

This PUBLIC BILL originated in the HOUSE OF REPRESENTATIVES, and, having this day passed as now printed, is transmitted to the LEGISLATIVE COUNCIL for its concurrence.

*House of Representatives,
4th March, 1933.*

Right Hon. Mr. Coates.

LOCAL AUTHORITIES INTEREST REDUCTION AND LOANS CONVERSION.

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2 *Local Authorities Interest Reduction and
Loans Conversion*

A BILL INTITULED

Title.	AN ACT to reduce the Rates of Interest payable by Local Authorities and Public Bodies on Loans raised by them, and to make Provision for the Conversion of such Loans, and for Matters incidental thereto. 5
Short Title.	BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:— 1. This Act may be cited as the Local Authorities Interest Reduction and Loans Conversion Act, 1932-33. 10
Interpretation.	2. (1) In this Act, unless the context otherwise requires,— “Existing securities” means debentures or other securities issued by any local authority before the first day of April, nineteen hundred and thirty-three; and includes any securities that may on or after the said date be issued in replacement of any such securities: 15 “Local authority” means any local authority or public body that for the time being is a local authority within the meaning of the Local Government Loans Board Act, 1926, whether by virtue of section two of that Act or of any Order in Council thereunder, or by virtue of the provisions of any other Act: 20 “Minister” means the Minister of Finance: 25 “New securities” means securities issued pursuant to Part II of this Act in conversion of existing securities. (2) For the purposes of this Act securities shall be deemed to have been issued on the date of the execution thereof by or on behalf of the issuing authority, whether or not such securities are disposed of on that date. 30 (3) For the purposes of this section the term “replacement” in relation to any securities does not include the conversion of existing securities into new securities under Part II of this Act, but includes the issue pursuant to any authority of any securities in lieu of any existing securities, or in lieu of any securities that have been lost or destroyed, without alteration of the terms on which the original securities were issued. 35 40

(4) Where the rate of interest payable under any existing securities is not specified therein, the rate of interest shall for the purposes of this Act be determined in accordance with regulations made under this Act, and in default of any such regulations or so far as they do not extend, shall be determined in accordance with the directions of the Minister.

3. (1) This Act shall apply with respect to the following classes of existing securities, namely:— Application of Act.

10 (a) Existing securities in respect of which the place fixed either for the payment of interest or for the repayment of principal, as at the first day of January, nineteen hundred and thirty-three, or in the case of securities issued after
15 that date, as at the thirty-first day of March, nineteen hundred and thirty-three, is in New Zealand:

(b) All other existing securities in respect of which any principal or interest has been or is hereafter
20 paid in New Zealand at any time after the first day of January, nineteen hundred and thirty-three.

(2) Where, as at the first day of January, nineteen hundred and thirty-three, or the thirty-first day of
25 March, nineteen hundred and thirty-three, as the case may be, the principal or interest payable in respect of any existing security might have been or may be paid, at the option of the holder thereof, either in New Zealand or outside New Zealand, the place fixed as at such date for
30 the payment of interest or for the repayment of principal shall be deemed for the purposes of this section to be outside New Zealand if—

(a) The last or only instalment of such principal or interest paid not later than such date was paid
35 outside New Zealand; or

(b) Where the first instalment of such principal or interest becomes payable after such date, the issuing local authority disposed of such security outside New Zealand,—

40 and in every other case shall be deemed to be in New Zealand.

(3) If any dispute arises in relation to this Act as to the place fixed for the payment of any interest or

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Loans Conversion*

for the repayment of any principal, such dispute shall be determined by the Minister.

(4) Where any moneys borrowed by a local authority from the same lender are secured, together with the interest thereon, by two or more existing securities each for a payment consisting partly of principal and partly of interest, all such securities shall be deemed for the purposes of this Act to be one security. 5

(5) Nothing in this Act shall apply to loans inscribed under Part II of the Local Bodies' Loans Act, 1908. 10

4. This Act shall bind the Crown.

Act to bind the Crown.

PART I.

REDUCTION AND LIMITATION OF RATES OF INTEREST.

Reduction of rates of interest on existing securities.

5. (1) Subject to the provisions of this section, the rate of interest payable under any existing securities to which this Act applies is hereby reduced to a rate that is *twenty* per centum lower than the rate prescribed by the securities, or to the rate of *four and one-quarter* per centum per annum, whichever rate is the higher. 15

(2) In the case of any securities of the class specified in paragraph (a) of subsection *one* of section *three* hereof, all interest that accrues on or after the first day of April, nineteen hundred and thirty-three, shall be payable at the reduced rate prescribed by this section. 20

(3) In the case of any securities of the class specified in paragraph (b) of the said subsection *one*, all interest that accrues on or after the first day of the period in respect of which the first instalment of interest paid as specified in that paragraph is paid shall be payable at the reduced rate prescribed by this section. 25 30

Limiting rates of interest on loans to be raised after 31st March, 1933, pursuant to authorities existing on that date.

6. (1) For the purposes of this section the expression "prescribed rate" in relation to any moneys authorized before or after the passing of this Act but before the first day of April, nineteen hundred and thirty-three, to be borrowed by any local authority but not borrowed before that date, means the rate of interest or the maximum rate of interest at which such moneys may lawfully be so borrowed immediately before that date. 35

(2) Notwithstanding anything to the contrary in any Act or in any Order in Council or other authority in force on the thirty-first day of March, nineteen hundred and 40

thirty-three, it shall not be lawful or competent for any local authority to borrow or to contract to borrow money at any time after that date pursuant to any authority in force on that date (otherwise than in anticipation of its

5 revenue within the limits of its powers, if any, in that behalf) at a rate of interest in excess of the prescribed rate reduced by *twenty* per centum thereof, or in excess of *four and one-quarter* per centum per annum, whichever rate is the higher.

10 (3) Nothing in the foregoing provisions of this section shall restrict the power to prescribe rates of interest conferred on the Governor-General in Council by section eleven of the Local Government Loans Board Act, 1926, or by any other Act, and such power may be exercised

15 in respect of any moneys hereafter proposed to be borrowed, whether the authority to borrow such moneys has been conferred before or after the commencement of this Act or before or after the said first day of April, nineteen hundred and thirty-three.

20 (4) The Local Authorities' Loans (Rates of Interest) Act, 1931, and section sixty-seven of the Finance Act, 1932, are hereby repealed as from the first day of April, nineteen hundred and thirty-three. Repeal.

25 7. (1) The power of borrowing moneys by the local authorities by section thirty-four of the Local Bodies' Loans Act, 1926, may hereafter be exercised by any local authority with the precedent consent of the Governor-General given by Order in Council under this

30 section, and not otherwise. Every Order in Council issued under this section shall prescribe the maximum rate of interest that may be paid on the moneys so authorized to be borrowed. Hypothecation of debentures to be at rate of interest prescribed by Governor-General in Council.

35 (2) The said section thirty-four is hereby sequentially amended by omitting the words "and the yearly rate of interest on moneys so borrowed shall in no case exceed six per centum, or such higher rate, not exceeding seven per centum, as the Minister may in any case authorize".

40 (3) Nothing in section *five* hereof shall apply with respect to the interest payable under any deed or agreement of hypothecation or mortgage of debentures that has been or may hereafter be executed under the said section thirty-four.

PART II.

CONVERSION OF LOCAL BODIES LOANS.

Purpose of this
Part.

8. The purpose of this Part of this Act is to make provision for enabling local authorities to convert existing securities into new securities with reduced rates of interest. 5

Power to convert existing Securities.

Power of local
authority to
convert existing
securities in
accordance with
Order in
Council.

9. (1) With the precedent consent of the Governor-General given by Order in Council under section *thirteen* hereof after compliance with the provisions of this Part of this Act, and subject to and in accordance with the provisions of such Order in Council, any local authority may issue new securities in conversion of any existing securities to which this Act applies. 10

(2) The power conferred by the *last preceding* subsection may be exercised by any local authority pursuant to a resolution passed at a special meeting of that local authority and confirmed at a subsequent meeting (either ordinary or special) held not sooner than the *fourteenth* day after the day of such special meeting. Public notice of the place and date fixed for such subsequent meeting, and of the purport of the resolution proposed to be confirmed thereat, shall be given at least twice in the period intervening between the two meetings. 15 20

Sanction of Local Government Loans Board. 25

Application to
Local
Government
Loans Board
for sanction.

10. (1) Every local authority that proposes to convert any existing securities into new securities shall submit to the Local Government Loans Board (hereinafter referred to as the Board) an application and statement giving such information and particulars as may be required by the Board. 30

(2) The Board shall have with respect to every such application the same powers of investigation as it has in respect of applications made to it under the Local Government Loans Board Act, 1926. 35

Powers of
Board.

11. (1) In respect of every such application made to the Board pursuant to the *last preceding* section, the Board may—

(a) Sanction the application wholly or in part, and unconditionally or subject to such terms, conditions, and stipulations as the Board thinks fit; or 40

(b) Refer the application back to the applicant local authority for modification or amendment; or

(c) Decline to sanction the application.

(2) The Board shall duly notify the applicant local authority of its decision with respect to such local authority's application.

12. In every case where the Board has considered an application to convert any existing securities the Board shall notify the Minister of its decision and the Minister may in due course (whether or not the Board has given its sanction) submit a recommendation to the Governor-General in Council for his consent to the conversion.

Board's decision to be notified to Minister.

Consent of Governor-General in Council.

13. (1) The Governor-General, by the Order in Council giving his consent to the conversion of existing securities by a local authority, may make such provisions as he thinks fit with respect to all or any of the following matters, namely:—

Order in Council consenting to conversion.

(a) The class or classes of existing securities that may be converted:

(b) The nature, form, and denominations of the new securities or of any class or classes thereof; and the terms and conditions thereof as to maturity date, redemption, rate of interest, payment of principal and interest, and otherwise:

(c) The allowing of premiums on conversion; the computation of any such premium; the method of satisfying the same (whether by the issue of additional new securities for the amount thereof, increased or reduced if necessary by adjustments in cash of broken amounts, or wholly by cash, or partly in one such method and partly in the other); the adjustment of any such premium as between capital and income; and the powers and rights of trustees and beneficiaries in relation to any such adjustment:

(d) The date from which the conversion is to take effect; and the payment of the interest on the existing securities up to that date:

(e) The manner in which and the times within which the holders of existing securities may apply for or dissent from the conversion thereof; the

conversion of existing securities in respect of which dissent from conversion is not duly signified ; and the surrender of existing securities as a condition precedent to the payment of the remaining interest thereon and the delivery of new securities in conversion thereof : 5

(f) The creation of sinking funds for the new securities ; the appointment of Commissioners for such sinking funds ; and the application of existing sinking funds or any parts thereof for the purposes of any existing securities or new securities, or in or towards paying the costs and charges (including premiums) of and incidental to the conversion : 10

(g) The notices to be given by the local authority to the public or to any persons or classes of persons : 15

(h) Any other matters relating to the conversion or to the new securities.

(2) The Governor-General may from time to time, by subsequent Orders in Council, amend the Order in Council giving his consent as aforesaid by adding to, varying, or revoking the provisions thereof, or any of such provisions : 20

Provided that nothing in any such amending Order in Council shall in any way prejudicially affect the security of the holders of any new securities issued before such amending Order in Council comes into force. 25

(3) Subject to the provisions of this Act, every Order in Council under this section shall have the force of law as if enacted in this Act, anything to the contrary in any other Act, or in any regulations made under this or any other Act, notwithstanding. 30

14. Subject to the provisions of this Act and of any Order in Council issued under the *last preceding* section, the provisions of the Local Bodies' Loans Act, 1926 (except sections ninety-four, ninety-five, one hundred and four, one hundred and five, one hundred and fourteen, and one hundred and fifteen thereof) shall, so far as applicable and with all necessary modifications, apply with respect to such conversion and to the issue of such new securities in the same manner as if such new securities were issued under Part V of the said Act. 35 40

15. No Order in Council giving the Governor-General's consent to the conversion of any existing securities under this Part of this Act shall be issued at any time after the thirty-first day of March, nineteen hundred and
5 thirty-five.

Limiting period within which consent may be given.

Securities held by Trustees.

16. Notwithstanding anything to the contrary in any Act or rule of law, or in the terms of any trust, any trustee or other person acting in a fiduciary capacity may
10 convert into new securities any existing securities held by him, or may refrain from signifying dissent from any such conversion, and shall not be liable for any loss resulting from any such conversion.

Authority for trustees to convert existing securities.

17. (1) Where any existing securities are converted
15 into new securities, the new securities and the interest thereon shall, subject to the provisions of this Act, be subject to the same trusts, powers, rights, testamentary and other dispositions, provisions, and encumbrances as affect the securities so converted and the interest thereon
20 respectively.

Application to new securities of trusts, powers, &c., affecting former securities.

(2) In any Act or instrument that has been or may be passed or executed before the conversion of any existing securities into new securities, references to any securities that are existing securities so converted shall, unless the
25 circumstances otherwise require, be construed as references to new securities, and in the case of a testamentary instrument that has been or may be executed before the conversion of any existing securities into new securities, any disposition which but for such con-
30 version would have operated as a specific bequest of any existing securities or of any interest therein shall be operative with respect to the new securities issued on the conversion as if they were the existing securities.

As to construction of previous Acts and instruments.

Dissent from Conversion.

35 18. (1) Where dissent from the conversion of any existing securities into new securities is signified in accordance with the provisions of an Order in Council under this Part of this Act, the rate of interest payable under such existing securities, as reduced in accordance with
40 Part I of this Act, shall be further reduced to a rate that

Further reduction of interest on existing securities when dissent is signified.

is *thirty-three and one-third* per centum lower than the rate originally prescribed by the securities.

(2) All interest that accrues on any such securities after the date from which the conversion consented to by the Order in Council is to take effect shall be payable at the reduced rate specified by this section. 5

Reduction of interest to be indicated on existing securities or on securities issued in replacement thereof.

19. (1) Where dissent is signified as aforesaid from the conversion of any existing securities into new securities, the existing securities, with all unpaid coupons (if any) belonging thereto, shall be forwarded to the local authority that issued them, for the purpose of being, at the option of the local authority, either— 10

(a) Amended so as to indicate the reduced rate of interest prescribed by the *last preceding* section ; 15
or

(b) Exchanged for other securities for the same amount as the existing securities, indicating such reduced rate of interest, but otherwise conforming with the conditions of the existing securities in respect of maturity date and redemption, and in all other respects. 20

(2) No interest that becomes payable after the date referred to in subsection *two* of the *last preceding* section on any existing security to which subsection *one* of this section applies shall be paid until the foregoing provisions of this section have been complied with. 25

R elief of Hardship.

Power to purchase new securities in cases of hardship.

20. For the purpose of preventing undue hardship, arising out of conversion under this Part of this Act, to persons beneficially interested in any new securities issued by any local authority, such local authority, if it thinks fit, may, at any time within six months after the date prescribed by the Governor-General in Council for the conversion of existing securities of that local authority, purchase such securities at a price in excess of the market price, but not above par. 30
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PART III.

MISCELLANEOUS.

21. Nothing in Part IV of the National Expenditure Adjustment Act, 1932, shall apply with respect to any interest that accrues after the thirty-first day of March, nineteen hundred and thirty-three, in respect of any securities issued by any local authority.

Exemption of local bodies securities from stamp duty under Part IV of National Expenditure Adjustment Act.

22. (1) In this section the expression "creditor local authority" means a local authority to which any other local authority is indebted in relation to any existing securities issued by such creditor local authority, and the expression "debtor local authority" means a local authority so indebted to a creditor local authority.

Adjustments between creditor local authorities and debtor local authorities.

(2) Where the Controller and Auditor-General or any person appointed for the purpose by him is satisfied—

(a) That the amount of any interest payable by a creditor local authority, in respect of any existing securities in relation to which a debtor local authority is indebted to it, is reduced by virtue of this Act (whether by reason of a reduction of the rate of interest or by reason of the conversion of existing securities into new securities) without a corresponding reduction being made in the liability of the debtor local authority; or

(b) That the amount of any interest payable by a debtor local authority to a creditor local authority, in respect of a liability in relation to any existing securities issued by the creditor local authority, is so reduced without a corresponding reduction being made in the interest payable by the creditor local authority in respect of such existing securities,—

he may make such award as in the circumstances he deems just and equitable.

(3) Any such award may provide for the reduction or increase of the liability of the debtor local authority, and for the payment of moneys by the creditor local authority to the debtor local authority, or by the debtor local authority to the creditor local authority, and for

the payment by either party of the whole or any part of the expenses of and incidental to the award and any inquiries in relation thereto. The Controller and Auditor-General or other person making such award may by such award or otherwise make and give such directions generally as may be necessary for giving full effect to the terms of the award.

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(4) Every such award shall be final, and shall from the date thereof have the operation of and be enforceable as and be held to be a judgment of the Supreme Court.

Regulations.

23. The Governor-General may from time to time, by Order in Council, make all such regulations as may be deemed necessary for the purpose of giving full effect to the provisions of this Act.

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