

Enclosure 3 in No. 20.

SIR,—

7, Westminster Chambers, London, S.W., 26th June, 1885.

I have to acknowledge the receipt of your letter of yesterday, in answer to mine of the 24th; and I have, on behalf of the New Zealand Government, to confirm the new arrangements as described by you.

The Chief Cashier, Bank of England.

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

No. 21.

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,—

7, Westminster Chambers, London, S.W., 29th June, 1885.

The new Canadian loan for four millions was tendered for to-day. The applications were for about twelve millions, tenders ranging from £99 to £103, and one tender being for a million at £99. Tenders at £100 18s. will receive about 8 per cent., and those above that price in full. The average price of the loan is £101 1s. 8d.

You will not fail to observe that both Canada and Victoria, which were supposed to be sure to bring out their loans at $3\frac{1}{2}$ per cent., have decided to keep to a 4-per-cent. issue.

The Hon. the Colonial Treasurer, Wellington.

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

No. 22.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

Loan Agents, London.

Wellington, 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 liberal terms. 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.

No. 23.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

GENTLEMEN,—

The Treasury, Wellington, 26th September, 1885.

I have the honour to enclose a copy of a telegram [No. 22, above] which I sent to you on the 23rd instant. You will recognize in it an indication of my natural desire that no time should be lost whenever the market is favourable to further proceed with the conversion of the loans. I hope I have succeeded within the narrow limits of the cablegram in making my meaning clear.

First, as regards the loan of 1856: the sinking fund now accumulated is equal to the amount of the loan, and it seems to me that there is no object in paying £20,000 for interest out of the consolidated revenue when that interest might be paid out of the loan itself. There would be no objection, if it was thought desirable, to put the whole amount into the securities of other colonies bearing interest at 4 per cent.; and if it was further desired that there should be a small margin you surely would be able to find privately a holder of some £20,000 to £50,000 who would arrange to convert; the proposition the Trustees of the Sinking Fund should agree to is that they should pay the interest as it falls due, we agreeing to keep up the securities to £500,000.

Of the loan of 1863 there is nearly one million outstanding, exclusive of the half million guaranteed by the Imperial Government. That million bears interest partly at 6 and partly at 5 per cent., with a sinking fund partly of 2 and partly of 1 per cent. Any part of this which could be converted would save us a considerable amount annually,

As regards the Consolidated Drawing Loan of 1867, I have no doubt you will be able to secure another considerable line of this stock. Every year the holders must feel that they run a greater chance of their bonds being drawn for payment at par. You will be best able to judge of the exact terms, but these should comprise at least one year's less currency of the 5-per-cent. debentures, or a corresponding reduction of the premium to be paid in inscribed stock. I hope you will arrange to have this matter settled earlier next year than was the case this year; and especially that the drawing should be arranged to take place earlier, so that we should be able to bring the results within the year's accounts. As you are aware, with the amount of our bonds drawn we pay off a corresponding amount of the debentures which have been created.

As regards the $4\frac{1}{2}$ -per-cent. 5-30 Loan I brought this under your notice, though I rather doubt whether it would be desirable to run the risk of calling in the loan, trusting to the negotiation of a loan to take it up. It might be the case that the holders would not reinvest in the new loan, and consequently we should have to find, as it were, a fresh market for the whole of it. On the other hand, it will hardly pay to call the loan in and give so large an assured premium to the Bank of England for undertaking to find the money as we did lately with the 5-per-cent. 5-30 debentures. It is sufficient for me, however, to draw your attention to the matter.