And notices as to the following amounts were sent in to me under the notice to trustees referred to in my letter of the 28th November, viz.:—

Four-and-a-half per cent. 5-30s	£151,900	
Five-per-cent. 5-30s	28,700	
		180,600
Making altogether the total of		£5,388,700

On the 12th November, being anxious to ascertain as nearly as possible what would be the net result of the conversion, I wrote to Mr. Bailey and Mr. Hardy, the eminent actuaries, who determined the position of the Government Insurance Fund two years ago, requesting them to make an actuarial determination of the value of the operation to the colony; and I now enclose herewith the correspondence which has passed between us on the subject.

You will observe that in my letter of the 12th November I asked the actuaries to make their computations so as to determine—first, the net annual saving to the colony which would be effected by the conversion if all the debentures were sent in; and, secondly, what would be the present net capital value of the operation to the colony. These computations appear in the table annexed to their letter of the 24th November; by which it is shown that, if all the bonds of the three respective series had been sent in for conversion, the net annual saving in interest to the colony would have amounted to £44,625, and the present capital value of the operation to the colony would have been a little over £239,000.

I also told the actuaries in my letter of the 12th November that, when the operation should be completed at the Bank of England, I should ask them to apply their computations so as to determine the net results upon the facts. Accordingly, on the 1st instant, I wrote them a letter, of which a copy is also enclosed, and you will observe by the table appended to their reply that the net result has turned out to be as follows, viz.:—

Net annual saving	£29,669
Present capital value of the operation	108,298

The two tables supplied by the actuaries give such complete details as to the effect of the operation that I feel it to be unnecessary to make any observation upon them myself. I think, however, that the Government has reason to be satisfied with the result.

A number of applications are still coming in from persons who allege that their failure to avail themselves of the conversion within the limited period was due to accidental causes; and in regard to these cases the Stock Agents are considering the course they should advise you to take. There are also several larger questions concerned, with regard to the future, upon which they will have to address you on a future occasion. In the meantime I confine myself to one remark. Assuming that the Government were to determine upon issuing a conversion loan to pay off the 5-per-cent. 5-30 bonds which have not been sent in for conversion, and assuming that the credit of the colony is the same as it is now (viz., that the market price of the 4-per-cent. inscribed stock should not be below par), the Government could easily raise a loan sufficient to pay off the bonds. It would pay the Government, in fact, to give the market, say, £103 in inscribed stock for every £100 of cash subscribed in a conversion loan; and, as I need not say that it would not require £103 of stock to obtain £100 cash from the market, I look upon it as probable that the Stock Agents will recommend you by telegraph to authorize their taking steps to call in the residue of the 5-per-cent. 5-30s (which have not been sent in for conversion) on the best terms they can.

I have, &c.,
F. D. BELL.

The Hon. the Colonial Treasurer, Wellington.

NOTE.—For enclosures see enclosures to No. 36.

No. 34.

MEMORANDUM by the SECRETARY to the TREASURY.

Results of the Recent Conversion of Debentures into 4-per-cent. Inscribed Stock.

		Stock.
5-30 years, 4½ per cent.	£3,053,000, at 103	=£3,144,590
5-30 ,, 5 ,, ...	503,700, at 103½=	521,329
	3,556,700	
3 years, 5 per cent.	1,832,000, at par	= 1,832,000
		5,497,919
Expenses	... ...	50,896*
	£5,388,700	=£5,548,815

Increase of capital is therefore £160,115.

* £5,497,919, at £600 per million, £3,298; £5,497,919, at 12s. 6d. per cent., £34,361; £3,556,700, at ¼ per cent., £8,892; advertising, &c., £4,000: total, £50,551. £50,551, at 12s. 6d., £315; total, £50,866. £50,866, at £600, £30. Grand total, £50,896.