

1882.

NEW ZEALAND.

£1,000,000 GUARANTEED LOAN

(CORRESPONDENCE RESPECTING SINKING FUND OF THE).

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

No. 1.

The Earl of KIMBERLEY to the Hon. Sir A. H. GORDON

SIR,—

Downing Street, 14th October, 1881.

I have the honor to transmit to you, to be laid before your Government, a copy of a correspondence which has taken place between the Crown Agents, this department, and the Treasury, respecting the sinking fund which, under provisions of Acts 33 and 34 Vict., c. 40, and 36 Vict., c. 15, is to be created by the Government of New Zealand, for the repayment of the loan of one million, the interest on which was guaranteed by the Imperial Government.

I request that you will move your Government to comply with the views expressed by the Lords Commissioners of the Treasury in their letter of the 5th ultimo.

Governor the Hon. Sir A. H. Gordon, G.C.M.G., &c.

I have, &c.,
KIMBERLEY.

Enclosures.

The CROWN AGENTS to the COLONIAL OFFICE.

SIR,—

Downing Street, London, 24th June, 1881.

Under the provisions of Acts 33 and 34 Vict., c. 40, and 36 Vict., c. 15, the Treasury guaranteed the repayment of principal and interest on £1,000,000 4 per cent. debentures, created by the Government of New Zealand under the provisions of the Act 33 and 34 Vict., No. LXXX., passed by the Legislature of that colony.

2. Of these debentures, £200,000 have been sold: of the balance, part has been hypothecated as security for temporary loans, and the balance is held in reserve, for sale or hypothecation, as the Colonial Government may direct.

3. For the repayment of the loan of one million, these Acts provide that there shall be a sinking fund at the rate of 2 per cent. per annum, paid by the Government of New Zealand, on the entire amount of the said loan, or so much as is raised for the time being, commencing at the date at which the whole of such loan is raised, or at the expiration of ten years from the passing of the Act, whichever date first happens.

4. There are four Trustees of this sinking fund: two appointed by the Lords Commissioners of the Treasury, viz., the permanent Under-Secretary of State for the Colonies and the Auditor of the Civil List for the time being; and two appointed by the Government of New Zealand, viz. Sir Penrose G. Julyan and myself.

5. The entire amount of the loan has not yet been raised, but ten years have expired from the passing of the Act, *i.e.*, the Act of the Colonial Legislature, 33 and 34 Vict., No. LXXX.

6. In a letter to this department, dated the 6th November last, the Treasurer of New Zealand stated that, amongst other remittances, was one for £2,000, for the contribution on account of this sinking fund, due on the 1st February, on the amount of the outstanding debentures of the Immigration and Public Works Loan of 1870, guaranteed by the Imperial Government. He added, that some doubt had been expressed whether the Imperial Act does not require that the sinking fund should be computed on the total amount of the loan guaranteed.

7. The Act of the Colonial Legislature is dated the 13th September, 1870. Consequently, it would appear that the first half-year's contribution should have been made on the 13th March last; and I must express my regret at the delay which has occurred in consequence of my inability, owing to illness, to investigate the matter.

8. It appears to me that the contribution by the Colonial Government should be on the whole million, or £10,000 every half-year: and I would here observe that, as the debentures issued and unissued are all repayable on the 1st June, 1907, the contributions to the sinking fund on the whole amount, it is obvious, should commence at one and the same time. Should the Lords Commissioners of the Treasury concur in this view, I would suggest that the Agent-General for New Zealand in this country might be requested to communicate with his Government, and obtain the necessary authority to pay to the Trustees the further sum of £8,000, in addition to the £2,000 now at their disposal.

9. By clause 4 of Act 33 and 34 Vict., c. 40, the sinking fund may be invested in such securities as the Government of New Zealand and the Treasury from time to time agree upon. This doubtless could also be arranged without delay through the Agent-General. The guarantee debentures would be a suitable security for the investment of the contributions to the sinking fund, but they are very seldom if ever procurable; and I would therefore venture to suggest that other first-class Colonial Government debentures should be purchased.

The Under-Secretary of State, Colonial Office.

I have, &c.,

W. C. SARGEAUNT.

The COLONIAL OFFICE to the TREASURY.

SIR,—

Downing Street, 30th June, 1881.

I am directed by the Earl of Kimberley to transmit to you, to be laid before the Lords Commissioners of the Treasury, a copy of a letter from Mr. Sargeant, one of the Crown Agents for the Colonies, respecting the sinking fund which, under provisions of Acts 33 and 34 Vict., c. 40, and 36 Vict., c. 15, is to be raised by the Government of New Zealand, for the repayment of the loan of £1,000,000, the interest on which was guaranteed by the Imperial Government.

Lord Kimberley would be glad to be favoured with the views of their Lordships on the subject.

I am to add, that it appears to his Lordship that, under the 3rd clause of the 3rd section of the first-mentioned Act, the percentage of 2 per cent. per annum, which is to be paid towards the formation of a sinking fund, is only payable on so much of the loan as may have been at any time actually raised, namely, in this case, £200,000.

His Lordship, however, understands that, unless the sinking fund contribution is made in the manner suggested by the Crown Agents, the funds eventually available for redemption will be insufficient to provide for the extinction of any further issues of the loan in excess of the £200,000 already sold.

It may, therefore, in their Lordships' opinion, be desirable that some representation should be made to the Government of New Zealand.

The Secretary to the Treasury.

I have, &c.,

R. G. W. HERBERT.

The TREASURY to the COLONIAL OFFICE.

SIR,—

Treasury Chambers, 5th September, 1881.

I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that they have carefully considered your letter of the 30th June, on the subject of the sinking fund attached to the loan of £1,000,000 to New Zealand, guaranteed by this Board under the powers conferred by the Act 33 and 34 Vict., c. 40.

Lord Kimberley is aware that bonds for £200,000, forming part of this loan, and made payable on 1st June, 1907, were guaranteed in 1871; and that bonds for the balance of £800,000, payable at the same date, were guaranteed in 1873. Thus the Treasury have exercised the full power intrusted to them by Parliament, and the total sum which they have guaranteed falls payable on the 1st June, 1907.

Under these circumstances, my Lords must look upon the whole loan of one million as having been issued, and the half-year's contribution by the Government of New Zealand should be £10,000, in lieu of the £2,000 remitted from the colony.

An investment of the larger amount should have been made on the 1st February last, as well as a further like amount on the 1st August; and my Lords would request the Secretary of State to move the Government of New Zealand to remit the balance of that amount, viz., £18,000, as soon as possible.

As regards the nature of the securities in which the sinking fund should be invested, my Lords will not object to the investment being made in the Colonial Government debentures mentioned in the letters from this department, and dated the 6th February and June, 1869, respecting the investment of the sinking fund of another guaranteed New Zealand loan.

Without laying down any absolute rule on the subject, it appears to my Lords advisable that the investments should not be confined to the debentures of the colony concerned, nor to those of any one colony, as there might be serious difficulty in realizing the fund when required, and a forced sale of debentures representing one million sterling might be the cause of inconvenience to the colony whose debentures should have been so largely purchased.

It would appear that, when the rate of contribution to the sinking fund was fixed, it was estimated that the investments would yield $4\frac{1}{2}$ per cent.; but it is very doubtful whether first-class Colonial Government debentures can now be purchased to pay so high an interest as even 4 per cent.

Should the high rate not be obtained, a larger contribution to the sinking fund should be provided; and my Lords would suggest that the Government of New Zealand should be invited to acquiesce in an arrangement for reviewing the state of the sinking fund in five years' time, with the object of ascertaining whether the contributions to it shall have been sufficient to provide the requisite amount in 1907, to repay the whole million.

R. G. W. Herbert, Esq., Colonial Office.

I have, &c.,

R. G. WELBY.

No. 2.

The COLONIAL OFFICE to the AGENT-GENERAL.

SIR,—

Downing Street, London, 17th October, 1881.

I am directed by the Earl of Kimberley to transmit to you a copy of a correspondence which has taken place between the Crown Agents, this department, and the Treasury, respecting the sinking fund which, under provisions of Acts 33 and 34 Vict., c. 40, and 36 Vict., c. 15, is to be created by the Government of New Zealand for the repayment of the loan of one million, the interest on which was guaranteed by the Imperial Government.

I am also to enclose a copy of a despatch which has been addressed to the Governor of the colony on the subject.

The Agent-General for New Zealand.

I have, &c.,

JOHN BRAMSTON.

No. 3.

The COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

Treasury, Wellington, 25th February, 1882.

I have the honor to acknowledge the receipt of your letter (No. 835) of the 21st October last, transmitting therewith a copy of a letter you had received from the Under-Secretary of State, enclosing a correspondence between the Colonial Office, the Crown Agents, and the Lords of the Treasury, respecting the amount to be remitted from the colony for the sinking fund of the guaranteed loan of one million, together with a despatch from Lord Kimberley to the Governor on the subject.

After careful consideration of the whole matter discussed in the correspondence enclosed in your letter, the Government have determined to acquiesce in the views expressed by the Lords Commissioners of the Treasury in their letter of the 5th September, 1881, that sinking fund should be paid on the whole million guaranteed by the Imperial Government.

I have therefore included in the bank order, in favour of the Foreign Imprest Account forwarded to you by the outgoing mail, a sum of £24,000, representing sinking fund at 2 per cent. per annum for one year and a-half to the 13th proximo, on £800,000, provision having already been made to the same date for the sinking fund on £200,000; and I have to request that you will be good enough, on receipt of this letter, to pay the said sum of £24,000 to the Trustees of the sinking fund of the loan in question.

I have, &c.,

THOMAS DICK,

For the Colonial Treasurer.

The Agent-General for New Zealand, London.

