

SESS. II.—1884.  
NEW ZEALAND.

# INSCRIPTION OF STOCK

(CORRESPONDENCE IN RELATION TO THE).

[In Continuation of Papers B.-11, 1881.]

*Presented to both Houses of the General Assembly by Command of His Excellency.*

## No. 1.

The STOCK AGENTS to the Hon. the PREMIER.

SIR,—

Downing Street, London, 15th July, 1880.

We have the honour to bring under your notice the following suggestions :—

1. Money is so cheap, and there are such reasonable anticipations of improved trade and a good harvest, that we think it very probable a conversion-operation may be profitably arranged about the end of the year.

Holders of debentures of the last loan gain 2s. per cent. by retaining their debentures till the November dividend is due. After that date they may probably convert in increased quantities, and it may very likely be the case that the operation of converting the last loan will be sufficiently matured to remove any objection on that score to a new and separate transaction.

2. In considering the nature of the fresh operation, we may be excused for possibly going over some of the points to which in previous communications we have called attention.

3. That which would leave the largest actual profit, in the way of reduced annual payment for interest, would probably be the conversion of the 5-30 debentures. But this would not supply you with large immediate relief, as there is no sinking fund attached to the 5-30 loan. In the event of your desiring a money return, either immediate or in the shape of large annual relief, the operation most calculated to secure it is one which would set free a considerable portion of the sinking fund. The three loans on which the principal amounts of sinking fund have accrued are the loans of 1856, 1863, and 1867 (the consolidated), as they are designated in your colony, though in the "Investors' Manual," a copy of which we forward to you herewith, they are quoted as the 1857, 1864, and 1868-72 loans, and 1866 and 1866-67 loans respectively.

4. From the last return published in the colony to which we have access, we find that up to the 30th June, 1879, the loan of 1856, amounting to £500,000, had to the credit of sinking fund no less a sum than £338,000. Up to the present date the amount is £371,000, so that there is really only a balance of £129,000 uncovered; and yet, by the terms of the Act, you have still to pay for interest and sinking fund on that loan an annual sum of £30,000, equal to over 20 per cent. on the actual indebtedness. It would, in the way of procuring you money, be a most desirable step to accomplish to convert this loan, but there is no doubt the operation would be surrounded with difficulty. It is a loan guaranteed by the Imperial Government, and is so well held that for months together there are no quotations for it. If we could convert £100,000 of this loan it is clear that you would be able to cease paying the £10,000 a year for sinking fund, for the amount in hand put into consols, with the interest on the sum up to 1888-89, the due date, would be sufficient to cover the balance, and the Imperial Government could not possibly object to such an arrangement. Anything over £100,000 would be so much that might be released for your own purposes. The 1863 loan, according to the return previously quoted, shows to the 30th June, 1879, sinking fund accrued to the amount of £374,000; at the present date it amounts to £414,000. A great deal of this loan has been absorbed into the consolidated. There appears to be left of it about a million, divided into three separately-quoted loans on the Stock Exchange here, and about £1,500,000 absorbed in the colony. According to the "Investors' Manual," already referred to, £488,000 of the portion of the million referred to, quoted as the 1864 loan, yields to investors at present rates £4 12s. 2d. per cent. per annum, whilst the two other portions—namely the 1866 of £201,000, and the 1866-67 loan of £329,000—yield respectively £5 5s. 3d. and £5 6s. 2d. per cent. per annum. The last two being 6-per-cent. loans stand at a large premium, and an allowance has to be made for a yearly amount, to the rate of repayment, to extinguish that premium. We are inclined to doubt the policy of, just at present, offering to convert these three loans, as they may be called here, though with you they appear to stand as one loan. It must be recollected that opportunities of converting into consolidated loan have already been offered to the holders, and the bulk of that which remains is probably held by persons who do not desire to convert. We are not clear also as to the amount of sinking fund, if any, a partial operation might set free; and, on the whole, we think that it would be better to leave these three loans untouched at present, though you might give us the option of dealing with them should variations in the market price, or other circumstances, lead us to alter our present opinion.