

carrying it through your House, and in getting the present bondholders to give effect to it by converting, we shall bring down the price of the water-rate to such a figure as will only leave a small margin for contingent accidents. As regards gas, we will be in a position to bring down the price to a figure which, after leaving the Corporation from 10 to 12½ per cent. on its speculation, will operate largely in relieving gas consumers. I need hardly point out that that will be a great assistance to the citizens, reducing the price of gas to the consumers by the difference between one and the other. In fact, we have been practically robbing the gas and water accounts for the purpose of assisting the municipality. The reason the ratepayers said nothing about it was this: they knew the exigencies of our finance, and they considered that, if they got relieved, as they ought to be, in respect of gas and water, the difference would have to be made up somehow, and that could only be done by a large increase of city rates. My strong desire is that the result of this scheme shall be to place those two accounts—the gas and water—on a satisfactory footing—to let each municipal tub stand on its own bottom. What we propose to do in regard to burdening the future ratepayers is so slight in comparison to what we will leave them that no consideration requires to be given to it. No further assurance need be given as to its effect on posterity. The citizens of Dunedin have now had this scheme before them for consideration for a considerable time, and I am pleased to be able to assure the Committee there has not been one discordant note in Dunedin on this subject. The Press of the city has taken it up and indorsed it. The citizens have by their quiescence endorsed it. In order to corroborate the figures by which I justify my contention, the City Council submitted the figures to one of our best actuaries, Mr. R. S. Leary, who has corroborated them in every particular, with this exception, that he makes the sum that will be available somewhat larger than I do.

5. *Hon. Mr. Reeves.*] It is nearly £180,000 altogether that you propose to deal with?—The amount we propose to convert is £182,000. This might make a possible loan in the future of £204,000, instead of £182,000. That arises from the fact that we propose to give extended debentures for the cash value of the difference in the debentures. At first we meant to pay all the debenture-holders in cash, but I was advised by financial gentlemen in Dunedin that it was possible some of the holders would prefer to take extended debentures, rather than cash, for cash value of debentures. You see by the Bill that we propose to give the debenture-holders the option of taking cash or the extended debentures.

6. The first loan is that £25,300 which matures in 1898?—Yes.

7. At what date?—The 30th of June.

8. And the next £12,500 matures in 1900?—Yes.

9. What do you expect to have to give for the 7-per-cent. debentures that will mature in 1898?—Taking the three loans bearing 7 per cent., the cost, I think, will be about £7,000.

10. I want to know about the first lot, the £25,300; what sinking fund has accrued as against that £25,000?—I think it is about £10,000.

11. *Mr. Bell.*] Will you explain what is the meaning of sections 10 and 11?—The distinction is this: section 10 is so much to the second fund [reads section]. That is a portion of the amount with which we propose to wipe off the £43,000 overdraft. The cost of conversion is £22,000. If we pay in cash it will be still £22,000. If we do not pay in cash it will be added to the debentures we issue. In order not to dissipate that, we propose to lock it up as a part of the new loan for drainage, so far as it will go. It is put in that way, because we cannot be sure whether the debenture-holders will accept the extended debentures; some will accept cash, and others, as I learn, will be disposed to accept the extended debentures. But we cannot make it absolute. We do not yet know to what amount the holders will accept the extended debentures or cash for the difference.

12. We ought to understand why it was not put in in the ordinary course; or, rather, why it was not put in the reverse order. It is very difficult to appreciate what is meant as it is put here; what I wish to intimate is, that the section is so wide, that I do not see what is the distinction between a sinking fund set free by reason of the purchase of debentures, and a sinking fund set free by reason of a change of debentures?—The amount set free altogether is £65,000; these clauses 10 and 11 dispose of that. We say that all the money, except as much as will be required for the cost of conversion, shall become and be applicable to the Borough Fund. That we would apply in liquidation of the overdraft. But in regard to the other £22,000, it may be said that one-half of the debenture-holders will say that they will take cash; then they would get cash.

13. You say that section 12 follows on to the effect that such sums are to be carried on to the Sewage Loan Account. What is the distinction between carrying money to the Sewage Loan Account, sinking fund being in your hand by reason of the sale of debentures for cash, and those in your hands by reason of exchange?—Suppose we pay the cost of debentures in cash, we would then only have a certain sum that would be credited to the Borough Fund. The cash value of conversion is £22,000. If all the debenture-holders elect to take extended debentures instead of cash, whatever that amount might be we propose to lock up in trust for other purposes, so that while on the one hand we increase the debt of the City by £22,000, we, at the same time, credit another fund with the same amount.

14. I thought it was so. You increase the loan by the exchange, and you carry the fund to another Loan Account?—That is it.

15. I want to know why you insert section 13, instead of using a similar provision furnished by the Act of 1886, which limits the rate of interest to 7 per cent?—It is for the purpose of anticipating payments to be made to us by the Sinking Fund Commissioners.

16. I know the purpose; but why not use section 20 of the Municipal Corporations Act?—You see, we may have to place our bankers in London in funds to meet payment to debenture-holders. The Sinking Fund Commissioners might not have been able to realise for a day or two, or even a week or two, or even for a month; therefore this clause puts us in the position to get for this particular operation credit from its bankers in London or elsewhere; or, on the other hand, there