

1875.

NEW ZEALAND.

NEGOTIATION OF £4,000,000 LOAN,

(CORRESPONDENCE RELATIVE TO THE).

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

No. 1.

The LOAN AGENTS to the Hon. the COLONIAL SECRETARY.

SIR,—

London, 19th March, 1875.

We have the honor to acknowledge the receipt, by the hands of the Hon. Julius Vogel, of the Order in Council, dated 10th September, 1874, appointing that gentleman and ourselves joint agents for raising four millions sterling under the Immigration and Public Works Loan Act of 1874.

As the order referred to contained no direction as to the date at which the Government desired us to negotiate, nor any intimation as to whether we were expected to place the loan upon the market by one or more operations, we were necessarily governed upon these points by Mr. Vogel, and from him we learned that the liabilities of the colony were such as to render it advisable that the whole amount authorized by the Act should be disposed of by one operation.

Being aware that a portion of the last issue of New Zealand debentures was still in the hands of speculators, and that the demand for those securities was of a very limited character, it was evident to us that it would be hopeless to expect the open market to at once absorb so large an amount, and we had therefore no alternative but that of resorting to a contractor or syndicate.

To forsake the old channel through which your loans have hitherto been so successfully placed upon the London market, and to resort to either of these expensive, and by no means popular, agencies, for dealing in loans, was a step that nothing could have justified our acceding to but the absolute necessity under which we were placed of immediately raising (or procuring a guarantee price for) at least double the amount that the public were prepared to lend.

Of the two agencies named, we should have preferred the syndicate, as presenting to the public no apparent deviation from previous practice, and as being in all probability less costly; but after breaking off our first negotiations with Messrs. N. M. Rothschild and Sons, because they declined to give more than 88 net for a $4\frac{1}{2}$ per cent. loan, we found a syndicate unwilling to guarantee an acceptable price for more than one-half the amount required, and we had consequently to revive our negotiations with Messrs. Rothschild, which resulted in their accepting our offer at 91 net.

The enclosed copy of contract entered into with that firm, and copy of advertisement enclosed, will place you in possession of the terms upon which we have disposed of debentures representing four millions sterling, redeemable at par, in not less than five nor more than thirty years from the 1st of February, and bearing interest from the 1st of March, 1875, at the rate of $4\frac{1}{2}$ per cent. per annum.

The reasons which originally led to the adoption of $4\frac{1}{2}$ per cent. as the rate of interest most advisable for New Zealand loans, have been fully explained in previous correspondence, and it is only necessary here to add that recent experience has tended to confirm our belief in the wisdom of adopting that rate.

From the documents just referred to, it will be seen that the loan has been negotiated at a rate which, after deducting allowances and commission, will secure to the Government of New Zealand a net sum of about £91 in money for every £100 of debt incurred.

At this rate the borrowers will pay (exclusive of the loss on redemption) about £4 18s. 11d. per cent. per annum for the money obtained, and the lenders will receive (exclusive of gain on repayment) about £4 17s. per cent.; the difference being due to the expense attending the issue.

We have been informed by Messrs. Rothschild that they have allotted the whole £4,000,000, and the enclosed return shows the amount paid to the credit of the New Zealand Public Account at the Bank of New Zealand up to the present date.