No. 16.

The Agent-General to the Premier.

(Telegram.) Premier, Wellington. Received 1st February, 1893.

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Fear Bank of England will decline 114.

No. 17.

The Premier to the Agent-General.

The Agent-General, London. Wellington, 1st February, 1893.

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Endeavour get Bank of England name lowest price.

No. 18.

The Agent-General to the Premier.

(Telegram.) Premier, Wellington. Received 6th February, 1893.

Bank of England offers accept 117 guaranteed debentures. (London, 4th.)

No. 19.

The Premier to the Agent-General.

Agent-General, London. Wellington, 6th February, 1893.

Message of 4th received, Bank of England guaranteed debentures. Make best terms you can.

No. 20.

The Agent-General to the Premier.

(Telegram.) Premier, Wellington. Received 10th February, 1893.

Bank of England willing sell guaranteed debentures at 117, holding 200,000 4-per-cents. and 615,000 3½-per-cents. as security, until sufficient sold pay Bank of England; interest meanwhile 3 per cent. The 4-per-cents. are part Guaranteed Debentures Sinking Funds, and 3½-per-cents. Inscribed Stock created by conversion guaranteed debentures. My opinion is these best terms obtainable. Instruct whether shall accept. (London, 9th.)

No. 21.

The Premier to the Agent-General.

(Telegram.) The Agent-General, London. Wellington, 13th February, 1893.

Message of 9th received. Accept terms mentioned.

No. 22.

The Premier to the Agent-General.

(No. 10.)

Sir,— Premier's Office, Wellington, 23rd February, 1893.

Referring to the correspondence which has passed between us in connection with the conversion of the guaranteed debentures of the loan of 1863, now held by the Bank of England, and more especially to your telegram of the 9th instant, wherein you inform me that the Bank is willing to sell at 117, I have the honour to state that the offer has caused me some anxiety and grave consideration, and I felt that a decision should not be hastily made.

As I have before stated, the whole question of the advisability, or otherwise, of the conversion hinges upon the necessity to provide funds during the coming financial year for public-works purposes. If, by the proposed conversion, sufficient Sinking Funds are released, and these by process of law pass into the Public Works Fund, we shall have achieved two most important results: (1) provided money to carry on works; and (2) kept out of the money-market as a borrower.

The first consideration is, of course, whether these results can be obtained at a reasonable rate and without sacrifice to the finances of the colony. The rate of 117 of cash asked by the Bank is, of course, high (1 per cent. better than the market quotation for guaranteed Canadians); but, as you report that the Bank are not anxious to sell at all, we must expect to pay more than would be the case if the conditions were reversed.

But, taking the proposals as they stand, I find that the conversion will result in a net saving of over £2,000 per annum for interest, including the interest saved on the debentures to be redeemed when the Sinking Fund is released. On the other hand, if we had to go upon the London market to obtain £170,500 (the amount which I anticipate will go into the Public Works Fund) by means of a 3½-per-cent. loan, we should have to pay an annual charge of over £6,000 for interest, besides increasing the public debt by nearly £180,000, instead of by only slightly more than £28,000 by the present proposals. I have not lost sight of the fact that £115,000 of additional stock will