

Government should have to come upon the market for a new loan to pay it off. In whatever form of security the colony's indebtedness is expressed, the total is the same; but there is a recognized advantage in bringing its securities, as far as possible, into one denomination. It is obviously the highest interest of the colony to do nothing that shall harm the investors to whom it owes so much money; and the present conversion, so far from being one that can be hurtful to holders, is one which, since it gets rid of the incubus of a large floating debt, and gains at the same time a very appreciable saving in yearly interest over more than £9,000,000 of our public debt, must surely tend to strengthen the credit of the colony, and therefore to improve rather than impair the marketable value of all its securities.

I trust that the importance of the matter to investors will be my apology for so long a letter.

I have, &c.,

F. D. BELL,
Agent-General.

No. 29.

The AGENT-GENERAL to the Hon. the PREMIER.

London, 1st December, 1883.

CONVERSION 5-per-cent. 5-30s, five hundred thousand pounds; $4\frac{1}{2}$ -per-cent. 5-30s, three million fifty-five thousand pounds: total, including short-dated debentures, five millions three hundred and ninety thousand.

No. 30.

The STOCK AGENTS to the Hon. the COLONIAL TREASURER.

SIR,— 7, Westminster Chambers, London, S.W., 18th October, 1883.

In our letter of the 21st ultimo we promised to explain our reasons for fixing the rates we did for the conversion of the 5-30 debentures. A few words will suffice for the purpose.

In deciding upon the terms on which any conversion of the 5-30s might be expected to have a fair chance of success, it was always clear that we should have to be governed by the relative prices which inscribed stock and the 5-30 debentures bore to each other in this market at the moment of our decision. The calculation we had to make was this: Suppose the holder of a 5-30 bond wished to sell his bond in order to reinvest in inscribed stock, how much net cash would he get for it, and how much inscribed stock could he buy with the money—allowing, of course, in both cases for accrued interest? Now, when we fixed the rates, a 5-30 bondholder could have bought a fraction less than £100 10s. of inscribed stock for the money he would get for a $4\frac{1}{2}$ -per-cent. bond, and a fraction less than £102 of inscribed stock for the money he would get for a 5-per-cent. bond, at the market prices of the day. This equation being found, the question was what should be thrown into the scale to induce a bondholder to come in.

On the one hand, the fact that the Government could force him to come in at six months' notice from any dividend-day would necessarily exert some pressure on him in favour of converting, because, if the notice were given, his bond would immediately fall to par (plus difference of interest for the half-year between bond-rate and stock-rate). On the other hand, he might expect that the sudden creation of seven millions of stock would lower the market value of what he was to get in exchange for his bond, in which case it would be better for him to realize his capital in the open market than to accept the offered conversion; and, again, as he could shrewdly suspect there was not much chance of seven millions being called in by the Government, with a contingent liability of having to pay a large part off in cash, he might hope, by remaining passive, to continue enjoying for perhaps a long time the higher rate of interest carried by his bond.

These are only a few of the points we had to take into consideration. There were many others connected with the tone of the market: the probabilities of how an inducement might be expected to operate with each class of 5-30 holders, the relative bulk of the bonds in the two classes in case a future operation should have to be made, and so forth. We fixed the rates in each class which we judged likely to make the operation a success without causing an undue augmentation of the capital of the debt. We need not point out that they are more favourable to the colony than we thought, in 1881, you might expect. And you will remember that the primary object of the combined operation was not so much the conversion of the 5-30s, as the inscription of the short-dated debentures. This, of course, has been effectually gained.

We have, &c.,

P. G. JULYAN,
F. D. BELL,
Stock Agents.

The Hon. the Colonial Treasurer, Wellington.

No. 31.

The AGENT-GENERAL to the Hon. the COLONIAL TREASURER.

SIR,— 7, Westminster Chambers, S.W., 28th November, 1883.

The deed-poll and declaration relating to the creation of the stock for the conversion of the 5-30 and short-dated bonds have now been signed, and I transmit copies herewith.*

Having regard to the future, I requested Mr. Mackrell to take care that the terms of these instruments should not preclude the Government from offering new terms up to, say, the 30th

* Not come from the printer 30th November; will go by the San Francisco mail.