SESS. II.—1891.
NEW ZEALAND.

3½-PER-CENT. CONVERSION LOAN, 1891.

(CORRESPONDENCE RELATING TO THE).

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The AGENT-GENERAL to the COLONIAL TREASURER.

Westminster Chambers, 13, Victoria Street, London, S.W.,
1st November, 1890.

SIR,—

Although the questions connected with paying off the sixes of 1891 next year have doubtless received your attention already, it may be expedient to refer to them from this side as well.

Taking the present sum at credit of the sinking fund of these sixes, and looking forward to the dates when they will fall due in the course of 1891, it may be said in general terms that there will be enough money in the fund to pay them off. Is it, accordingly, your intention to let them run out and be paid off; or have you contemplated any operation in conversion being made between now and the 15th March, when the first parcel of debentures fall in? A number of considerations have to be taken into account, and I will endeavour to examine these by next mail.

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

The Hon. the Colonial Treasurer, Wellington.

No. 2.

The COLONIAL TREASURER to the AGENT-GENERAL.

The Treasury, Wellington, 22nd December, 1890.

SIR,—

I am in receipt of your letter of the 1st ultimo referring to the debentures of the loan of 1863, which fall due during next year, and in which you ask whether it is the intention of the Government they should be paid off out of the sinking funds accrued, or whether they should be included in a conversion operation.

The subject has received my attention, and I am inclined to think that in any case the first parcel, due 15th March next, will require to be paid off out of the sinking fund moneys, as, owing to the present appearance of the London money-market, any conversion operations are not to be thought of.

I note you propose, however, to give the subject further consideration and to communicate the result by next mail; I shall therefore postpone a more definite reply until I have again heard from you.

I have, &c.,
H. A. ATKINSON.

The Agent-General, London.

No. 3.

The AGENT-GENERAL to the COLONIAL TREASURER.

Westminster Chambers, 13, Victoria Street, London, S.W.,
14th November, 1890.

SIR,—

Since writing to you on the 1st November, No. 1535, respecting the redemption of the outstanding sixes of 1891 next year, I have been in communication with Sir Penrose Julyan thereon.

There are various points that will require the early consideration of the Government.

The sixes issued under the Loan Act of 1863, amounting to £417,000, fall in at the following dates: £154,800 on the 15th March, £188,400 on the 15th June, and £73,800 on the 15th December. The other sixes, amounting to £74,100, issued under the Loan Act of 1860, fall in on the 1st July, 1891, and the Sinking Fund Commissioners in New Zealand have in hand the sum of £84,854, or more than sufficient to pay them off, which I assume will be done in due course by them.

The sinking fund of 1863 in this country now contains £399,623 of 4-per-cent. inscribed stock, and the balance of about £25,000 between that sum and the aggregate sums to be paid off will come in from contributions yet to accrue.

The question to be determined by the Government is whether the debentures are to be paid off as they come due, or whether any offer of conversion is to be made to the present holders.

I.—*As to paying off.*

Unless there is to be an offer of conversion it will be necessary for the Trustees to take early steps to prepare for the first and successive payments, and they have agreed to the following course:—

1. To cease investing contributions yet to accrue in respect of the first lot of debentures, falling due on the 15th March, and to place the money on deposit at interest with the Bank of New Zealand.
2. To apply all sums coming into their hands for other loans during 1890–91 to the purchase of stock now in the sinking fund of 1863, and in like manner to place the purchase-money on deposit on account of that fund.
3. For providing the difference between sums so received and the sum required to extinguish the debentures falling due on the 15th March, to make gradual sales of part of the stock in the fund, placing the proceeds on deposit at interest.
4. To adopt the same process afterwards in regard to the two instalments falling due in September and December.

Unless, therefore, the Government should desire any different steps to be taken by the Trustees, this course will be followed in the event of the decision being against an offer of conversion.

II.—*As to Conversion.*

If, on the other hand, the Government decide that an offer should be made to the present holders, the same process would have to be adopted by the Stock Agents as was pursued in the case of the partial conversion of the sixes in 1886. It would have been competent to the Government, when issuing the conversion loan last year for extinguishing the ten-forties, to have made an offer to the holders of the sixes; and of course it is competent for them to do it now.

There are two ways in which this could be done: (1) To offer the holders to exchange their debentures for an equivalent in 4-per-cent. stock out of the stock now in the fund; or (2) to offer an equivalent in 3½-per-cent. stock.

I am myself strongly of opinion that any offer of conversion should only be made in 3½-per-cent. stock. It is, of course, unnecessary for me to point out that, if such a conversion were to be offered, and were accepted, the sinking fund would be *pro ratâ* set free, and become applicable under the provisions of "The Consolidated Stock Act, 1884."

Under these circumstances it would be well for me to get early instructions by telegram as to whether any offer of conversion is to be made. This letter will reach you at the end of December, and I hope you will be able to send a cablegram of your decision soon after. In the meantime the Trustees and the Stock Agents will be preparing for either alternative of converting or paying off, and if your decision is in favour of conversion they will be able, immediately upon receiving your message, to submit the figures by cable, as was done in the case of the previous conversions in 1885 and 1886. It is impossible to say now what those figures would be, as everything will depend upon the state of the market at the time, and in all probability you will, as heretofore, find it necessary to leave a large discretion with the Stock Agents. In the present state of the money-market no operation would be possible; but it is thought likely that a favourable turn may take place early in the spring.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington. F. D. Bell.

No. 4.

The Agent-General to the Colonial Treasurer.

Westminster Chambers, 13, Victoria Street, London, S.W.,
14th November, 1890.

Sir,—

The accompanying letter of this date, No. 1594, relates only to the subject of the sixes of 1891, but there are other questions to be considered, which it may be desirable to settle at the same time.

I.—*The Guaranteed Half-million of 1863.*

It may be in your recollection that, when I was negotiating with the Imperial Treasury for the colony to be released from further payment on account of the sinking fund of this guaranteed half-million, I mentioned to you (19th March, 1889, No. 349) that there was a further question to be considered later on as to the expediency of including in any future conversion a proposal to pay off the debentures altogether.

The circumstances connected with the guarantee are, of course, familiar to you, but it may be as well to mention the chief point that has now to be borne in mind. By the Imperial Treasury letter of the 19th August, 1865, the Lords Commissioners decided that they "would only accept the debentures for half a million as a collateral security for the war contribution, and that, as the bonds were only to be deposited in that character, the Crown Agents should be instructed to prepare these in such amounts and for such periods as would best suit the convenience of the Colonial Government in disposing of them when returned to them after payment of the debt due to the Imperial Government." Nevertheless the Crown Agents issued the debentures for the whole term, ending in 1915.

By the Imperial Act 29 and 30 Vict., cap. 104 (1866), it was recited that "the Agents appointed under the Loan Act of 1863 had, by direction of the New Zealand Government, issued and placed in the hands of the Commissioners of Her Majesty's Treasury debentures to the amount of £500,000 sterling, which debentures were held by the Commissioners as collateral security for the repayment of certain sums of money due from the Government of New Zealand to Her Majesty's Exchequer;" and the schedule of the Act gave a narration of the debentures which had been delivered on the 23rd January, 1866, to the Bank of England "to be held on deposit, on account of the Lords Commissioners of the Treasury, in the names of G. A. Hamilton and the Crown Agents."

The question is, whether under these provisions the New Zealand Government are still entitled to pay off the half-million to Her Majesty's Government, and whether negotiations should be initiated with the Treasury and the Bank of England on the subject. If the Government are entitled to pay off the half-million, and to make an issue of 3½-per-cent. stock for that purpose, the result would be to set free the amount now standing to the credit of the sinking fund for the redemption of the debentures.

I mention this matter at once, but it will require more careful examination later on. Nevertheless it would be well for the Government to let me know early whether they claim to have the right to pay off the debentures, or whether they intend to let them run on to their due date in 1915.

II.—*Other Loans.*

In your Financial Statement of June, 1890, you refer to several loans falling due in the course of the next two or three years, and you say that "it may be found desirable, when making provision for such of them as are not renewable, to deal at the same time with those which are, and make one operation do for all."

The question is, whether, supposing any conversion is offered to the holders of the sixes of 1891, a general offer should be made at the same time to the holders of any other debentures. Some of these, as you are aware, are not domiciled here, nor quoted on the Stock Exchange. The most important one of those that are quoted is, of course, the old Consols of 1867; and if any general operation in conversion were undertaken, it may be well to attempt one of the outstanding amount of £1,261,800.

It is also matter for consideration whether, if any general conversion is to be made now, the opportunity should not be taken to convert the colonial issues of stock under the Consolidated Stock Act of 1884, and so endeavour to bring as much as possible of the outstanding public debt into one denomination of 3½-per-cent. stock.

The questions involved in what I have said are so important that they require more careful elucidation, and I will endeavour to express my view more clearly by an early mail. In the meanwhile, however, it would be desirable that I should know whether the policy of the Government would be to attempt so large an operation if the market should be favourable for one during the early part of 1891.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington. F. D. Bell.

No. 5.

The Colonial Treasurer to the Agent-General.

Sir,— The Treasury, Wellington, 23rd January, 1891.

I have the honour to acknowledge receipt of your two letters, dated the 14th November last, respecting the redemption of the outstanding sixes of 1891, and a possible conversion of other loans falling due in the course of the next few years. You also refer to the guaranteed half-million of 1863, and raise the question whether we are still entitled to pay off the half-million to the Imperial Government, and whether negotiations should be initiated with the Imperial Treasury and the Bank of England on the subject. Shortly after receipt of these letters, your telegrams dated the 7th and the 19th inst. reached me, stating that the Governors of the Bank of England had consented to bring out a conversion loan, and giving particulars of the loans you proposed to convert. Upon first consideration of your letters the Government were of opinion that it would be desirable to make an offer to the holders of the "sixes of '91" to convert into 3½-per-cent. stock, and that the conversion operation should be extended to embrace other loans presently falling due—subject, however, to the views of the Stock Agents, who the Government recognise are best able to decide whether a successful operation can be effected or not. With respect to the guaranteed half-million, it was thought you had possibly overlooked the fact that the money had been paid over to the Imperial Treasury by the Bank of England.

Telegrams embodying the Government's opinion, as above, were despatched in reply. Upon receipt, however, of your telegram giving particulars of the loans you contemplated including in the conversion operation, amounting to a little over £800,000, the matter was further considered, and Ministers have since decided that it is not desirable, in the existing circumstances, for the present Government to authorise such an operation, as it is their intention to ask His Excellency the Governor to relieve them from office in the course of a day or two.

Before sending you a telegram to the above effect I received your message, dated the 19th inst., relating to the probable equivalent required to convert the £64,000 consolidated loan, 1867, debentures. I therefore despatched a message that it had been decided it was not desirable to convert at present; meaning, of course, that Government did not intend to authorise the conversion of any loans just now. Yesterday your telegram dated the 21st was received, showing that you assumed my last message related solely to the question of the conversion of the consolidated 1867 debentures. I have therefore to-day despatched the following telegram, conveying the determination of the Government: viz., "Not intended convert any loans at present, Government having sent in their resignation to-day."

I have, &c.,
H. A. ATKINSON.

The Agent-General for New Zealand, London.

No. 6.

The COLONIAL TREASURER to the AGENT-GENERAL.

The Agent-General, London. Wellington, 2nd February, 1891.

LETTER relating to the sixes of 1891 has been received and considered by the Government. An offer of conversion is to be made to the holders: it is to be one to convert into $3\frac{1}{2}$-per-cent. stock. The equivalent in stock to be offered is to be determined by the Stock Agents. Omit Consolidated Loan of 1867 and District Railways debentures.

No. 7.

The COLONIAL TREASURER to the AGENT-GENERAL.

SIR,— The Treasury, Wellington, 24th February, 1891.

Referring to your telegram of the 13th instant, announcing the issue of the prospectus of the new $3\frac{1}{2}$-per-cent. conversion loan, and to your later telegram, of the 17th idem, stating that holders of the first series of the loan of 1863 must declare before the 14th March, and all others before the 15th June next, although you have not advised me of the total amount of the Provincial loans it is proposed to convert, I have taken the figures at £313,800, which agrees with the amount expressed in a Press Association telegram to our newspapers.

Included in this £313,800 is the Westland Loan of £50,000 and the Nelson Loan of £15,000. In regard to the former the debentures are held by the General Post Office, and the latter by a gentleman in Nelson, in this colony. The £64,000 of the Consolidated Loan of 1867 is held in Sydney (at least, the coupons are paid there); and the debentures contain the following paragraph: "The principal sum of this debenture, and the last instalment of interest thereon, may be made payable in London by this debenture being presented for the purpose of having such change of place indorsed thereon, within the month of July, in the year 1892, at the bank or other place at which the interest due on the first of the said month of July had been appointed to be paid."

I do not know what arrangements you propose to make with the view of giving publicity in Sydney for holders of the 1867 loan to come in and convert; but probably your letters announcing particulars of the conversion scheme will afford the necessary information, more especially with regard to the proposed equivalents; and I shall then be in a position to advertise in Sydney, if such be necessary. I very much doubt whether the parcel of £15,000 Nelson Loan will be handed in, as the debentures bear 7 per cent. interest, and do not mature until five years hence.

I take this opportunity of thanking you for the great personal interest you have taken in securing the conversion of our outstanding heavy-interest-bearing loans, and I trust the operations will result in a complete success.

I have, &c.,
J. BALLANCE.

The Agent-General for New Zealand, London.

No. 8.

The AGENT-GENERAL to the COLONIAL TREASURER.

Westminster Chambers, 13, Victoria Street, London, S.W.,
SIR,— 25th January, 1891.

It will be convenient for record to mention the steps that were taken in regard to conversion between the date of my letter to your predecessor of 9th January, No. 51,* and the resignation of Sir Harry Atkinson's Ministry. Up to the date of that letter the Stock Agents had not made up their minds whether it would be wise to advise the Government to include in the proposed conversion the Consols (drawing loan), or the fives of 1914, or any of the District Railway debentures except the £35,000 falling due in 1896.

In the meantime I had prepared a minute for the Stock Agents, copy of which is enclosed, on various points that had to be determined; and the actuaries soon afterwards completed their computations of equivalents, copies of which are also now enclosed.

The Stock Agents had come to the conclusion that, while it would be inexpedient to renew the offer of a seven years' 5-per-cent. debenture to holders of Consols, that series should only be included in the conversion provided that the increase thereby made to the public debt was not excessive. The actuaries' computations, however, showed that (according to relative market-prices at that time) the equivalent in $3\frac{1}{2}$-per-cent. stock of a £100 Consol bond was about £110, to which would have to be added stamp duty, initial charge of the Bank of England, commission to brokers, &c., amounting to about $1\frac{1}{2}$ per cent. more; and, although in any case only a part of the Consols could be expected to be brought in, I was unwilling to make that addition to the debt without consulting the Government.

* Confidential letter referring to interview with Governor of Bank of England.

With regard to the fives of 1914, we considered that, having regard to the market-price of 114 to 116, and to the fact that 5 per cent. interest was assured for many years to come, it would not be worth while including that series, as holders would not be tempted to convert except at too high an equivalent to be conceded. Then, as to the District Railway debentures, we also came to the conclusion that, although it would pay the colony to offer very liberal terms to extinguish the whole amount outstanding, the present conversion had better be confined to the £35,000 falling due in 1896.

The matter had reached this point when I received the telegram of 21st January, saying that it was not deemed desirable to convert at present; but I mistook the meaning of the message, reading it as only applying to Consols, and as an answer to my cable of the 19th. Under that impression I cabled again, asking whether the £35,000 District Railway debentures had actually been issued, because if not they would have to be excluded; and suggesting whether, when Parliament met, the Stock Agents could be allowed to state that no new loan would be raised during 1891. The reply of your predecessor corrected my misreading of his previous message, and stated that it was not intended to convert any loans at present, the resignation of Ministers having been sent in.

Under these circumstances it became necessary for the trustees of the sinking fund of 1863 to go on at once with sales of the stock in the fund, and £25,000 were sold at 106⅝, the proceeds being placed in deposit at the London and Westminster Bank at seven days' notice; while a further sale of £25,000 was made immediately afterwards for the succeeding Stock Exchange account.

All proceedings relating to the conversion were then suspended until information should be received as to the formation of a new Ministry. I have, &c.,

The Hon. the Colonial Treasurer, Wellington. F. D. Bell.

Enclosure 1 in No. 8.

MINUTE FOR THE STOCK AGENTS *re* CONVERSION OF 1891.

THE Government having approved my proposal that an offer of conversion into 3½-per-cent. stock should be made to the holders of the sixes of 1891, and that the opportunity should be taken of also effecting the conversion of any other loan in which the Stock Agents may consider that a favourable operation could be made, it is advisable to examine several points which will have to be considered in determining our course. The Bank of England has agreed to bring out the conversion of the loans maturing between now and 1898.

The following are the loans which I think it may be advisable to include in the conversion:—

		£
1. Consols of 1867 (with annual drawing)	£1,261,800	
" (colonial issue)	64,000	
		1,325,800
2. Sixes of 1891—		
(*a.*) Loan of 1860		74,100
(*b.*) Loan of 1863		417,000
3. Fives of 1914		378,800
4. Old provincial loans—		
(*a.*) Lyttelton Railway Loan		77,700
(*b.*) Westland Loan		50,000
(*c.*) Auckland Loan		31,600
(*d.*) Nelson Loan		15,000
(*e.*) Otago Loan		116,700
(*f.*) Canterbury Loan		22,800
5. District Railways Act		189,600

1. Consols of 1867 (Annual Drawing), £1,261,800.

When, in the conversion of 1885, we offered a 5-per-cent. debenture for seven years, to be converted in 1892 into 107 of 4-per-cent. stock, the operation was very successful, and the conversion of 1886 brought in a large further amount. On the 31st March, 1890, the amount outstanding was only £1,261,800, and after the next drawing the amount that will then be outstanding will be a manageable one. The conversions of 1885 and 1886 were based, of course, on the then remaining "life" of a Consol bond. The Actuaries' tables of February, 1885, showed that there were then nearly fourteen years left of the life, and that after the drawing of 1891 the life would fall to a fraction under nine years. The time is therefore approaching when a seven years' bond would be as good as the "life;" so that if we were now to renew the offer to convert into 4-per-cent. stock (which is quoted about 106, while Consols are 105 to 107), it would be reasonable to expect that a holder would exchange his bond for 4-per-cent. stock at par, though he would not exchange into 3½-per-cent. stock without a premium.

The question is, therefore, whether it would be expedient to renew an offer of seven years' bond, convertible then into 3½-per-cent. stock, and if so at what figure. I am not in favour of it myself. In April, 1886, we advised against it; but in November of that year Sir Julius Vogel was so desirous of a final end being made of the Consols that he thought of offering 5-per-cent. debentures of a currency which would fully represent the remaining "life." He also thought that when the amount outstanding became less than a million the drawings might be finally ended by arranging with the Bank of England to pay off any debentures at the option of the holders whenever they wished it; and that neither the Bank nor the Crown Agents would, provided we lodged in trust with them enough 5-per-cent. debentures, object to undertake to pay off any of the balance brought in, while no Consol-holder could object to the cessation of the annual drawing if he was assured of repayment whenever he asked it. The importance of this proposal of a new 5-per-cent. debenture, representing all the then "life" of Consols, was very great; but there were grave difficulties in the way of giving effect to it at that time, owing to the constantly-recurring menace of a European war, the panic that existed in all the great financial centres, the low price of all our securities, and the necessity to prevent fresh hostile comments on the finances of the colony.

It is remarkable that since that time several cases have happened in which European Governments have forcibly put an end to drawing loans, and called them in for payment; and, although objection has been taken to that process by many holders, the purpose of the Governments concerned has nevertheless been carried out. The latest instance of this is in France, where a compulsory conversion of the trentennial and liquidation bonds, redeemable by drawings up to 1907, has just been made without the consent of the holders, new rentes being offered to them as part of the great conversion loan of nearly nine hundred millions of francs, which is to be brought out immediately.

Generally it may again be said of any Consols conversion, as we said in December, 1885, that the question is how far the immediate reduction in annual charge which would result from the natural extinguishment of the Sinking Fund would compensate for ultimate increase in the capital of the debt, and how much per cent. it would pay the colony to give beyond the proper market equivalent in order to get in the bonds.

2. Consols of 1867, Colonial Issue (£77,000).

With regard to this series, I think it will hardly be advisable to include in the operation any but the £64,000 falling due on the 1st January, 1893, as the £13,000 maturing in 1913 only carry interest at 4 per cent., so that it would not be worth while to convert them.

3. Sixes of 1891.

	£
Loan of 1860	74,100
„ 1863	417,000

At the time of the last conversion, the sixes of the two series were quoted respectively at 109 to 111 and 110 to 112, whereas now, in consequence of their having to be paid off during this year, they have of course fallen to a little over par; and the equivalent between them and the 3½-per-cent. stock into which they would be converted will simply be fixed by the market price of the stock on the day the conversion is announced.

4. Fives of 1914 (£378,800).

Although it might be desirable to include this series in the conversion, the bonds are so firmly held that there is very little chance of bringing in many more at any figure which it would pay the colony to give. They are now quoted, at the same price, of 114 to 116, at which they stood five years ago, and, as the yield of 5 per cent. is assured for twenty-four years to come, conversion into 3½-per-cent. stock would hardly tempt any of the holders to come in except at too high a premium to concede.

5. Old Provincial Loans.

	£
(*a.*) Lyttelton Railway Loan	77,700
(*b.*) Westland Loan	50,000
(*c.*) Auckland Loan	31,600
(*d.*) Nelson Loan	15,000
(*e.*) Otago Loan	116,700
(*f.*) Canterbury Loan	22,800

Although these Provincial loans have varying dates of maturity up to 1898, it would be advisable to bring them all in if possible. This would necessitate special arrangements with regard to the interest accruing on some of them between now and 1898. The Governor of the Bank, however, makes an excellent suggestion—that the prospectus of the conversion should reserve a power to fix from time to time the rates at which bonds not brought in now could be converted later on.

The creation of enough 3½-per-cent. stock to extinguish these old loans will enable anything to be done hereafter with regard to debentures that may not be brought in now. For instance, they might either be brought up as was contemplated in 1885, or the Government might wait till the approach of maturity and then call in the bonds for payment: the colony would then be the inheritor of the bonds before their due date, and would be entitled to bring them in for conversion.

6. District Railway Bonds (£189,600).

With regard to these debentures, as only £35,000 fall due in October, 1896, while £154,600 go on till 1905 and 1909, it is a question whether it would be worth while to offer conversion to the latter; but, as the amount involved is so small, it would pay the colony to offer very liberal terms to extinguish them as well as the £35,000, since the addition to capital would be inappreciable in the total of the public debt.

7. Actuaries' Computations of Equivalents.

In order to be prepared in good time with the necessary computations of equivalents in the case of each loan that would be included in the conversion, I instructed the Actuaries to prepare tables of equivalents similar to those for previous conversions, and their calculations are now completed. When the former computations were made no 3½-per-cent. stock was in existence, and the Actuaries had first to determine from the market price of 4-per-cent. stock the rate of interest yielded on some of the securities, and then, having arrived at that, they prepared their table of equivalents in 3½-per-cent. stock. The existence of the actual 3½-per-cent. stock has made the calculation of equivalents an easier matter now.

Westminster Chambers, 8th January, 1891. F. D. Bell.

Enclosure 2 in No. 8.

Conversion of 1891.—Table showing the Equivalent in 3½-per-cent. Stock to a £100 Debenture of the Consols of 1867 (Annual Drawing Loan).

4-per-cent. Inscribed Stock, repayable at Par Thirty-eight Years hence.		Price of 3½-per-cent. Stock, repayable at Par Forty-nine Years hence, to yield the rate of Interest shown in Column 2. (3.)	Amount of 3½-per-cent. Stock, equivalent to a Debenture of £100 of the 5-per-cent. Consols, at the undershown Prices of the latter.						
Price. (1.)	Rate of Interest yielded per Cent. (2.)		105.	105½.	106.	106½.	107.	107½.	108.
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
103 0 0	3 17 0	92 6 8	113 14 4	114 5 2	114 16 0	115 6 10	115 17 8	116 8 6	116 19 4
103 10 0	3 16 6	92 16 9	113 2 0	113 12 9	114 3 7	114 14 4	115 5 1	115 15 10	116 6 8
104 0 0	3 16 0	93 7 0	112 9 7	113 0 4	113 11 0	114 1 9	114 12 5	115 3 2	115 13 10
104 10 0	3 15 6	93 17 2	111 17 5	112 8 1	112 18 9	113 9 5	114 0 0	114 10 8	115 1 4
105 0 0	3 15 0	94 7 5	111 5 3	111 15 10	112 6 5	112 17 1	113 7 8	113 18 3	114 8 10
105 10 0	3 14 7	94 17 7	110 13 4	111 3 10	111 14 5	112 4 11	112 15 6	113 6 0	113 16 7
106 0 0	3 14 1	95 7 11	110 1 4	110 11 10	111 2 4	111 12 9	112 3 3	112 13 9	113 4 3
061 10 0	3 13 7	95 18 1	109 9 8	110 0 1	110 10 6	111 1 0	111 11 5	112 1 10	112 12 3
107 0 0	3 13 2	96 8 5	108 17 11	109 8 4	109 18 8	110 9 1	110 19 5	111 9 10	112 0 2
107 10 0	3 12 8	96 18 8	108 6 5	108 16 9	109 7 1	109 17 5	110 7 9	110 18 0	111 8 4
108 0 0	3 12 3	97 9 0	107 14 11	108 5 3	108 15 6	109 5 9	109 16 0	110 6 3	110 16 6

Example: Thus, if prices are—4-per-cent. inscribed stock, £103; 5-per-cent. Consols, £106, then £114 16s. 3½-per-cent. stock (repayable at par forty-nine years hence) would be the equivalent for £100 debenture 5-per-cent. Consols.

A. H. Bailey.
Ralph P. Hardy.

19th January, 1891.

Enclosure 3 in No. 8.

CONVERSION OF 1891.— Table showing the Equivalent in 3½-per-cent. Stock of a £100 Debenture of the undermentioned Loans.

Market Price of 3½-per-cent. Stock.	Amount of 3½-per-cent. Inscribed Stock, equivalent to each £100 Debenture of the Stocks indicated, taken at the Market Prices of 3½-per-cent. Stock, as shown.									
	Consolidated Loan, 1867.	Westland Loan, 1873.	Auckland Loan, 1863.	Lyttelton and Christchurch Railway Loan, 1860.				Canterbury Loan, 1862.		Otago Loan, 1862.
	— Valued at £101 18s. 1d.	— Valued at £103 4s. 9d.	— Valued at £109 15s. 9d.	£28,700. Valued at £104 14s. 3d.	£21,300. Valued at £106 9s. 5d.	£18,500. Valued at £108 19s. 8d.	£9,200. Valued at £110 11s. 6d.	£10,600. Valued at £130 13s. 5d.	£12,200. Valued at £131 15s. 9d.	— Valued at £112 17s. 0d.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
93	109 11 6	111 0 2	118 1 0	112 11 11	114 9 8	117 3 9	118 18 0	140 10 2	141 14 2	121 6 11
93½	108 19 9	110 8 4	117 8 5	111 19 10	113 17 5	116 11 2	118 5 3	139 15 1	140 19 0	120 13 11
94	108 8 2	109 16 7	116 15 11	111 7 11	113 5 4	115 18 9	117 12 8	139 0 3	140 4 0	120 1 1
94½	107 16 8	109 4 11	116 3 7	110 16 2	112 13 4	115 6 6	117 0 3	138 5 6	139 9 2	119 8 4
95	107 5 4	108 13 5	115 11 4	110 4 6	112 1 6	114 14 5	116 7 11	137 11 0	138 14 6	118 15 9
95½	106 14 1	108 2 1	114 19 3	109 12 11	111 9 9	114 2 4	115 15 8	136 16 7	137 19 11	118 3 4
96	106 3 0	107 10 10	114 7 3	109 1 6	110 18 2	113 10 6	115 3 8	136 2 4	137 5 7	117 11 1
96½	105 12 0	106 19 8	113 15 5	108 10 3	110 6 8	112 18 9	114 11 9	135 8 3	136 11 4	116 18 10
97	105 1 1	106 8 7	113 3 8	107 19 0	109 15 3	112 7 1	113 19 11	134 14 3	135 17 3	116 6 10
97½	104 10 4	105 17 8	112 12 1	107 7 11	109 4 0	111 15 7	113 8 2	134 0 5	135 3 4	115 14 10
98	103 19 8	105 6 11	112 0 7	106 17 0	108 12 11	111 4 2	112 16 8	133 6 9	134 9 7	115 3 1

Example: Thus, if the value of £100 debenture of the Westland Loan, 1873, is £103 4s. 9d. (taken at 4 per cent. interest), and that of the 3½-per-cent. inscribed stock is 94, then £109 16s. 7d. of 3½-per-cent. inscribed stock (repayable at par forty-nine years hence) is the equivalent of £100 debenture of the Westland Loan, 1873.

A. H. BAILEY.
19th January, 1891. RALPH P. HARDY.

Enclosure 4 in No. 8.

CONVERSION OF 1891.—Table showing the Equivalent Amount of 3½-per-cent. Stock redeemable at Par 1st January, 1890, corresponding to the understated Market Prices ex. div. of the 4-per-cent. Stock redeemable 1929.

Market Price of £100 4-per-cent. Stock.	Equivalent Amount of 3½-per-cent. Stock redeemable 1940. £ s. d.
103	111 11 1
103½	111 9 8
104	111 8 2
104½	111 6 9
105	111 5 3
105½	111 3 10
106	111 2 4
106½	111 0 11
107	110 19 5
107½	110 18 0
108	110 16 6

Example: Thus, if the market value of £100 of the 4-per-cent. inscribed stock is £104, then £111 8s. 2d. is the equivalent in 3½-per-cent. stock, redeemable in 1940.

A. H. BAILEY.
19th January, 1891. RALPH P. HARDY.

Enclosure 5 in No. 8.

CONVERSION OF 1891.—Table showing the Equivalent in 3½-per-cent. Stock of a £100 Debenture of the Loan of 1863 (Fives of 1914).—Amount of Loan, £378,800; repayable 15th July, 1914. Interest, 5 per cent.; payable 15th January and 15th July.

Market Price of 3½-per-cent. Inscribed Stock.	Amount of 3½-per-cent Inscribed Stock, equivalent to each £100 Debenture, at the Market Prices undershown.						
	113.	113½.	114.	114½.	115.	115½.	116.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
93	121 10 1	122 0 10	122 11 7	123 2 4	123 13 1	124 3 10	124 14 7
93½	120 17 1	121 7 10	121 18 6	122 9 2	122 19 11	123 10 7	124 1 3
94	120 4 3	120 14 11	121 5 6	121 16 2	122 6 10	122 17 5	123 8 1
94½	119 11 6	120 2 1	120 12 8	121 3 3	121 13 10	122 4 5	122 15 0
95	118 18 11	119 9 6	120 0 0	120 10 6	121 1 1	121 11 7	122 2 1
95½	118 6 6	118 17 0	119 7 5	119 17 11	120 8 5	120 18 10	121 9 4
96	117 14 2	118 4 7	118 15 0	119 5 5	119 15 10	120 6 3	120 16 8
96½	117 2 0	117 12 4	118 2 8	118 13 1	119 3 5	119 13 9	120 4 2
97	116 9 11	117 0 2	117 10 6	118 0 10	118 11 2	119 1 5	119 11 9
97½	115 17 11	116 8 2	116 18 5	117 8 9	117 19 0	118 9 3	118 19 6
98	115 6 2	115 16 4	116 6 6	116 16 9	117 6 11	117 17 2	118 7 4

Example: Thus, if the prices are—Loan of 1863: fives of 1914, £114; 3½-per-cent. inscribed stock, £94, then, £121 5s. 6d. of 3½-per-cent. inscribed stock (repayable at par forty-nine years hence) is the equivalent of £100 debenture of the (1863) fives of 1914.

A. H. BAILEY.
19th January 1891. RALPH P. HARDY.

Enclosure 6 in No. 8.

CONVERSION OF 1891.—New Zealand 5-per-cent. Consols.—Table showing, for the 15th April in each Year during the Currency of this Loan and immediately after the March Drawing and the ensuing Redemption, the Average After-duration, or Mean Subsequent Life-time, of a Bond.

No.	Date.	Average After-duration, or Mean Subsequent Life-time, of a Bond.	No.	Date.	Average After-duration, or Mean Subsequent Life-time, of a Bond.
		Years.			Years.
1	15th April, 1884	13·52	13	15th April, 1896	5·98
2	„ 1885	12·85	14	„ 1897	5·40
3	„ 1886	12·19	15	„ 1898	4·83
4	„ 1887	11·53	16	„ 1899	4·26
5	„ 1888	10·88	17	„ 1900	3·71
6	„ 1889	10·24	18	„ 1901	3·16
7	„ 1890	9·61	19	„ 1902	2·62
8	„ 1891	8·98	20	„ 1903	2·09
9	„ 1892	8·37	21	„ 1904	1·56
10	„ 1893	7·76	22	„ 1905	1·02
11	„ 1894	7·16	23	„ 1906	0·14
12	„ 1895	6·56			

A. H. BAILEY.
19th January, 1891. RALPH P. HARDY.

No. 9.

The AGENT-GENERAL to the COLONIAL TREASURER.

Westminster Chambers, 13, Victoria Street, London, S.W.,
6th February, 1891.

SIR,—

My letter of the 25th January brought up the report of what had taken place respecting the proposed conversion to the date of the resignation of Sir Harry Atkinson. I beg now to continue the account since that time.

Immediately after my receipt of your predecessor's cable of 23rd January, Press messages appeared announcing the meeting of Parliament and the formation of the new Ministry. Upon this information reaching the Stock Agents, it became necessary to know what course the present Government intended to take in regard to the conversion, because the arrangements with the Bank of England for bringing out the loan in the beginning of February had either to be carried out or cancelled; and, having regard to the fact that the first series of the sixes of 1891 (£154,800) fall due on the 15th March, there was no time to be lost in ascertaining definitely whether the conversion was to go on or not. I accordingly cabled to you on the 29th January, stating that, in accordance with the late Treasurer's instructions, action had been suspended in the matter until further instructions; and inquiring whether it had been finally decided not to proceed with the conversion, as in that case it would be necessary for the Sinking Fund Trustees to press the sale of the 4-per-cent. stock in the Fund in order to provide for paying off the first series; while, if the operation was to go on, the Bank prospectus ought to appear without delay, in order to give a reasonable time to holders to decide between now and the middle of March whether to come in to the conversion or not.

I was glad to receive your reply of the 2nd February, instructing me that the offer of conversion was still to be made to the holders of the sixes, but that the Consols of 1867 (annual drawing) and the District Railway bonds were to be omitted. In order to make sure that I did not misunderstand your instructions I cabled the same day that I assumed we were only to convert the sixes of the loans of 1860 and 1863, leaving out all other loans for the present. The next day I received your further telegram saying that the old Provincial loans might be included, as well as the sixes of 1860 and 1863, as had been arranged at my conference with the Governor of the Bank, and reported to your predecessor by cable on the 7th January. I accordingly replied on the 4th February, stating that the Provincial loans would be included, and that we proposed also to include the £64,000 of the loan of 1867 (not drawing loan) falling due in 1893, as had been arranged with the Governor. I have to thank you for your reply of yesterday.

In the meantime I have received, with many thanks, your second cable of 3rd February, containing the very satisfactory figures of revenue and expenditure, to which are now added those of imports and exports for 1890, which you were pleased to cable to me yesterday.

Since the receipt of your instructions I have been in daily communication with my colleague, Sir Penrose Julyan, and we have been considering a variety of plans out of which to choose the one likely to be most attractive to the holders of the sixes. This has prevented the Bank prospectus coming out this week, but I have no doubt it will appear in the course of the next few days. In the meanwhile the Sinking Fund Trustees had taken advantage of the favourable turn in the market, and had been quietly proceeding with sales of stock in the Fund, so as to be provided in due time for whatever might happen. The cash has been placed in deposit at the London and Westminster Bank, including proceeds of sale of the first £25,000, and will be supplemented by proceeds of sale of a further amount of £25,000 for the next Stock Exchange Account. When this is completed the necessary steps will be taken for transferring the balance of the Fund into the names of Sir Penrose Julyan and myself.

I have, &c.,
The Hon. the Colonial Treasurer, Wellington. F. D. BELL.

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.,
F. D. Bell.

The Hon. the Premier, Wellington.

Enclosure 1 in No. 10.

NEW ZEALAND.—FURTHER CONVERSIONS OF THE PUBLIC DEBT.

THE Governor and Company of the Bank of England give notice that, on behalf of the Agents appointed by the Governor of New Zealand in Council under "The New Zealand Consolidated Stock Act 1887 Amendment Act, 1881," and "The Consolidated Stock Act, 1884" (Sir Francis Dillon Bell, K.C.M.G., C.B., and Sir Penrose Goodchild Julyan, K.C.M.G., C.B.), they are authorised to invite holders of the outstanding debentures of the under-mentioned loans to bring in their debentures for conversion on the following terms:—

1. *Six per Cents. of the Loans of 1860 and 1863, redeemable 1891.*—15th March, £154,800; 15th June, £188,400; 1st July, £74,100; 15th December, £73,800. (i.) For every £100 in debentures of the loan of 1863 falling due 15th March next, from which the coupon for the half-year's interest due 15th March must be detached, £104 of 3½-per-cent. inscribed stock, bearing interest from 1st July, 1891, and inscribable on or after 2nd June, 1891. Scrip certificates, with coupon attached for interest at 3½ per cent. from 15th March to 30th June (payable 1st July), will be issued in exchange for the debentures. (ii.) For every £100 in debentures of the same loan falling due 15th June next, from which the coupon for the half-year's interest due 15th June must be detached, £104 of 3½-per-cent. inscribed stock, bearing interest from 1st July, 1891, and inscribable on or after 2nd June, 1891. Scrip certificates, with coupon attached for the interest at 3½ per cent. for the broken period from 15th to 30th June (payable 1st July), will be issued in exchange for the debentures. (iii.) For every £100 in debentures of the same loan falling due 15th December next, from which the coupon for the half-year's interest due 15th June must be detached, £104 of 3½-per-cent. inscribed stock, bearing interest from 1st July, 1891, and inscribable on or after 2nd June, 1891. Scrip certificates, with coupon attached, payable 15th December, 1891, for interest at 6 per cent. per annum, from 15th June to 30th June, and for the difference of interest between 3½ per cent. and 6 per cent. per annum, from 1st July to 15th December, will be issued in exchange for the debentures. (iv.) For every £100 in debentures of the loan of 1860, from which the coupon for the half-year's interest due 1st July next must be detached, £104 of 3½-per-cent. inscribed stock, bearing interest from 1st July, 1891, and inscribable on or after 2nd June, 1891.

2. *Five per Cents. of the Loan of 1867, redeemable 1st January, 1893, £64,000.*—For every £100 in debentures, from which the coupon for the half-year's interest due 1st July must be detached, £106 of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891.

3. *Old Provincial Loans.*—Lyttelton and Christchurch Railway Loan, £77,700; Westland Loan, £50,000; Auckland Loan, £31,600; Nelson Loan, £15,000; Otago Loan, £116,700; Canterbury Loan, £22,800. (i.) Lyttelton and Christchurch Railway Loan, redeemable 1893 to 1897, £77,700. For every £100 in debentures, with all undue coupons attached, the following amounts of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891, namely: Series redeemable 1893, £109 of stock; series redeemable 1894, £111 of stock; series redeemable 1896, £113 10s. of stock; series redeemable 1897, £115 of stock. (ii.) Westland Loan, redeemable 1894, £50,000. For every £100 in debentures, with all undue coupons attached, £107 10s. of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891. (iii.) Auckland Loan, redeemable 1896, £31,600. For every £100 in debentures, with all undue coupons attached, £114 of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891. (iv.) Nelson Loan, redeemable 1896, £15,000. For every £100 in debentures, with all undue coupons attached, £119 10s. of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891. (v.) Otago Loan, redeemable 1898, £116,700. For every £100 in debentures, with all undue coupons attached, £117 10s. of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891. (vi.) Canterbury Loan, redeemable 1915 and 1916, £22,800. For every £100 in debentures, with all undue coupons attached, £136 of 3½-per-cent. inscribed stock, inscribable on or after 2nd June, 1891, and bearing interest from 1st July, 1891.

The inscribed stock herein mentioned will in every case rank *pari passu* with the New Zealand 3½-per-cent. consolidated stock already inscribed at the Bank of England, with dividends payable half-yearly on the 1st January and the 1st July, and redeemable at par on the 1st January, 1940.

Debentures surrendered for conversion must be deposited not later than the following dates at the Chief Cashier's office, Bank of England, where the necessary forms may be obtained, and must be left three clear days for examination: Sixes of 1891 falling due the 15th March, 1891, on or before the 14th March next; all other debentures, on or before the 15th June next. The right is reserved in the case of any debentures not brought in for conversion on the terms now notified to convert the same into 3½-per-cent. inscribed stock (with the assent of holders), on terms to be notified from time to time at the Bank of England.

By the Act 40 and 41 Vict., cap. 59, the revenues of the Colony of New Zealand alone will be liable in respect of the stock and the dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury will not be directly or indirectly liable or responsible for the payment of the stock or of the dividends thereon, or for any matter relating thereto.

Bank of England, 13th February, 1891.

Enclosure 2 in No. 10.

NEW ZEALAND PUBLIC DEBT. CONVERSION OF 1891.

THE present conversion continues the series of operations carried out since 1883, for converting loans bearing from 4½ per cent. up to 6 per cent. interest into 4-per-cent. and 3½-per-cent. inscribed stock. The amount of 4-per-cent. stock issued in conversion is £11,125,255, to which has to be added £242,800 to extinguish bonds for the purchase of private railways, and £4,557,047 which will be inscribed in 1892 on the expiry of the seven years' and six years' 5-per-cent. bonds issued in exchange for debentures of the fives of 1914 and Consols of 1867. The amount of 3½-per-cent. stock issued in conversion is £2,700,000, to which has to be added a further issue to the extent of about £70,000 for stamp duty and other expenses of the conversion of 1889. The total amount of stock of both denominations for conversions heretofore effected is accordingly over £18,695,000, and a large saving in interest has thereby been made.

By the present conversion a sufficient amount of 3½-per-cent. stock will be created to extinguish the outstanding debentures of the following loans falling due between now and 1898—namely, the sixes of 1891, amounting to £491,100; the loan of 1867 (not subject to annual drawing), amounting to £64,000; and a number of old Provincial loans (created before the abolition of the provinces), amounting to £313,800.

The population of New Zealand at the end of 1890 was about 640,000. The surplus of ordinary revenue with which the financial year 1889–90 began was £36,500, after paying off a deficit of £128,600 unprovided for at the end of the financial year 1887–88. The revenue for the nine months ending 31st December, 1890, has been very satisfactory. The late Treasurer expected a fair surplus at the end of the financial year on the 31st March, 1891, and by adding an estimate for the current quarter since the 31st December, he considered that the total of the year's revenue, including land revenue and £288,000 Sinking Fund debentures, would amount to £4,414,300, against the original estimate of £4,255,600, less £27,500 for six months' primage duty which was disallowed by the House of Representatives. The total ordinary revenue for the financial year ending the 31st March, 1891, is likely to exceed the estimate by £118,700, and the land revenue by £67,400. All sources of revenue are likely to show an excess—Customs duties by £90,000, and railways by £15,000. The railway surplus revenue over working-expenses is expected to be £402,000. The total expenditure for the year, including land charges, is estimated to be £4,252,000, against £4,241,200 voted. Taking the surplus of the ordinary revenue at the beginning of the financial year—namely, £36,500—and paying off £42,600 of deficiency of land revenue belonging to the preceding year, the net surplus is estimated at £158,800. On the 31st March, 1890, the gross public debt of the colony was £38,667,950, and, deducting the accrued sinking funds, the net debt was £37,284,518; but at that date there still remained unexpended about £961,000 out of the loans raised.

On the 31st March, 1890, 1,813 miles of railway were opened, and 121 miles were under construction, making a total of 1,934 miles. The total expenditure on construction was £15,028,000. The Registrar-General's returns up to

February, 1890, show that the total area of land under cereals and other crops, including sown grasses and land broken up but not under crop, had increased to 7,865,000 acres, the amount in sown grasses being 6,525,000 acres. In 1885 the number of occupied and cultivated holdings over 1 acre in extent was under 30,000; in 1890 the number had increased to more than 38,000. The value of the exported agricultural produce increased from £508,000 in 1887 to £1,424,000 in 1889. The imports in 1887 were £6,245,000; in 1890, £6,260,000. The exports had increased from £6,866,000 in 1887 to £9,811,700 in 1890. The exports for the two years 1889 and 1890 were £18,850,000, against imports of £12,500,000. Since 1885 the exported manufactures of the colony have increased nearly five-fold. The frozen-meat trade has been rapidly augmenting. In 1886 the number of sheep exported was 655,000; in 1889, 1,068,000; in 1890, 1,562,000. Although the number of frozen sheep exported in 1890 was 1,562,000, the total number of sheep in the colony had increased from 15,400,000 in 1889 to 16,100,000 in 1890.

I take this opportunity of correcting an error in my statement of the 31st May, 1888, accompanying the prospectus of the Two-million Loan then issued. Referring to the Maori lands, I said that they had been made subject to rates and taxes, as well as land owned by the colonists. I ought only to have said that this had been proposed; but the proposal was not carried into effect.

Westminster Chambers, 12th February, 1891. F. D. Bell, Agent-General.

Enclosure 3 in No. 10.

(Telegram.) London, 13th February, 1891.

Conversion. Bank prospectus of the loan issued; following loans included: Loan of 1863, Loan of 1860, Provincial Loans, and £64,000 Consolidated Loan of 1867. Bank has agreed to advance whatever necessary extinguish bonds falling due March not converted, pending sales 3½ per cent. inscribed stock; meanwhile Sinking Fund Trustees hold cash in round numbers £72,000.

The Hon. the Premier, Wellington.

No. 11.

The Stock Agents to the Premier.

Westminister Chambers, 13, Victoria Street, London, S.W.,
17th February, 1891.

Sir,—

We have the honour to report that, in accordance with instructions received from the Government through the Agent-General, we have taken the necessary steps to invite holders of the outstanding debentures of the following New Zealand loans to bring in their debentures for conversion into 3½-per-cent. inscribed stock, namely: (1) Sixes of 1891 (loans of 1860 and 1863), redeemable between March and December, 1891; (2) fives of the Consolidated Loan of 1867 (colonial issue), redeemable 1893; (3) old Provincial loans, redeemable at various dates from 1893—namely, the Lyttelton and Christchurch Railway, Westland, Auckland, Nelson, Otago, and Canterbury Loans.

We enclose copies of the prospectus of the conversion* issued by the Bank of England, showing the terms offered to holders in each series. The principles on which we fixed the amount of stock to be offered in each loan are as follows: (1.) In the case of the sixes of 1891, we estimated that if the process had been adopted of raising a cash loan in 3½-per-cent. stock to pay off the debentures, as was done in the case of the 10-40's in 1889, we might have placed the loan at 96. Accordingly, we have offered holders £104 of stock in exchange for a £100 debenture. We decided to place all holders of the four series of sixes on the same footing, notwithstanding difference of dates at which their bonds are redeemable. The stock will bear interest from 1st July, 1891, holders being allowed to inscribe their stock on and after the 2nd June, and the necessary adjustments of interest being made by scrip with coupons attached. (2.) In the case of the loan of 1867 (colonial issue), we fixed £106 of stock as the fair equivalent for a £100 debenture. The stock will also bear interest from the 1st July, 1891, and may be inscribed on the 2nd June. (3.) In the case of the Provincial loans, we took the equivalents as computed by the Actuaries, adding about 1 per cent. (omitting fractions) as inducement to holders to come in and convert.

We enclose herewith the tables of equivalents prepared by the Actuaries.†

Debentures of the first series of sixes, falling due 15th March next, are to be deposited at the Bank of England on or before the 14th March, and all other debentures on or before the 15th June. The right is reserved, in the case of any debentures not now brought in, to convert them into 3½-per-cent. stock later on (with the assent of the holder), on terms to be notified from time to time with the Bank.

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

After the 15th March we shall report the number of debentures of the first series converted, and after the 15th June we shall be able to say how many debentures in all have been brought in.

We have, &c.,
F. D. Bell, P. G. Julyan, } Stock Agents.

The Hon. the Premier, Wellington.

Enclosure 1 in No. 11.

Westminster Chambers, 13, Victoria Street, London, S.W., 19th December, 1890.

Dear Sirs,—

In contemplation of a large operation in conversion at the beginning of the New Year, I shall want several computations to be made for the guidance of the Stock Agents.

1. You will remember that on the 1st November, 1884, you sent me two tables of computations, one of which gave the equivalents of 4-per-cent. and 3½-per-cent. stocks, and the relation of a 3½-per-cent. stock to our Consols. I enclose you a printed copy of those tables, and wish you to revise the figures so as to give the equivalents at the present time. In 1884 we had no 3½-per-cent. stock in existence, whereas we have now (as you know) a 3½-per-cent. stock redeemable the 1st January, 1940; so that this stock has now to be compared with the 4-per-cent. stock redeemable in 1929. The tables, however, gave a number of figures which are not necessary for the present purpose, and I have marked the only ones that need be revised.

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* Printed with No. 10. † Printed with No. 8.

2. You also made a calculation of the "life" of the Consol bond, showing that after the drawing of 1891 the "life" would be 8·98 years. I assume that there is no correction to be made in that figure at the present date.

3. It will also be in your recollection that in January, 1886, you constructed several tables giving the equivalents of our 4-per-cent. stock compared with the loans mentioned in the tables. I enclose you a print of these tables to refresh your memory. At that time, however, the sixes of 1891 were at 108 to 110, whereas now, in consequence of their having to be paid off during 1891, they have, of course, fallen to a little over par; no fresh computation for them need therefore be made, as the relation between them and the 3½-per-cent. stock into which they would be converted will be fixed by the market price of that stock on the date when the conversion is announced. Accordingly, neither the tables of the sixes need be repeated, nor the tables relating to the fives of 1889, the latter having been paid off; and the only table now requiring revision is the one relating to the fives. With regard to this table, the first column must now show the market price of 3½-per-cent. stock instead of 4 per cent., beginning at 93 and going up by ½ per cent. to 98; and the other columns must be altered in the following way, viz.: the present quotation of the fives of 1914 being from 114 to 116, it will be sufficient if the columns show the amount of 3½-per-cent. stock equivalent to each £100 debenture of the fives at their market prices, ranging from 113 to 116 by ½-per-cent. gradations.

4. In the same paper are the computations you made for a number of old loans, some of which are not quoted on the Stock Exchange, showing the value which you then attached to a £100 debenture in those loans. I now wish you to revise the figures so as to show the equivalent for a £100 debenture of those loans in 3½-per-cent. stock, ranging (as in the case of the Fives of 1914) from 93 to 98, and giving a separate table for each of the loans.

5. You will also remember constructing a table in July, 1889, showing the equivalents between the 3½-per-cent. and 4-per-cent. stocks already existing. I now wish you to look at the figures, and see what revision would have to be made at this date, compared with eighteen months ago, for a table the draft of which is annexed.

I am, &c.,

A. H. Bailey, Esq., and Ralph P. Hardy, Esq. F. D. Bell.

Enclosure 2 in No. 11.

Dear Sir Francis,— London, 19th January, 1891.

We send herewith the following tables,* which we have prepared according to your request.

No. 1 Table shows the equivalents, at different prices, of the 3½-per-cent. stock redeemable in 1940, with the 4 per-cent. stock redeemable in 1929, and with what you term a £100 debenture of the 5-per-cent. Consols. The average duration of the life of the Consol bond after the drawing of 1891 will be 8·98, or, say, nine years, as calculated in February, 1885. No correction is required if the circumstances remain the same.

No. 2 Table shows for the prices you mention the equivalent values of the 3½-per-cent. stock and the fives of 1914.

No. 3 Table shows similar comparison of 3½-per-cent. stock with a £100 debenture of different outstanding loans which you have specified. The debentures have in each case been valued to pay interest at the rate of 4 per cent. per annum.

No. 4 Table shows the equivalents between the 3½- and 4-per-cent. stocks at the prices specified.

We are, &c.,

A. H. Bailey.

Sir Francis Dillon Bell, K.C.M.G., C.B. Ralph P. Hardy.

No. 12.

The Agent-General to the Premier.

Westminster Chambers, 13, Victoria Street, London, S.W.,

Sir,— 21st February, 1891.

I now enclose you statements of account as between the Stock Agents and the Public Account in connection with various operations brought up to the 31st January, 1891.†

It has been impossible to prepare in time for this mail the explanatory memorandum which I should have liked to have accompanied these statements. This, however, will be done by next mail, and meanwhile I beg leave to make the following remarks:—

The account has been constructed on the lines laid down in the Stock Agents' letters of the 26th October, 1889, and 15th April, 1890, laid before Parliament in Sessional Paper B.-14, 1890. After taking into account the various debits and credits up to the 31st January, the balance of advances to be recouped to the Public Account is found to be £60,462 1s. 6d. Then to this has to be added £3,800 for debentures of the 10-40 series still to come in, and an estimate of about £1,100 for expenses still to be brought to charge. Adding these amounts to the balance of £60,462 1s. 6d. previously stated, the total sum to be recouped amounts to £65,362 1s. 6d.

Now, in order to carry out the proposal I made in my telegram of the 14th instant,‡ it has been necessary to fix a round sum as the investment to be made for the Government in 3½-per-cent. stock. This sum, of course, depends on the price at which the stock should be taken over, and I propose that this should be the market price of the day, which (for such a sum) may, I think, be fairly taken at 96½. In fixing the equivalents to be offered to bondholders in the conversion of the sixes of 1891, the Stock Agents estimated that a cash loan might have been placed at 96, allowing for the chance of a drop of about ½ per cent. in the stock on the announcement of the issue; but the price has remained quite steady since, and I am now inclined to think a cash loan might have been placed at 96½. At that price it takes in round numbers about £68,000 in stock to meet the balance of £65,362 above mentioned, and I have accordingly fixed that amount, subject to your approval. The price of 96½ is, however, only taken now by me as a matter of account, in order not to delay making up the accounts, so that they may reach you by the 31st March as desired.

I have, &c.,

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

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* Printed with No. 8. † Printed with No. 13. ‡ Referring to inscription of £68,000 in 3½-per-cent. stock to provide for expenses of conversion.

No. 13.

The Agent-General to the Premier.

Sir,— Westminster Chambers, 13, Victoria Street, London, S.W., 21st March, 1891.

I now transmit you the amended form of account as between the Stock Agents and the Public Account, together with the explanatory memorandum which I had promised.

In my letter of the 5th instant (No. 340), I said that the figures of the account as sent to you on the 21st February would not have to be altered. On examining these figures, however, an error in computation was discovered in the item of the 20th June, 1890, "Interest, £12,550 11s." It should have been £12,551 5s. 4d., and is now corrected accordingly.

The balance, therefore, in favour of the Stock Agents, which had been stated as £5,157 18s. 6d., is only £5,157 4s. 2d. The total figures are also changed by a reconstruction of the form in which the interest on balances was stated in the original. This, however, on comparing the two accounts, will easily explain itself.

I have, &c.,

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

Enclosure 1 in No. 13.

Statement showing the Financial Result of the Various Transactions which have passed between the Stock Agents and the Public Account from the 15th May, 1884, to the 13th April, 1888, with respect to the Conversion of the Public Debt.

Part I.

Date	*Dr.*	£	s.	d.
1884. May 15	Commissioners' order on Public Account	25,918	15	0
June 20	Ditto	20,960	0	0
Nov. 27	"	8,020	0	0
1885. Jan. 23	"	3,361	15	0
May 22	Received from Crown Agents on account of drawn converted Consol bonds	72,400	0	0
1886. April 1	Ditto	106,900	0	0
May 14	Commissioners' order on Public Account	10,000	0	0
July 16	Received from Crown Agents on account of drawn converted Consol bond	500	0	0
1887. March 14	Ditto	122,337	8	6
" 22	"	462	11	6
1886. Aug. 4 to 1888. July 25	Commissioners' orders on Public Account in favour of Crown Agents to meet debentures of 4½-per-cent. 5-30 Loan ..	642,100	0	0
March 14	Received from Crown Agents on account of drawn converted bonds	129,970	18	3
March 24	Ditto	1,629	1	9
1886. May 1 to July 31	Interest on £1,060,000 (raised to meet 4½-per-cent. 5-30 debentures) for three months ..	10,600	0	0
	Charge by Bank of England on the above for management ..	265	0	0
Feb. 15	Commission to Crown Agents on paying off £64,400 4½-per-cent. 5-30 debentures ..	322	0	0
1883. August to 1888. April 13	Cost of telegrams sent from colony relating to conversion matters	1,181	1	10
1888. April 13	Balance in favour of Stock Agents	142	6	4
		£1,157,070	18	2

Date	*Cr.*		£	s.	d.
1885. May 22	Paid to Public Account by Stock Agents		40,000	0	0
1886. Feb. 26	Ditto		4,000	0	0
March 18	"		85,000	0	0
" 27	"		120,000	0	0
July 2	"		450,000	0	0
Oct. 28	"		135,000	0	0
1887. March 15	"		122,800	0	0
July 29	"		20,000	0	0
Aug. 13	"		24,000	0	0
1888. March 16	"		129,970	18	3
" 24	"		1,629	1	9
April 13	"		24,000	0	0
1886. March 27 to 1887. March 13	Interest due to Stock Agents on balances ..	£2,786 9 0			
	Less—				
1884. May 15 to 1886. March 26	Interest due to Public Account on balances 1873 5 5				
1887. March 14 to 1888. April 13	Ditto 242 5 5	2,115 10 10			
			670	18	2
			£1,157,070	18	2

Westminster Chambers, London, 31st January, 1891.

For the Stock Agents.
F. D. Bell.

Enclosure 2 in No. 13.

STATEMENT showing the FINANCIAL RESULT of the VARIOUS TRANSACTIONS which have passed between the Stock Agents and the Public Account, from the 13th April, 1888, to the 31st January, 1891, with respect to the Conversion of the Public Debt.

PART II.

Date	*Dr.*	£	s.	d.
1889. March 14	Received from Crown Agents on account of drawn converted Consol bonds ..	133,400	0	0
Oct. 31	Advance received from Bank of England	155,000	0	0
Nov 5	Interest to Bank of England on £155,000 advanced to Stock Agents, five days at 4 per cent.	84	18	8
1889. Oct. to 1891. Jan. 31	Commissioners' orders on Public Account in favour of Crown Agents to meet debentures of 5-per-cent. 1879 loan	388,000	0	0
Jan. 31	Commissioners' orders on Public Account in favour of Crown Agents to meet debentures of 5-per-cent. 10-40 loan	2,111,100	0	0
1890. March 15	Received from Crown Agents on account of drawn converted Consol bonds ..	144,000	0	0
" 17	Discount allowed on payments of instalments of loan	1,609	12	0
" 22	Commissioners' order on Public Account in favour of Crown Agents for commission on paying off £348,900 5-per-cent. 1879 debentures	1,924	10	0
June 20	Interest on £2,296,347 from the 1st January to the 26th February, fifty-seven days, at 3½ per cent.	12,551	5	4
1890. June 20 to 1891. Jan. 31	Interest on the above (£12,551 5s. 4d.) ..	241	17	6
Jan. 28	Commissioners' order on Public Account in favour of Crown Agents for commission on paying off £2,000,000 5-per-cent. 10-40 debentures ..	10,000	0	0
" 28	Commissioners' order on Public Account in favour of Crown Agents for commission on paying off £3,100 5-per-cent. 1879 debentures	15	10	0
1888. April to 1891. Jan. 31	Cost of telegrams sent from the colony relating to conversion matters	53	0	6
1891. Jan. 31	Balance in favour of the Stock Agents	5,157	4	2
		£2,963,137	18	2

Date	*Cr.*		£	s.	d.
1888. April 13	Balance in favour of the Stock Agents from previous account ..		142	6	4
1891. Jan. 31	Interest in favour of the Stock Agents on above balance		9	9	8
1889. March 15	Paid to Public Account by Stock Agents		133,400	0	0
Oct. 31	Paid to Public Account by Stock Agents, being amount advanced by Bank of England ..		155,000	0	0
" 29	Paid to Public Account by Bank of England on account of Stock Agents (3½-per-cent. loan) ..		2,455,964	18	7
1889. Nov. 1 to Dec. 31	Two months' interest on £388,000, at 4½ per cent.		2,910	0	0
1890. March 17	Paid to Public Account by Stock Agents		144,000	0	0
1891. Jan. 1	Cash value of £68,000 3½-per-cent. stock at 96½, to be inscribed in the names of the Agent-General and Audit Officer		65,620	0	0
	Twelve months' interest on £68,000 of 3½-per-cent. stock		2,380	0	0
1889. Oct. 31 to 1890. June 30	Interest in favour of the Stock Agents on balances	£4,242 13 1			
	Less—				
1890. July 1 to 1891. Jan. 31	Interest in favour of the Public Account on balances ..	531 9 6	3,711	3	7
			£2,963,137	18	2

Estimated Liabilities.

Outstanding 10-40 debentures		£3,800 0 0
Commission to Crown Agents	£574 0 0	
Stamp duty and bank charges, &c., say	526 0 0	
		1,100 0 0
		£4,900 0 0

Westminster Chambers, London, 31st January, 1891.

For the Stock Agents.
F. D. BELL.

Sub-enclosure in No. 13.

EXPLANATORY MEMORANDA relating to the Statement showing the Financial Result of the Various Transactions which have passed between the Stock Agents and the Public Account from 15th May, 1884, to 31st January, 1891, with respect to the Conversion of the Public Debt.

PART I.

Debit Side.

Item £58,260 10s.—This item is the amount of the proceeds of sales of a portion of the scrip of 4-per-cent. consolidated stock, into which the short-dated debentures (being themselves converted Treasury bills) were converted. The amount was paid to the Public Account, and was thence paid by Commissioners' order to the Stock Agents. (See Stock Agents' accounts for half-years ended 30th September, 1884, and 31st March, 1885.)

Items £72,400, £106,900, £500, £122,800, and £131,600.—These amounts represent the Sinking Fund set free on account of drawn Consol 5-per-cent. bonds which had been converted.

Item £10,865.—This amount represents, as regards £10,600, the interest on the £1,060,000 4-per-cent. stock for the period during which interest on the 4½-per-cent. 5-30 bonds (to pay off which the said stock was issued) was also being paid (see memorandum attached to Agent-General's letter to Treasury No. 480 of 24th March, 1888). The £265 is the charge made by the Bank of England for the management of the said £1,060,000 4-per-cent. stock during the same period, and which was included in the amount paid to the Bank by Commissioners' order No. 75 of 13th October, 1886, on the Public Account.

Item £322.—This amount was paid out of the Foreign Imprest Account, and the payment is now adjusted by its being credited to the Public Account.

Item £1,118 1s. 10d.—This amount has been arrived at by an enumeration of the words contained in the telegrams relating to conversion matters received at this office from the colony within the dates given.

Credit Side.

Item £670 18s. 2d.—Balance of interest due to Stock Agents, such interest having been computed on daily balances at 1½ per cent. per annum below Bank rate, varying.

PART II.

Debit Side.

Items £133,400 and £144,000.—These amounts represent the Sinking Fund set free on account of drawn 5-per-cent. Consol bonds which had been converted.

Item £155,000.—This was a sum advanced by Bank of England to the Stock Agents in anticipation of the 3½-per-cent. loan, to enable the Stock Agents to meet incoming 5-per-cent. debentures of the 5-per-cent. loan of 1879, the Bank of England recouping themselves out of loan moneys (5th November).

Item £84 18s. 8d.—Interest on the above £155,000 at 4 per cent. for five days, the Bank of England paying themselves out of 3½-per-cent. loan moneys.

Item £1,609 12s.—This is an amount paid by the Bank of England out of cash received on account of 3½-per-cent. loan, 1889, as discount allowed on instalments of loan paid in anticipation.

Item £1,924 10s.—Cash paid to Crown Agents by Commissioners' order on the Public Account, being in payment of ½ per cent. commission on £384,900 redeemed debentures of 5-per-cent. loan, 1879.

Item £12,551 5s. 4d.—Interest on the proportional amount (£2,296,347) of the £2,700,000 3½-per-cent. loan applicable to the redemption of the £2,207,300 5-per-cent. 10-40's (the remainder—£403,653—being the proportional sum applicable to the redemption of the 5-per-cent. loan, 1879), computed at 3½ per cent. (for fifty-seven days), from 1st January to 26th February, the latter date being that at which the last instalment was paid, as the coupon of the 10-40's was running at the same time.

Item £241 17s. 6d.—Interest on £12,551 5s. 4d. (at 1½ per cent. below Bank rate, varying) from 20th June, 1890, the date at which the amount was paid to the Bank of England, to the 31st January, 1891.

Item £10,000.—Cash paid to Crown Agents by Commissioners' order on the Public Account, being in payment of commission at ½ per cent. on £2,000,000 redeemed debentures 5-per-cent. 10-40 loan.

Item £15 10s.—Cash paid to Crown Agents by Commissioners' order on the Public Account, being in payment of ½ per cent. commission on £3,100, balance of outstanding debentures of the 5-per-cent. loan, 1879.

Item £53 0s. 6d.—This amount has been arrived at by an enumeration of the words contained in the telegrams relating to conversion matters received from the colony within the dates given.

Item £531 9s. 6d.—Interest due to Public Account by Stock Agents' Conversion Account being interest on balances at 1½ per cent. per annum below Bank rate, varying.

Credit Side.

Item £142 6s. 4d.—Balance carried from the previous account.

Item £9 9s. 8d.—Interest due to Stock Agents on £142 6s. 4s. at 1½ per cent. below Bank rate, varying.

Item £2,910.—Interest for two months on £388,000, at 4½ per cent., saved to the colony, as no interest commenced on the 3½-per-cent. loan until 1st January, 1890, though a portion of the sum was raised for the purpose of paying off the 5-per-cent. 1879 debentures. (See despatch from Loan and Stock Agents to Colonial Treasurer, of 29th October, 1889.)

Item £65,620.—Cash value of £68,000, 3½-per-cent stock, inscribed in the names of the Agent-General and Audit Officer, and held by them on behalf of the Government, being an amount supplementary to the £2,700,000 loan.

Item £2,380.—Interest saved to the colony on £68,000 3½-per-cent. stock (specified in previous paragraph), it not having been issued until one year after the issue of the stock of the loan of £2,700,000.

Item £3,711 3s. 7d.—Balance of interest due to Stock Agents, such interest having been computed on daily balances at the rate of 1½ per cent. per annum below Bank rate, varying.

For the Stock Agents,
F. D. BELL.

No. 14.

The AGENT-GENERAL to the PREMIER.

SIR,— Westminster Chambers, 13, Victoria Street, London, S.W., 21st March, 1891.

As the conversion now in course of being effected is the first case in which the Sinking Fund Trustees of the loan of 1863 have had to act in connection with paying off debentures, it was essential to see clearly how their function should be exercised. I need not trouble you with all the details that have had to be considered in order to meet as far as possible the complicated and in some respects obsolete provisions of the various Acts relating to the Sinking Funds; but a brief summary of the difficulties that have long existed may be convenient.

It will be in the recollection of the Government that, when I was directed by the Colonial Treasurer in 1886 to take steps for obtaining the release of a portion of the fund of the loan of 1863, Sir Julius Vogel was under the impression that the release could be made under sections 16 to 18 of the Sinking Funds Act of 1868. But it was not clear how far the Act of 1868 was still in operation, while it was certain, at any rate, that those sections did not apply to a conversion effected under the Stock Acts of 1877 and 1884, but only to a conversion or exchange under the Consolidated Loan Act of 1867; and the release was actually made under section 8 of the Consolidated Stock Act of 1884, the amount being apportioned between the two periods during which the Acts of 1868 and 1884 were assumed to be respectively in operation.

By the Sinking Funds Act of 1868, the funds were vested in Commissioners. Then the amending Act of 1869 empowered the Governor to exempt any loan from the management of the Commissioners; and this was done, as to the loan of 1863, by Order in Council of the 18th September, 1869. The Trustees who had been acting in this country were thereby continued in their functions, and the powers given to the Commissioners by the Act of 1868 became vested in the Trustees, subject to the provisions of that Act. Then came the Stock Act of 1884, section 8 of which said what was to be done by either the Commissioners or the Trustees when a loan had been partially converted.

A careful examination of these Acts, and of the other Acts affecting the Sinking Funds, must, I think, lead to the conclusion that it is doubtful what the actual position, powers, and duties of the Trustees in England really are. In the arrangement with the Trustees in 1886–87, I was only acting as Agent-General, and not as a Trustee; but when, in contemplation of the sixes of 1863 having to be redeemed, the Agent-General was made a Trustee, it became necessary to determine what course would most nearly comply with the intentions of the Legislature. Under these circumstances, the following is the course that is being pursued:—

1. In the case of bonds brought in for conversion, so much of the Sinking Fund as is equal to the amount converted being set free by the automatic operation of the Act of 1884, the Trustees will either sell stock to that amount, or transfer the stock itself to the Agent-General and Audit Officer if so directed by the Government.

2. In the case of bonds not converted, but presented for payment at the domicile of the loan, the Crown Agents send in requisitions to the Agent-General, and their requisitions are met by Commissioners' orders on the Public Account. So much of the Sinking Fund as is equivalent to the debentures paid off being thereupon set free, the Trustees are selling stock to recoup the Public Account.

I have, &c.,

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

Approximate Cost of Paper—Preparation, nil; printing (1,300 copies), £10.

By Authority: George Didsbury, Government Printer, Wellington.—1891.

Price, 6*d*.]