The late Secretary to the Treasury (Mr. Gavin) wrote on this subject in 1885, as follows:—
"With regard to the Interest and Sinking Fund payable by the colony in respect of the Consolidated Loan of 1867, a curious effect has been produced by the recent conversion. The amount converted was £3,651,700, and debentures for that amount, bearing the same rate of interest, were issued in exchange. Now, as the annual charge in respect of the original loan of £7,283,100 is constant until the whole of the loan is paid off, it would appear at first sight that the conversion of a portion of the loan into debentures bearing precisely the same rate of interest would not at all affect the annual charge; but this, curiously enough, is not so. Whenever the drawings encroach upon the converted bonds—as happened at the last drawing—the bonds given in exchange for the converted bonds drawn assume a new character, and may be said to represent a new loan, taking the place of the loan paid off by the drawings. At the last drawing, £72,400 of converted debentures were drawn; the charge for interest became therefore increased by £3,620 per annum, or 5 per cent. on £72,400, and such charge must go on increasing year by year, measured by the encroachment of the drawings upon the converted bonds, until it reaches £182,585 per annum, or 5 per cent. on £3,651,700. This increase of the annual charge on the Consolidated Fund for interest is, however, to a certain extent nominal, because the Sinking Fund set free from year to year by the drawing of converted bonds will increase exactly in the same proportion as the increase of interest. The additional interest, in short, follows the additional amount set free."

The "Sinking Fund set free" referred to by Mr. Gavin is paid into the Public Account, and is used to redeem an equal amount of debentures created to meet the yearly accretions of the Sinking

Funds as a whole.

19th July, 1892.

Jas. B. Heywood, Secretary, to the Treasury.

ACCRETIONS OF SINKING FUND.—ESTIMATE FOR 1892-93.

| | | | | | Estimate for 1892-93. | | Adjustme to 31st March, | Net Estimate for 1892-93. | | | |
|---|-------------|-----|----|----|-----------------------------|-------|-------------------------------|---------------------------------|---------|----|----|
| | | | | | £ | s. d. | 2. | s. d. | £ | s. | đ. |
| New Zealand Loan, 1863 (191 | 4) | | | | 8,160 | 0 0 | | | 8,160 | 0 | 0 |
| " " (191 | 5) | | | ; | 9,450 | 0 0 | | | 9,450 | 0 | 0 |
| New Zealand Consols, 1867 | | | | | 218,202 | 0 0 | 413 | 0 (| 218,615 | 0 | 0 |
| Immigration and Public World | ks Loan, 18 | 370 | | | 35,073 | 17 8 | Dr. 5,153 1 | 78 | 29,920 | 0 | 0 |
| Auckland Loan, 1863 | •• | | | | 1,863 | 4 6 | 291 1 | 6 | 2,155 | 0 | 0 |
| Lyttelton and Christchurch Railway Loan, 1860 | | | | | | 16 | 468 1 | 3 6 | 5,800 | 0 | 0 |
| Canterbury Loan, 1862 | | | | •• | 498 | 17 10 | 61 | 2 2 | 560 | 0 | 0 |
| Otago Loan, 1862 | • • | •• | •• | | 4,775 | 8 11 | 864 1 | 1 | 5,640 | 0 | 0 |
| Total | •• | • ? | •• | •• | 283,354 | 10 5 | Dr. 3,054 1 |) 5 | 280,300 | 0 | 0 |

DEBENTURES OR SCRIP ISSUED FOR INCREASES OF SINKING FUND, AND AMOUNTS REDEEMED.

| Issued. | | | | | . Redeemed. | | | | | | | |
|---------|--|--|--|---|---|--|----------|--|--------|--|-----------------------|--|
| 1884-85 | | | | £247,700 252,200 251,000 258,184 263,200 275,200 288,000 282,300 2,117,78 | 1884-85 1885-86 1886-87 1888-89 1889-90 1890-91 1891-92 | | aland co | | d othe | r release £72,400 106,900 164,100 131,600 133,400 144,000 350,671 |))))) | |

STATEMENT AND TABLES SUPPLIED BY MR. J. C. GAVIN, ASSISTANT CONTROLLER AND AUDITOR.

(Memorandum.)

One of the objects of the provisions of "The Consolidated Stock Act, 1884," was: That to the extent to which the sinking funds increased year by year after the 31st March, 1884, so should money be borrowed in aid of revenue, thereby causing the net debt in respect of loans with sinking funds to remain stationary. By "net debt" is meant the debt represented by debentures outstanding, less the sinking funds. No interference with the obligations then existing to maintain the sinking funds was contemplated, and none has since taken place. They were to go on growing in