

*Enclosure in No. 3.*

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

MY LORD,—

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 the 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 desirous 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, &amp;c.,

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

C. CHEARY, Secretary.

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No. 4.

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.