

No. 7362

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
NEW ZEALAND**

**Loan Agreement—*Interisland Transmission Project* (with  
annexed Loan Regulations No. 3). Signed at Washing-  
ton, on 12 March 1964**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 7 Au-  
gust 1964.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
NOUVELLE ZÉLANDE**

**Contrat d'emprunt—*Projet de construction de lignes de  
transport d'énergie électrique entre les îles* (avec, en  
annexe, le Règlement n° 3 sur les emprunts). Signé à  
Washington, le 12 mars 1964**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 7 août 1964.*

No. 7362. LOAN AGREEMENT<sup>1</sup> (*INTERISLAND TRANSMISSION PROJECT*) BETWEEN NEW ZEALAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 MARCH 1964

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AGREEMENT, dated March 12, 1964, between NEW ZEALAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), which Agreement, for the purposes of the New Zealand Loans Act, 1953, is recognized by the parties hereto to be a security.

*Article I*

LOAN REGULATIONS ; DEFINITION

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961<sup>2</sup> (said Loan Regulations No. 3 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

*Section 1.02.* The term "Electricity Department" means the New Zealand Electricity Department as constituted under the Electricity Act 1945, as amended, and any successor thereto.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirty-two million five hundred thousand dollars (\$32,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The

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<sup>1</sup> Came into force on 20 April 1964, upon notification by the Bank to the Government of New Zealand.

<sup>2</sup> See p. 18 of this volume.

amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of five and one-half per cent ( $5\frac{1}{2}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### *Article III*

#### USE OF PROCEEDS OF LOAN ; WITHDRAWALS

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Borrower and to be used exclusively in the carrying out of the Project.

*Section 3.03.* Pursuant to Section 4.01 of the Loan Regulations, withdrawals from the Loan Account may be made on account of expenditures made before the Effective Date but subsequent to January 1, 1963.

*Article IV*

## BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall : (i) maintain or cause to be maintained records adequate to show the expenditure of the proceeds of the Loan, to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project and the total expenditures on the Project, to record the progress of the Project and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof ; (ii) enable the Bank's representatives to inspect the Project, the goods, the properties of the Electricity Department and any relevant records and documents ; and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the agency or agencies responsible for the construction or operation of the Project or any part thereof.

*Section 5.02.* The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end :

(a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the agency

or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof, financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

- (b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.
- (c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* The Borrower shall cause the Electricity Department to carry on its operations under capable management in conformity with sound engineering, financial and public utility practices.

*Section 5.04.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Reserve Bank of New Zealand and any other institution performing the functions of a central bank.

*Section 5.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a

holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.06.* The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Section 5.07.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

#### *Article VI*

##### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations, shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following is specified as an additional event for the purposes of Section 5.02 of the Loan Regulations :

The State Supply of Electrical Energy Act, No. 22 of 1917, as amended prior to the date of the Loan Agreement, shall have been suspended, terminated, repealed or amended, and such action shall affect materially and adversely the carrying out of the Project or the financial condition of the Electricity Department.

#### *Article VII*

##### MISCELLANEOUS

*Section 7.01.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.02.* The Closing Date shall be August 31, 1966 or such other date as may from time to time be agreed between the Borrower and the Bank.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Secretary to the Treasury  
P.O. Box 5010  
Wellington C.1, New Zealand

Alternative address for cables and radiograms :

Galvanise  
Wellington

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D.C.  
United States of America

Alternative address for cables and radiograms :

Intbafrad  
Washington, D.C.

*Section 7.04.* The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

New Zealand :

by G. R. LAKING  
J. H. WEIR

Authorized Representatives

International Bank for Reconstruction and Development :

by George D. WOODS  
President

## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
September 15, 1966 . . . . .	\$540,000	September 15, 1975 . . . . .	\$880,000
March 15, 1967 . . . . .	555,000	March 15, 1976 . . . . .	905,000
September 15, 1967 . . . . .	570,000	September 15, 1976 . . . . .	930,000
March 15, 1968 . . . . .	585,000	March 15, 1977 . . . . .	955,000
September 15, 1968 . . . . .	600,000	September 15, 1977 . . . . .	980,000
March 15, 1969 . . . . .	620,000	March 15, 1978 . . . . .	1,010,000
September 15, 1969 . . . . .	635,000	September 15, 1978 . . . . .	1,035,000
March 15, 1970 . . . . .	655,000	March 15, 1979 . . . . .	1,065,000
September 15, 1970 . . . . .	670,000	September 15, 1979 . . . . .	1,095,000
March 15, 1971 . . . . .	690,000	March 15, 1980 . . . . .	1,125,000
September 15, 1971 . . . . .	710,000	September 15, 1980 . . . . .	1,155,000
March 15, 1972 . . . . .	730,000	March 15, 1981 . . . . .	1,185,000
September 15, 1972 . . . . .	750,000	September 15, 1981 . . . . .	1,220,000
March 15, 1973 . . . . .	770,000	March 15, 1982 . . . . .	1,250,000
September 15, 1973 . . . . .	790,000	September 15, 1982 . . . . .	1,285,000
March 15, 1974 . . . . .	810,000	March 15, 1983 . . . . .	1,320,000
September 15, 1974 . . . . .	835,000	September 15, 1983 . . . . .	1,360,000
March 15, 1975 . . . . .	855,000	March 15, 1984 . . . . .	1,375,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	½ %
More than three years but not more than six years before maturity . . . . .	1½ %
More than six years but not more than eleven years before maturity . . . . .	2½ %
More than eleven years but not more than sixteen years before maturity . . . . .	3½ %
More than sixteen years but not more than eighteen years before maturity . . . . .	4½ %
More than eighteen years before maturity . . . . .	5½ %



## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project is a 500 kv Direct Current (DC) transmission link approximately 375 miles long to be constructed from a hydroelectric power station at Benmore in the South Island to Wellington in the North Island. It includes the following :

- (1) A 500 kv DC steel tower overhead line about 325 miles long from Benmore to the Cook Strait cable terminal in the South Island and about 25 miles long from the cable terminal on the North Island to a substation near Wellington.
- (2) Three high voltage DC submarine cables, each about 25 miles long, for the crossing of Cook Strait.
- (3) Terminal substations at Benmore and Wellington.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.*]