

# PERU'S OFFER FOR RELIEF

## THE SYNDICATE WHICH IS TO HELP THE COUNTRY.

STATEMENT OF MICHAEL P. GRACE OF CONTRACT WHICH HE HAS NEGOTIATED AND WHAT WILL BE DONE.

Michael P. Grace, who returned to this city Sunday morning after a trip to England, made in the interest of the syndicate which is to take charge of the railroad system of Peru, was seen at his office, in Hanover-square, yesterday by a TIMES reporter, to whom he made the following statement:

"I have just returned from London, after completing the necessary arrangements for carrying into effect the contract between the Peruvian Government and the English holders of Peruvian bonds. A great deal has been written and said with reference to this business, and many misrepresentations have been made, the latter, no doubt, from lack of knowledge of the facts rather than from any desire to misrepresent.

"The contract is a simple transaction, designed, on the part of Peru, to secure the cancellation of her external debt and the extension of her railroads, and to establish for herself a credit which will enable her to develop her many and rich resources. On the part of the bondholders, its sole object is to get something which will, eventually at least, partially remunerate them for the enormous losses they have sustained by Peru's failure to meet the obligations of her bonds.

"Peru, like many of her sister republics, invested by far the larger part of her very large borrowings in extending the national railroads, which were built at a fabulous expense through a most difficult country, which, at that time, in too many instances, was without sufficient population to make the roads remunerative. The Oroya Road, for instance, which now runs only 86 miles into the interior and to the top of the Andes, cost over \$25,000,000, and was left unfinished at that. It was undertaken because, when completed, it will connect the coast with the great fertile valleys in the interior of Peru and with the immense mineral deposits of the Andes.

"When Peru contracted her debt she expected to be able to pay the interest on it and to meet the demands of the sinking fund, or what is there known as 'amortization,' from the proceeds of the sale of guano, and later on from the income from her nitrate of soda. Unfortunately for Peru, the war resulted in the loss to her of the regions in which both the guano and nitrate were found, the Department of Tarapaca having become, by the treaty of peace, part and parcel of the Republic of Chili.

"The bondholders claim to have a lien upon the resources of that department, which were directly hypothecated to them, and they have consequently been for the past three or four years negotiating with Chili for a settlement. Peru, having lost part of her wealth, is unable to settle her responsibilities in cash, her present revenues being barely sufficient for the maintenance of the Government. However, as her railroads were built with the money of the bondholders, they and the guano, and in fact even the Custom Houses, were hypothecated to pay the debt. Peru is desirous of doing her utmost to settle with her creditors, and the contract actually under discussion is simply a means of attaining that object. She has agreed to cede her railroads for a fixed period, on condition of their being extended. She has further ceded such guano as is left her by the treaty with Chili, the cession of which, although the guano is not anything like as valuable as it was in years gone by—its consumption having been superseded by nitrate of soda—will to some extent facilitate an arrangement between the bondholders and Chili, which will probably be a matter of the near future.

"Peru is further convinced that the extension of her roads and the general commercial impulse that mining and other industries will receive from the introduction of new capital will enable her to give up £120,000 a year of her Custom House receipts; and in return the bondholders, so as to assist the Government in the settlement of her internal debt and to sustain the temporary loss of part of her Custom House income during the first two or three years, have agreed to make her advances to the extent of £400,000.

"The other concessions made by Peru, about which so much has been said and written, are really of little consideration. The right to work mines, which is ceded to the bondholders, is, as a matter of fact, conceded by the laws of the country to any private individual or company that cares to invest capital therein. The cession of land for the purpose of encouraging immigration is really a matter of more interest and benefit to Peru than to the bondholders. The country is immensely wealthy in agricultural resources, and what she needs more than anything else is to get both capital and labor to develop such resources. The companies which will work the railroads and other properties which the charter permits are all, subject in everything to the laws of the country, and will have no concession unlike such as are always conceded to persons undertaking like enterprises.

"I found considerable difficulty in London in convincing the bondholders that this arrangement should be accepted by them. As a matter of fact, no such advantageous arrangement had been made by any other of the republics; but Peru, after her enormous losses from the war, is unable to make any other concession to her creditors, and the bondholders, becoming convinced of this fact, have decided to accept it. A corporation is to be formed; in fact, the articles of incorporation are already drawn up. The Board of Directors, thoroughly possessing the confidence of the public, have agreed to carry the contract into effect the moment it is ratified by Peru. The financial arrangements are also completed, and a syndicate of gentlemen willing to underwrite the first issue stands ready to carry this business through. They have sent a commission of engineers and auditors to Peru to make a thorough examination of the roads and the cost of repairs and extensions, with their actual and future probable income. One of the engineers, being a mining expert, will dedicate the most of his time to inspecting the mining regions, not with the intention of developing mines, but of forming an opinion as to what the mining industry may do in the future for the benefit of the roads."