

T. Russell, Esq.
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28. Do you think it likely to make the loan realize a higher price?—I do not think it would, but I do not say so with confidence.

29. Do you think a lender of money would consider that there was better security in the right to claim repayment in full, at the end of, say ten years, or in the right to repayment, at the end, say of twenty-five years, in the latter case two per cent. being set apart annually to accumulate on his behalf?—I think he would consider he had better security in the right to claim repayment at the end of ten years.

30. State what features (if any) you consider objectionable in a sinking fund?—The additional annual charge on the country, and the liability to loss on investments. (See also my answer to No. 6.)

31. Suppose the Colony to declare itself liable for Provincial loans to the extent of seeing that the payments are duly made, do you consider the holders of Provincial Debentures will be willing to pay a premium for exchanging the same for Colonial Debentures of short dates.—Yes.

32. Would there be an equal willingness to pay such premium if the exchange were for long dated debentures?—I think not.

33. Suppose, without undertaking liability for Provincial Loans, Colonial Debentures were offered in exchange for them upon terms to be fixed by the Government, what would the effect be in respect to the holders who would not agree to the terms?

34. Under the financial proposals with which you are acquainted, what do you consider to be the relative positions of the holders of Provincial Debentures who accept the terms of the exchange and those who decline doing so?—One reply will give an answer to these questions, and that will be conveyed in the following remarks: (1.) If the Bills now before the House are passed in their present shape one of the securities on which the bondholders lent their money is taken away and repealed, viz., "The Surplus Revenues Act, 1858." It is no answer to say that another provision is made for the Provinces in lieu of it—that the Provinces instead of getting the undefined balance of the Colonial revenue will get a defined amount, possibly a greater amount. It is a matter of opinion whether it is a better security or not—the balance under the Surplus Revenue Act may be better than the other. I say the Colony ought not to alter the security which they had been parties to giving the bondholders without the consent of the bondholders, or an indemnity. (2.) The Bills now before the House alter the priorities now existing among Provincial bondholders, not only among all the bondholders of one Province, but among the bondholders of each particular loan, and further damage the present position of the whole class of bondholders of each Province by placing their loans after loans or portions of loans which may be henceforward raised for that Province, thus quite reversing the general order of payments, and making the transaction in the nature of a bottomry bond, the last of which, contrary to all other rules is always paid first. For example, take the case of Canterbury, referred to in my printed memorandum. In that case of the £500,000 loan, authorized by "The Canterbury Loan Act, 1862," about half has been raised. The other half will be raised under the provisions of the Bills now before the House, and the last half of this loan will be made a first charge on the revenues of the Province before any of the other bondholders of Canterbury of the same or any other loan can demand payment of their interest or sinking fund. Now, if the Provincial Council of Canterbury had passed such an Act as this, it is clear it would be the duty of the General Government in the interest of the public creditor to disallow it. Ought the Assembly to do towards the public creditor what they would not allow a Provincial Council to do? Take again the case of Otago. On 31st December, 1868, there are £10,300 of ten per cent. bonds due by this Province. That was the first loan raised by Otago. Since then about £650,000 have been raised, some of it extending over a period of thirty years. Now, under the Government proposals, if they succeed in buying up the £650,000 it will be placed before the £10,300 due next year, and that £10,300 will not be paid if the Province has not sufficient funds to pay both in full. (3.) From this it follows that the bondholders being deprived of their security by the Acts of the Assembly, and having their position changed, and other bonds placed on the revenues of the Province before them, will be driven first either to try and procure the disallowance of the Acts they object to, or secondly, to agitate with a view to redress from the General Assembly, or, thirdly, to sell to the Government upon whatever terms the Government may offer. (4.) For these reasons I submit that the enactment of the provisions of the Bill before the House requires the insertion of the clause No. 15 which I have submitted to members of the Committee.