

1893.
NEW ZEALAND.

PAYMENT OF INTEREST BY THE NEW PLYMOUTH HARBOUR BOARD

(FURTHER CORRESPONDENCE RELATING TO).

[In Continuation of B.-16, 1892.]

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The CHAIRMAN of the Council of Foreign Bondholders to the COLONIAL TREASURER.

(No. 1126/92.) Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.,

SIR,— 12th July 1892.

I have the honour to acknowledge the receipt of your letter of the 21st April last, and very much regret the decision come to by your Government.

I have now the honour to inform you that a committee has been formed to act in conjunction with this Council for the protection of the interests of the debenture-holders of the New Plymouth Harbour Board. The committee is constituted as follows: The Right Hon. Sir John Lubbock, Bart., M.P. (chairman), Mr. Walter Busby (vice-chairman), Mr. A. W. Ballance, Mr. Hyde Clarke, Mr. Gilbert Farie, Mr. Daniel de Pass, Mr. E. C. Schomberg, and General Sir Luther Vaughan, K.C.B.

The bondholders are, I believe, still prepared to accept a fair settlement of their claim, as suggested in my letter of the 2nd April, 1891.

The Hon. J. Ballance,

I have, &c.,

JOHN LUBBOCK, Chairman.

Colonial Treasurer and Minister of Native Affairs, New Zealand.

No. 2.

The ACTING-PREMIER to the CHAIRMAN of the Council of Foreign Bondholders.

(No. 393).

SIR,—

Premier's Office, 7th September, 1892.

I have the honour to acknowledge the receipt of your letter of the 12th July last, No. 1126/92, informing me that a committee has been formed to act in conjunction with your Council for the protection of the interests of the debenture-holders of the New Plymouth Harbour Board, and stating your belief that the bondholders are still prepared to accept a fair settlement of their claim, as suggested in your letter of the 2nd April, 1891, and to inform you that your letter has been laid before Parliament.

I have, &c.,

R. J. SEDDON,

The Right Hon. Sir John Lubbock, Bart., M.P.,

Acting-Premier.

Chairman, Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.

No. 3.

The SECRETARY of STATE for the COLONIES to His Excellency the GOVERNOR.

(New Zealand, No. 35.)

MY LORD,—

Downing Street, 10th August, 1892.

I have the honour to transmit to you, for communication to your Ministers, a copy of a letter from the Council of Foreign Bondholders respecting the debenture debt of the Plymouth Harbour Board.

I have caused the Council to be informed in reply that the matter is not one in which I can interfere.

I have, &c.,

Governor the Right Hon. the Earl of Glasgow, G.C.M.G., &c.

KNUTSFORD.

Enclosure in No. 3.(No. 1116/92.)
MY LORD,—Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.,
9th July, 1892.

I have the honour, by direction of this Council, to inform you that a committee has been formed to act in conjunction with this Council for the protection of the interests of the debenture-holders of the New Plymouth Harbour Board. The following gentlemen have consented to serve: The Right Hon. Sir John Lubbock, Bart., M.P. (chairman), Sir Walter Busby (vice-chairman), Mr. A. W. Ballance, Mr. Hyde Clarke, Mr. Gilbert Farie, Mr. Daniel de Pass, Mr. E. C. Schomberg, and General Sir Luther Vaughan, K.C.B.

In order that your Lordship may be fully acquainted with the merits of the case, I have the honour to send you with this letter copies of correspondence which has passed between the Government of New Zealand and this Council, and I am desired to express the hope of the Council that your Lordship may be able to assist the bondholders in their efforts to obtain the redress they are entitled to at the hands of the New Zealand Government.

As explained in Sir John Lubbock's letter to Mr. Ballance of the 2nd April, 1891, the bondholders would be prepared to accept any fair arrangement by which the colonial Government assumed the responsibility for the loan, even though they had to sacrifice a portion of their interest.

I have, &c.,

The Right Hon. Lord Knutsford, G.C.M.G., &c.

C. CHEARY, Secretary.

No. 4.

Mr. F. McGUIRE, M.H.R., to the Hon. J. BALLANCE.

DEAR MR. BALLANCE,—

Mount Royal, Hawera, 18th February, 1893.

Re New Plymouth Harbour Board.

The bondholders time after time have made advances which, if responded to by your Government, would, I think, result in relieving the unfortunate ratepayers almost at once from the greater part of the heavy rate which those settlers within the Hawera Rating District are now compelled to pay, and that without asking the colony to contribute, and without any liability being cast upon it.

Now, without some arrangement is come to by the Government guaranteeing the bondholders, say, 4 per cent. until the term of the loan expires, the Board will have to pay 6 per cent. until that time. The arrears on the coupons will also continue to increase. On the 1st November, 1892, the arrears amounted to £9,200. To my mind, the reason the committee in London, through Sir John Lubbock and others, have again approached the Government is that a number of the bondholders are unwilling to surrender their bonds to the committee lest they will have to contribute in case of a lawsuit. They, therefore, would rather, in the absence of information which they cannot possibly possess, sell their bonds at a loss than hold them in their present unsatisfactory condition.

I understand that they are now quoted in London at 80 per cent.; and, as the arrears on the coupons of last November amount to, say, £7 2s. 6d. per cent. on the quotations, the unpaid coupons and parts of coupons are included, the sellers would only receive about £73 for each £100 bond; but if the bondholders get 4 per cent., with a Government guarantee, their securities would be marketable at par instead of £73, or an advance of £27 per cent. on the £100. I do not know how many bonds are held by those holders who have accepted the committee's proposals and how many by those who have declined them; but the fact that fresh advances have been made would indicate that not only the sellers, but that the majority of the holders, would at once accept a settlement on the lines indicated rather than carry on in their present unsatisfactory position.

If the bondholders were found to be ready to accept the 4 per cent. with a Government guarantee and an immediate payment of the coupons in arrear, an arrangement, I feel sure, could be made with the Harbour Board whereby the guarantee could be given without any liability whatever being incurred on behalf of the colony. The interest on the guaranteed bonds would then amount to £8,000. The Government could capitalise as much of the deferred-payment and perpetual-lease land necessary to make up the £9,200, leaving the balance payable quarterly to the Board as at present.

After the receipt of the proportion of the Land Fund which had not been capitalised the Board could legally impose a rate, not being more than $\frac{3}{4}$ d. in the pound, that would cover the difference between the Land Fund and the £8,000 that was found necessary to provide. The net amount of the rate for this and next year is, approximately, £6,900 per annum, and, in my opinion, will never be less.

The rateable value of the land in the harbour rating district is 40 per cent. higher than previous current years, and I feel sure, from what is taking place, that the next valuation will be much higher than the present.

If your Government can see its way to open negotiations with the bondholders, the result of such an arrangement would be that, taking the Land Fund received by the Board during the year ending the 30th June last, £6,311, and deducting the small deficit which the capitalisation of about one-fourth of the revenue derived from the deferred-payment and perpetual-lease land already disposed of would entail, which at 5 per cent. would amount to £460, there would then be an income to the Board of almost £6,000 per annum from this source, if action was taken at once. The income for current years will realise more than £11,000, and leave a surplus on account of next year of about £3,000. Therefore, after the present year the rate could be reduced from $\frac{3}{4}$ d. in the pound to less than $\frac{3}{4}$ d., and be further reduced in the near future, and eventually a total abolition of the rate would be brought about.

Now, the results to be obtained by an arrangement upon these lines of prudence and economy would be that the bondholders would be satisfied, and a matter that has given financial and other journals antagonistic to New Zealand an opportunity of injuring its credit would be satisfactorily

settled and finally disposed of. Unless action is at once taken to approach the bondholders our opportunity will be lost, for the reason that the increase of the rate by the last valuation was 40 per cent. upon the previous one. With the increased rate and the Land Fund the Board will be able to meet their coupon in May next in full. This would give the bondholders renewed confidence in their securities, and so prevent their acceptance of the terms suggested. I am certain that if the Government made the overtures there would be few, if any, of the bondholders who would refuse to exchange their 6-per-cent. debentures for a guaranteed bond at 4 per cent. and payment in cash of the coupons in arrear at the 6 per cent. A potent inducement to many of the bondholders to accept terms is that they have invested trust funds in these bonds, and would be only too glad to seize the opportunity of obtaining bonds at a par rate, and so avoid any action being brought against them for a breach of trust.

It may be said by you that the Government giving a guarantee to the New Plymouth bondholders would open the door to the claims of other harbours that like treatment should be extended to them. No analogy whatever exists between the case of this Board and any other, as you know the endowments on which the New Plymouth Harbour Board raised the loan was administered by the present and past Governments, the Board having no voice whatever in the matter. The Government was really the Board's trustee, and is therefore responsible for the carrying-out of its trust. In all other cases the land endowments have been given to the Boards to deal with by themselves.

Hoping to receive your reply almost at once, as there is not a moment to lose,

Hon. J. Ballance, Wellington.

I have, &c.,

F. McGUIRE.

No. 5.

The PREMIER to Mr. F. McGUIRE, M.H.R.

SIR,—

Premier's Office, Wellington, 24th March, 1893.

The Government have had under consideration your letter of the 18th ultimo, and in reply I have to inform you that they are unable to entertain the proposals contained therein, believing that to do so would be to take advantage of the ignorance of the bondholders as to the actual position of the Board. The financial operation, it seems to the Government, would therefore be of an objectionable character.

The Government have received with pleasure the intimation contained in your letter that the Harbour Board will shortly be in a position to redeem its credit by the payment of interest in full and the discharge of its obligations.

F. McGuire, Esq., M.H.R., Mount Royal, Hawera.

I have, &c.,

J. BALLANCE.

No. 6.

The CHAIRMAN of the Council of Foreign Bondholders to the COLONIAL TREASURER.

Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.,
23rd February, 1893.

SIR,—

I have the honour to enclose, for your information, a copy of two resolutions passed yesterday at a general meeting of holders of New Plymouth Harbour Board 6-per-cent. debentures, held at the offices of this Council.

The committee, a list of whom I had the honour to send you in my letter of the 12th July last, has been strengthened by the addition of Mr. J. S. Scrimgeour.

I have, &c.,

The Hon. J. Ballance,
Colonial Treasurer and Minister of Native Affairs, New Zealand.

JOHN LUBBOCK, Chairman.

Enclosure in No. 6.

COUNCIL OF FOREIGN BONDHOLDERS, LONDON.

At a general meeting of holders of New Plymouth Harbour Board 6-per-cent. debentures, held at the offices of the Council of Foreign Bondholders, 17, Moorgate Street, London, on Wednesday, the 22nd February, 1893, it was resolved,—

1. That this meeting of holders of New Plymouth Harbour Board 6-per-cent. debentures hereby confirms the appointment of the committee already constituted by the Council of Foreign Bondholders, and requests the Council, in conjunction with the committee, to take such measures as they may deem desirable for the protection of the bondholders' interests.

2. That this general meeting calls on bondholders to deposit their bonds with the Council, against certificates of deposit, with authority to conclude arrangements for a settlement of their claims, subject to ratification at a general meeting of bondholders; and to provide for the expenses by an assessment not exceeding 2 per cent. on the facevalue of the bonds deposited.

No. 7.

The PREMIER to the CHAIRMAN of the Council of Foreign Bondholders.

(No. 15.)

SIR,—

Premier's Office, 14th April, 1893.

I have the honour to acknowledge the receipt of your letter of the 23rd February last, enclosing copies of resolutions passed on the 22nd idem at a general meeting of holders of New Plymouth Harbour Board debentures, and informing me that Mr. J. S. Scrimgeour had joined the Committee. Your letter will be laid before Parliament during the approaching session.

I have, &c.,

The Right Hon. Sir John Lubbock, Bart., M.P., J. BALLANCE.
Chairman, Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.

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