

No. 3.

The Hn. Mr. LARNACH to the LOAN AGENTS.

GENTLEMEN,—

Treasury, Wellington, 15th December, 1877.

Referring to my letters of this date addressed to you individually, I have the honor to enclose copies of the New Zealand Loan Acts, 1876 and 1877, authorizing the raising of the respective sums of £1,000,000 and £2,500,000, for the purposes specified in the schedules to these Acts.

I transmit also Orders under the hand of His Excellency the Governor in Council, authorizing the raising of the sums referred to, and appointing you to be Agents for that purpose.

As respects the sum to be raised under the Act of 1877, I enclose an Order in Council authorizing you to raise the sum sanctioned by that Act by short- instead of long-dated debentures, should the state of the market or other considerations induce you to think it preferable to adopt that course.

With regard to the currency of the long-dated bonds, the Government is of opinion that, unless there are manifest objections, the bonds should be uniform with the last issues, and should have a currency of thirty years, but redeemable, at the option of the Government, at the end of five years.

The New Zealand Government bonds last disposed of in London carried interest at the rate of 5 per cent., and were sold at and a little over par. In regard to the issue now proposed, the Government is of opinion that the rate of interest to be borne by the bonds should not exceed $4\frac{1}{2}$ per cent.

This point, however, as well as that of the currency of the bonds, the price at which they are to be sold, and whether by tenders to the highest bidder or at a fixed minimum, the Government leaves entirely to your discretion. I enclose a memorandum showing what provision has to be made for the requirements of the Government, and, having informed you on that point, your acquaintance with the market and your own judgment will enable you to adopt that course which, in the interests of the colony, may seem to you best. I may add that the authorities of the Bank of New Zealand have expressed their readiness to co-operate with you in your endeavour to make the operation a successful one, and any assistance which you may require from that institution will, I am sure, be most cordially given to you.

You will learn by the memorandum enclosed that it is proposed to draw on you in January and February for sums amounting in the whole to £400,000—the bills for one half of that sum to fall due, say, on 20th May, and the other half on, say, 20th June; and in each month, say, from March to December, it is proposed to draw on you at sixty days' sight for £150,000, subject to such deductions as may represent payments which the colony may require to be made in London during that period.

I have, &c.,

The Agents for New Zealand Loans, London.

W. J. M. LARNACH.

I have omitted to mention in the foregoing that Mr. Henry Hartwright has been appointed by the Commissioners of Audit, under the 14th section of each Act, to countersign the debentures issued thereunder.

Enclosure in No. 3.

MEMORANDUM of Sums to be Provided.

Say 20th May, 1878.—Colonial Treasurer's draft on Loan Agents, to be drawn 5th January, 1878, at 90 days' sight	£	150,000
Say 20th May, 1878.—Colonial Treasurer's draft on Loan Agents, to be drawn 2nd February, 1878, at 60 days' sight		150,000
Say 20th June, 1878.—Colonial Treasurer's draft on Loan Agents, to be drawn 2nd February, 1878, at 90 days' sight. (Repayment to Bank of New Zealand Lyttelton Harbour Loan)		100,000
Say 20th June, 1878.—Colonial Treasurer's draft on Loan Agents, to be drawn 2nd March, 1878, at 60 days' sight		150,000
Say 30th November, 1878.—To repay first instalment in respect of advance obtained from Bank of New South Wales against short-dated debentures of the New Zealand Loan, 1876		166,000
Say 31st December, 1878.—To repay second instalment in respect of advance obtained from Bank of New South Wales against short-dated debentures of the New Zealand Loan, 1876		166,000
Say 31st January, 1879.—To repay third instalment in respect of advance obtained from Bank of New South Wales against short-dated debentures of the New Zealand Loan, 1876		168,000
Say 15th February, 1879.—To repay advance obtained from Bank of New Zealand on short-dated debentures of the New Zealand Loan, 1876		500,000
Say 15th February, 1879.—To repay advance obtained from Bank of New Zealand on Treasury bills		232,000
		<u>£1,782,000</u>
To redeem Imperial Guaranteed Debentures		800,000
Balance to be drawn for by 60 days' drafts, first to be drawn on, say, 2nd April, or disbursed in London at the rate of, say, £200,000 per month, in all		918,000
Total		<u>£3,500,000</u>