

No. 4.

The Hon. Mr. LARNACH to the AGENT-GENERAL.

(Telegram.)

Wellington, 17th December, 1877.

HAVE posted orders Council authorizing raising one million under Loan Act seventy-six; two and a half millions under Act seventy-seven. Julyan, Ommanney, and yourself Agents. Think currency should be five to thirty years, as before. Rate interest not exceeding five; but leave Agents full discretion these points. Posted also authority issue short-dated bonds if found necessary under Act seventy-seven. Shall require three hundred thousand in London during May.

The Agent-General, London.

LARNACH.

No. 5.

The AGENT-GENERAL to the Hon. Mr. LARNACH.

(Telegram.)

London, 24th December, 1877.

LOAN instructions important keep quite secret. Hope you have authorized inscribed stock and sent necessary documents. Reply. War rumours last few days reduced price stocks, including New Zealand.

The Hon. Mr. Larnach, Wellington.

VOGEL.

No. 6.

The Hon. the COLONIAL TREASURER to the LOAN AGENTS.

GENTLEMEN,—

Treasury, Wellington, 4th January, 1878.

Referring to my letter of the 15th ultimo, No. 100, authorizing you to raise the loans sanctioned by "The New Zealand Loan Act, 1876," and "The New Zealand Loan Act, 1877," and to the memorandum therein enclosed, I have the honor to call your special attention to the three items, aggregating £500,000, therein set forth as payable to the Bank of New South Wales, and to the item £500,000, payable to the Bank of New Zealand, on the dates specified in each case.

Both these sums are in repayment of advances obtained on the security of short-dated debentures issued in the colony under the Act first above named. Particulars of the transactions in each case will be found in the Parliamentary Paper B.—5, 1877, of which I enclose copies (three). You will observe that the securities held by the Bank of New South Wales are of the nominal value of £525,000, while those held by the Bank of New Zealand are of the nominal value of £475,000; and, in authorizing you to raise by long-dated debentures the amount of the loan sanctioned by the Act of 1876, it is of course understood that the money is to be applied "to the payment or repurchase of the short-dated debentures issued under the Act," or, in other words, to the repayment of the advances made by the two banks named on the security of the short-dated debentures in their hands.

I regret that in my former letter I omitted to call your attention specially to this matter, and I now suggest for your consideration whether it would not be advisable to intimate to the London Manager of the Bank of New South Wales that the proceeds of the bonds which you are offering for sale under the Act of 1876 are to be applied to the redemption of those which they hold. I may add that sufficient authority for these repayments will be found in the Loan Act itself, or in section 8 of "The Immigration and Public Works Appropriation Act, 1877," three copies of which I have the honor to enclose.

You will observe that the repayments to the Bank of New South Wales are to be made in November, December, and January, and that to the Bank of New Zealand in February next.

Assuming, then, that it be found expedient to raise the whole £3,500,000 at one time, the result will be that, unless the purchase-money for the bonds is made payable by somewhat remote instalments, you will be in possession of a sum of £1,000,000 specifically and solely applicable to the extinction of liabilities, which, under the agreement subsisting with the two banks, you cannot discharge, except with their consent, until some months afterwards. With a view to meet this difficulty, and in default of your being able to arrange with the banks to pay off the sums due to them at an earlier date than that at which they are actually due, it is suggested that the banks might be invited to subscribe for the stock you have to offer, to the amount held by them in each case, and at a price to be agreed upon between them and yourselves. The banks would then be in possession of quoted stock in lieu of the securities they now hold, and it is probable that, by the time the advances made by them became payable, the securities then to be surrendered would have become so enhanced in value as to enable them to be disposed of without difficulty.

I need scarcely point out to you that, under the 10th section of the Act ("Loan Act, 1876"), you may accept short-dated debentures, issued under section 7, in payment for debentures to be issued under section 3.

In the event of the Bank of New South Wales objecting to subscribe for the long-dated bonds as above suggested, you are at liberty, should you consider it desirable, to deposit with that bank a sum equivalent to the amount due to them, and at a rate of interest to be agreed upon, such rate being at least equal to the rate obtainable on deposits for similar periods with other banks. In this case the bank should be called upon to give up the securities it now holds, you agreeing on the part of the Government to pay interest at the agreed rate of 5 per cent. on the sum advanced, up to the due date of each instalment.

As intimated in my letter above referred to, I have this day drawn for £150,000 at ninety days' sight, against proceeds of the loan to be raised under the Act of 1877, and, following the practice adopted on former occasions, I have made these drafts on the Crown Agents.