

in the amount of stock into which the bond is to be changed at its maturity. The right thing, in our view, is to renew the offer year by year, just before the annual drawing. For, as each year comes round, a holder who wants to escape the drawing will be able to be tempted by a less amount of stock to be inscribed at the expiry of his new bond; and thus, instead of having to go on giving a seven years' bond exchangeable for 107 of stock, the amount of stock to be given will gradually sink to only a little above par. The great thing is to bring about a natural extinction of the sinking fund; and we therefore trust the Government will give us permission to renew, next year, the offer of the same seven years' currency. As to making any operation just now, too short a time has elapsed since the last one; and besides, we are sure the best time to operate is just before the drawing. We therefore telegraphed advising you to delay making the offer until February, when the announcement could be simultaneously made both for the consols of 1867 and the fives of 1863.

4. Five-thirty 4½ per Cents.

We had no hesitation in answering in the negative the question you put to us whether it would be safe to give notice to pay off the unconverted portion of this loan, amounting to a little over three millions. When we first advised the Government, four years ago, to commence with the five-thirties, we had no idea that we should have to borrow anything like the amount of new money that we have had to raise since then, nor did we anticipate, when arranging with the Bank of England to pay off the fives, that we should in less than twelve months have to raise an extra million and a half. We assure you that the market is not capable of absorbing such masses of stock as the colonies have been shovelling upon it during the last three years; and it would be quite unsafe for us to run the risk of having to raise a large loan in a few months, by calling in the 4½-per-cent. five-thirties. We must wait for some time yet, although we may bring to your recollection that it was one of our chief objects that the new 5-per-cent. bonds should postpone for seven years the impact upon the market of so large a mass of stock as would have been required for a direct conversion of consols, and thus leave a chance for the 4½-per-cent. five-thirties, if only the raising of so much new money did not interfere.

5. Old Provincial Loans.

We are entirely in agreement with you as to the expediency of converting these whenever occasion offers, and shall shortly address you again respecting the creation of a reserve stock for the purpose.

6. North Island Million Loan.

We were, of course, well prepared for the announcement in your telegram that you would probably want this loan to be negotiated about next May; and as the loan has been expected by the market all along, we may hope to place it fairly well, if no great change takes place in prices meanwhile.

7. New Loans.

We heard with great satisfaction that no new loan had been authorized last session. This decision will greatly help the North Island Million.

Copies of the telegrams between us are annexed.

We have, &c.,

P. G. JULYAN,

F. D. BELL,

Loan and Stock Agents.

The Hon. the Colonial Treasurer, Wellington.

Copies of Telegrams referred to in No. 30.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

Loan Agents, London.

(Received 23rd September, 1885.)

LOAN of 1856: Try arrange interest payable out of sinking fund, full amount now being in hand. If further margin required try privately convert few thousands. Loan of 1863: balance unconverted, exclusive half-million guaranteed, half-million odd six-per-cent. interest, two-per-cent. sinking fund, nearly half-million five per cent. and one-per-cent. sinking fund; very desirable convert these soon as possible, and give notice pay balance* Consolidated Loan, 1867: desirable convert, deducting one year at least from currency of five-per-cent. debentures or more if those debentures at premium, of which you best judges. Four-and-half-per-cent. five-thirty loan: Is it desirable, safe, give notice pay off, taking risk issuing loan before notice expires? I ask, but doubt. Old provincial loans: Any these you can buy and convert, even in small quantities, very desirable. Session ended. No new loan. Probably require negotiate North Trunk million about May. Earnestly ask attention above, choosing suitable time. If your opinions differ, cable points difference, leaving me suggest decision.

Wellington, 23rd September.

The LOAN and STOCK AGENTS to the COLONIAL TREASURER.

Treasurer, New Zealand.

London, 30th September, 1885.

LOAN of 1856: Perhaps can arrange. Consolidated Loan, 1867: Concur conversion desirable, but too short time elapsed since operation: advise waiting February, when drawing will help; our opinion is, however, hopeless reduce currency debentures. Four-and-a-half-per-cent. 5-30s: We think unsafe give notice at present. Old provincial loans: Consider desirable convert occasion offers.

LOAN AGENTS.

No. 31.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

GENTLEMEN,—

Christchurch, New Zealand, 1st December, 1885.

I have the honour to acknowledge the receipt of your letter of the 7th October, in reply to my telegram of the 23rd September. I will proceed to comment upon some of the points treated therein.

* Error in transmission, see No. 306.