom Mr. J. D. Macmillan, of Auckland, and Mr. G. S. Crimp, of Hamilton, are prominent. The central ideas around which these proposals are grouped are—

- (1) To provide machinery for encouraging industrial and commercial development by improving the basis of security and therefore of confidence :
- (2) To improve the basis of mortgage finance and at the same time liquefy mortgage securities which are at present frozen :
- (3) To provide improved machinery for company promotion and flotation by establishing a substantial and reputable concern which will be in a position to underwrite large issues.

The individuals interested in the above proposal formed a syndicate, which then floated a company known as "The New Zealand Development Company, Ltd." This is comprised of groups of shareholders in various centres, each shareholder holding a small number of shares. The main object of the company is to promote the formation of companies embodying the ideas outlined above. It does not appear as if the promoting company itself is expected to be a profit-making concern. No doubt the promoters of this company will expect some return for their efforts if the companies embodying their main ideas are successfully established, but we gained the impression that their proposals were genuinely designed to further the economic welfare of the Dominion.

It is proposed that a company known as the "National Guarantee Company of New Zealand, Ltd.," should be incorporated by statute. The capital suggested is £250,000, to be raised by public subscription.

The purpose of the company is to give a limited guarantee in respect of interest, say, 5 per cent. for a stated period, say, three years. This, it is argued, will have a threefold purpose in stimulating investment in (a) secured investment, (b) the reorganization and development of existing undertakings, (c) new undertakings.

The objects are stated more specifically as follows :—

- (a) To influence the investment of capital in approved undertakings by guarantee of such capital (against suitable security to the company), and/or by guarantee of interest only thereon for a limited period (with or without security to the company) on a basis of profit.
- (b) To act as an organized national instrument to effect reconstruction and development of industrial (including rural and mining) undertakings of national importance.
- (c) To pay special regard to the employment of men in guaranteed undertakings thereby relieving the State from its present unemployment obligations and assisting generally in national recovery.
- (d) To provide a responsible organization capable of inviting and giving direction to British capital in the development of New Zealand industry.

The funds of the company, out of which guarantees must be met, will be held in liquid securities.

The draft scheme suggests a Board of Governors comprised of a member of the Dairy-export Control Board, a member of the Meat Producers Board, a nominee of the Associated Banks, a member of the Unemployment Board, a representative of the Government, a representative of organized labour,