

SESS. II.—1891.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE.

(REPORT ON "THE OAMARU HARBOUR BOARD LOAN ACT 1887 AMENDMENT BILL, 1891.")

Brought up 12th August, 1891, and ordered to be printed.

In 1874 the Oamaru Harbour Board was constituted by Provincial Ordinance of Otago, authority being given to borrow to the extent of £100,000 at 6 per cent., on the security of any lands for the time being vested in the Board, and of the rents thereof, and of the dues chargeable or receivable by the Board under "The Oamaru Harbour Board Ordinance, 1874."

The Board proceeded to borrow on mortgage the full amount authorised, of which the Post Office advanced, at $5\frac{1}{2}$ per cent. interest, out of the trust funds £35,000, afterwards reduced to £33,000 by part payment of sinking fund. The balance of the £100,000 was borrowed privately at 6 per cent. interest.

In 1878 further powers were given by the General Assembly to the Board to borrow on debentures another £100,000, and that amount was raised at 6 per cent. interest.

In 1882 further power was given by the General Assembly for the Board to borrow another £50,000 on the security of their endowments and on a special rate on property within the Oamaru Harbour District, and that amount was raised at 5 per cent. interest.

In 1887 further powers were given by the General Assembly to borrow £40,000 on an additional special rate.

Against this there was advanced in 1888, out of the Post Office trust funds, the further sum of £30,000, at 5 per cent., against the deposit of the debentures for £40,000, of which debentures for £6,400 were afterwards handed back. This advance appears to have been made on the condition that the Board should undertake to introduce in the session of that year a Bill to repeal "The Oamaru Harbour Board Loan Act, 1887," and to authorise the raising of a loan of £65,000, of which £32,000 was to be expended on harbour improvements, and £33,000 to be applied to paying off the mortgages to that amount held on behalf of the Post Office Account (part of the first loan of £100,000). The Government agreed, if the Bill was passed, to take up the proposed loan at par, the money to be applied as follows: (a.) To paying off the mortgages for £33,400, held in the Post Office Account. (b.) To the repayment of the advance of £30,000 which was then being made. (c.) The balance to be paid over to the Harbour Fund Account. It was part of the arrangement that in the event of legislative authority not being obtained the advance of £30,000 was to be repaid at twelve months' notice. The Bill was introduced but not passed. The Post Office—besides the balance of £33,000 still outstanding on mortgages under the loan of 1874—remains the creditor of the Board for the £30,000 advanced in 1888.

Interest is now overdue to the Post Office, under both advances, amounting to £3,315, besides which sinking funds to the amount of £5,000 under the original advance are also in arrear. The Board appears to have duly met its obligations to the other creditors.

The Board has lodged the £6,600 debentures handed back by the Post Office—part of the issue of £40,000 under the Act of 1887—with its bankers as security for an overdraft at present of about £3,000.

The revenue of the Board last year amounted to £20,125, and the expenditure (including interest £16,325, and sinking fund £1,000) amounted to £20,107. This year, by reason of the railway "cutting" freights, and decreased rents from endowments, the income is estimated as likely to be from £1,000 to £1,500 less than last year, while the expenditure—if current engagements are to be kept—cannot be materially reduced. It may be estimated that the Board will be £1,000 more to the bad at the end of this year than last, while it will be seen that last year it was unable to pay in full its current engagements.

It now appears, by the Bill before the House, that the Board is desirous of obtaining authority to arrange for further advances against the balance of the loan—in other words, it desires to make some other arrangement in respect of the six thousand six hundred pounds' worth of debentures held by the bank against the present overdraft, and also to use the margin of £3,400 held by the Post Office in nominal excess of its last advance of £30,000.

The Board also desires by the Bill authority to hypothecate its dredge and other plant.

The rating-powers of the Board are not exhausted by a probable further revenue of £2,700 per annum, which, if collected, would, after allowing for the probable shrinkage in revenue from the competition of the railway, suffice to keep its current engagements on foot, but without providing for the arrears of interest and sinking fund.

The position of the Board appears to be such as to render it advisable for Parliament to abstain from encouraging further financial operations by the Board outside the means it already possesses, or may under the powers already conferred legitimately exercise. The Committee therefore recommend that the Bill referred to it be not further proceeded with.

ALFRED SAUNDERS,
Chairman.

12th August, 1891.

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