

REPORT on a MEETING of the LICENSING
sub-COMMITTEE of the SCOTTISH POTATO
TRADE ASSOCIATION in the Fountain Plaza,
SCONE at 12.30p.m. on Friday, 20th JUNE,
1986.

PRESENT: Messrs. J.H. Barr, G.D. Brass, R.D. Hunter, K.A. McKenzie,
P. Moffat and J.O. Robertson, with D. Blackmore (Assistant Secretary)
in attendance.

Mr. K.A. McKenzie (President) took the Chair and welcomed those
present to this first meeting of the sub-Committee.

APOLOGIES: Apologies for absence were intimated on behalf of Messrs. J.R.
McArthur and J.M. Swinton.

P.M.B.
MERCHANTS'
LICENSES: Mr. McKenzie explained the P.M.B.'s Commercial Committee had
considered the risk of loss to the producer in the event of financial
failure of a merchant business. Preliminary discussion had envisaged
a two-categorisation of merchants, a first, risk-free class and a
second, higher-risk class. Mr. McKenzie felt this would raise too
many problems and although the views of the Trade would be sought, a
formal approach had yet to be received. The sub-Committee had been
appointed in readiness therefor and Mr. Blackmore had tabled the P.M.B.'s
reply (to hand this morning) providing information on the guiding
criteria used by the P.M.B.'s Licensing Committee when dealing with
applications for Merchants' Licenses.

During prolonged discussion it was pointed out that it is not
obligatory for a merchant to hold a licence and the P.M.B.
cannot forbid a non-licensed merchant to trade; it was agreed that
the granting of Licences should not be restricted and that any
recommendations should be applicable to existing Licence holders and
new applicants alike. It was also agreed that high cost rendered it
impractical to impose a condition that individual Merchant Licence
holders provide either a Cash Bond or effect their own credit indemnity.
It was also recognised that the P.M.B. annual inspections of a
merchants books (which seemed principally concerned to ensure that
prompt settlement was being made to producers and that statistical
returns to the P.M.B. were accurate) and reliance on issued share
capital, banks' credit ratings, or financial guarantors (which may be
unsecured), would not provide warning of imminent financial collapse.

It was further recognised that credit indemnity covered sums due
to a merchant by his customer(s), not sums due by a merchant to his
(registered producer) supplier (s) and also, that registered producers
themselves are not immune to financial difficulties and failure. Ideally,
therefore, both merchants and registered producers should each provide
themselves with credit indemnity. In this light it was agreed the P.M.B.
itself is best placed to investigate the possibility of arranging
two-part collective indemnity cover, recovering the annual cost thereof
by an obligatory charge on all licensed merchants and all registered
producers respectively.

It was envisaged this would require accurate assessments to be
made (on say, a five-year average basis) of losses, due to potato
trading only by financially failed enterprises, borne by (and totalled
separately for) both registered producers and Merchant Licence holders.
It was proposed that the annual cost of indemnity cover for all registered
producers be charged to each of them on a "per hectare" basis and for
all Merchant Licence holders to be charged on a "per tonne traded" basis.
(In very broad indicative terms it was calculated that £3 per hectare
from producer, with 10p. per tonne from merchants would provide £1,000,000
per annum, but it was agreed this illustration should not be included
in any initial Association recommendations to the P.M.B.). It was
further agreed that provided implementation of this proposal does not
prove too costly to be practical and acceptable, obligatory participation
in the resultant/

resultant arrangements should be made a condition of all merchant licenses and all producer registrations. The sub-Committee decided to place these proposals before Council for consideration.

ASSOCIATION: (a) Membership - Turning to the further topics referred to the sub-Committee for consideration, the Chairman expressed concern at the continuing decline in the Association's Membership Roll and sought reasons for this. During discussion it was felt that several factors had a bearing on this problem, changes within the industry, absence of Association initiative in meeting these and lack of circularised information to Members being principal among them.

It was also pointed out that the first two of these factors should not be overstated (N.I.C. and seed support discussions being exemplified) and in due course the outcome of these would be circularised. The Committee agreed the costs of circularisation should be less of consideration in the issue of information to members and recommended that Minutes of all future meetings of Council should be circularised to the whole Membership within seven days of each meeting. The Chairman felt that response from the Membership had been stimulated by enlarged detail in the most recent News Letter and urged every encouragement of this process.

Discussion of the future direction of Association efforts and co-option to, or combination of, the sub-Committee's functions was not conclusive. It was agreed these topics be pursued at a further meeting in due course. The meeting then closed with a vote of thanks to the Chair.