No. 10.

The Agent-General to the Premier.

Westminster Chambers, 13, Victoria Street, London, S.W.,
13th February, 1891.

Sir,—

In continuation of my letter to the Hon. the Treasurer of the 6th instant, No. 201, I have to report that, at a conference with the Governors of the Bank of England to-day, the prospectus of the conversion was settled. I enclose some copies, together with the Agent-General's statement to accompany the same.

The formal report of the Stock Agents will be sent to you by the San Francisco mail. In the meanwhile, I note the principal points to which they will no doubt feel it necessary to refer.

The Government having decided not to include in the present operation the Consols of 1867 (annual drawing), or the District Railways debentures, the conversion has been confined by us to the sixes of 1891 (loans of 1860 and 1863), the fives of the loan of 1867 (colonial issue), and the old Provincial loans (Lyttelton and Christchurch Railway, Westland, Auckland, Nelson, Otago, and Canterbury Loans).

The Stock Agents had already come to the conclusion that it would not be worth while to make any offer to the holders of debentures of the fives of 1914.

The principles on which we have proceeded in fixing the amount of stock to be offered in each loan are the following:—

1. In the case of the sixes, taking the market price of the day of our 3½-per-cent. stock at 97 to 97½, we estimated that we might place a cash loan at 96, if that process had been adopted instead of a simple offer of conversion, and reasonable inducement is thereby afforded to holders to come in.
2. We decided to place all the holders of the four series of sixes on the same footing, notwithstanding the difference of maturing dates, the stock to bear interest from the 1st July, and holders being allowed to inscribe their stock on the 2nd June, the necessary adjustments in interest being made by scrip with coupons attached.
3. In the case of the loan of 1867 (colonial issue), we took 106 of 3½-per-cent. stock as the fair equivalent, also to bear interest from 1st July, and to be inscribed on 2nd June.
4. In the case of the Provincial loans, we have simply taken the equivalents as computed by the Actuaries, adding about 1 per cent. (excluding fractions) as the inducement to holders to come in; the stock to bear interest from 1st July, and be inscribable on 2nd June.
5. Debentures of the sixes are to be deposited at the Bank on the 14th March, and all other debentures on the 15th June.

The prospectus reserves the right, in the case of any debentures not brought in now, to convert them into 3½-per-cent. stock later on, with the assent of holders, on terms to be fixed from time to time.

The Agent-General's statement contains the particulars you cabled to me on the 3rd instant, together with a few other salient points relating to the progress of the colony; and I have taken the opportunity to correct the blunder made in my statement of May, 1888 (accompanying the prospectus of the Two-million Loan), on the question of Maori lands having been made subject to rates and taxes, with regard to which complaints were made in the House of Representatives.

You will observe that I have stated the amount remaining unexpended (at the 31st March, 1890) out of the loans raised as being about £961,000, which is the sum given at page 4 of Sir Harry Atkinson's Financial Statement. Properly speaking, I think I should also have stated the liabilities against that amount; but the figures at page 6 of the Financial Statement, giving the balances of Parts 1, 2, and 3 of the Public Works Fund, and the liabilities against the same, would have required explanations which it was hardly worth while inserting in the Agent-General's present statement.

I have sent you to-day a telegram, copy of which is annexed, to acquaint you of the conversion being announced.

As I have already informed the Treasurer, the Trustees of the Sinking Fund of 1863 have proceeded with their sales of stock, and there is now on deposit at the London and Westminster Bank a sum of £71,778.

It has seemed to me, however, that it would be advisable not to trench upon the Sinking Fund if it could be avoided; and I accordingly asked the Governors of the Bank, at the conference to-day, to make a temporary advance of such amount as may be found necessary to pay off debentures of the sixes falling due on the 15th March, and not brought in for conversion, time being given to sell 3½-per-cent. stock for that purpose. The Governors agreed to do this, and the advance will be paid off as sales are made. A similar arrangement will probably have to be made later on to pay off debentures of the other three series not brought in at the date fixed—namely, the 15th June.

The necessary steps are now being taken by Messrs. Mackrell for the preparation of the deed creating the stock, and the declaration to be enrolled at the Inland Revenue.

I have, &c.,

The Hon. the Premier, Wellington. F. D. Bell.