SCHEME for the CONVERSION of the DEBENTURE DEBTS of the GENERAL and PROVINCIAL GOVERNMENTS of NEW ZEALAND into a CONSOLIDATED 5 PER CENT. STOCK, to be extinguished by Annual Drawings.

AUTHORITY.	Present Authorized Debt. Rate per Cent. Interest.	Sinking Fund.	Present Market Price, x. d.	Annual Charge. Interest.	Sinking Fund.	Total Annual Charge.	When Redeemable.	Total Amount to be Converted.	Proposed Consolidated Debt. Rate of Conversion	Total Amount when Converted.	Annual Charge. Interest, Five per Cent.	Sinking Fund, One per Cent.	Total Annual Charge.	Date of Extinction
GENERAL GOVERNMENT.				£	£	£		£		£	£	£	£	
Loan Act, 1860	6	2	100	9,000	3,000	12,000	1891	150,000	120	180,000	9,000	1,800	10,800	1903
Loan Act, 1863	5	1	84	50,000	10,000	60,000	1914	1,000,000	100	1,000,000	50,000	10,000	60,000	
	6	2	100	51,000	17,000	68,000	1891	850,000	120	1,020,000	51,000	10,200	61,200	
Still unissued	6	2	100	39,000	13,000	52,000	1891	650,000	120	780,000	39,000	7,800	46,800	
Total	...	...	...	149,000	43,000	192,000	...	2,650,000	...	2,980,000	149,000	29,800	178,800	
PROVINCIAL GOVERNMENTS.														
Auckland Loan Act, 1863	6	2	84	30,000	10,000	40,000	33 years	500,000	100	500,000	25,000	5,000	30,000	1903
Wellington Loan Acts, 6 and 9 of Session I. and II. ...	8	...	102	4,000	...	4,000	12 mo. notice	50,000	120	60,000	3,000	600	3,600	
Wellington Loan Acts, No. 11 of Session I.	8	4	108	2,000	1,000	3,000	1877	25,000	130	32,500	1,625	325	1,950	
Canterbury Railway Loan Ordinance, 1860	6	2	92	18,000	6,000	24,000	1893–95	300,000	106	318,000	15,900	3,180	19,080	
Canterbury Loan Ordinance, 1862	6	1	88	30,000	5,000	35,000	50 years	500,000	100	500,000	25,000	5,000	30,000	
Otago, Three Loan Ordinances, 1861-2	8	3	100	12,000	4,500	16,500	1873–75	150,000	120	180,000	9,000	1,800	10,800	
Otago Loan Ordinances, 1862	6	1	84	30,000	5,000	35,000	1898	500,000	100	500,000	25,000	5,000	30,000	
Total	...	...	...	126,000	31,500	157,500	...	2,025,000	...	2,090,500	104,525	20,905	125,430	
GENERAL TOTAL	...	1 12 0 average	...	275,000	74,500	349,500	...	4,675,000	...	5,070,500	253,525	50,705	304,230	

Increase in Amount of Debt, £395,500. Decrease in Amount of Annual Charge, £45,270.

General Government.—The difference, or saving, between the present and the proposed charges would be £13,200 a year for twenty-nine years, which, if invested annually at compound interest at 5 per cent., would, at the end of that period, amount to £822,643.

Provincial Governments.—The difference between the present and the proposed charges on the Provincial debt would be £32,070 a year, which, invested in like manner, would, in twenty-nine years, amount to £1,998,663.

General and Provincial.—The total difference between the present and the proposed charge is £45,270 a year for twenty-nine years. This annuity, capitalized at compound interest at 5 per cent., would, at the end of that period, amount to £2,821,300; and this sum, with its accretions, applied to the remaining payments of £304,230 a year for seven and a half years, would extinguish the whole of the debt at the end of thirty-six and a half years, and leave a surplus of £1,378,000; or the £2,821,300 accumulated at the end of twenty-nine years might, *at that time*, be applied to paying off the then outstanding portion of the debt, and still leave a surplus of £900,000.

The present sinking fund contribution of £74,500 a year, with compound interest at 5 per cent., is calculated to extinguish the already authorized debt of £4,675,000 in little more than twenty-nine years.

The proposed cumulative sinking fund of 1 per cent., applied by annual drawings, will extinguish the proposed debt of £5,070,500 in somewhat less than thirty-six and a half years.

All calculations are based upon the total amounts already authorized to be raised by Acts of the Legislature (as shown in Table 36 of Statistics for 1865), upon the presumption that those amounts will either be raised before the consolidation can take place, or in the new 5 per cents. shortly afterwards. In the latter case the advantage to the borrower would be still greater than the within figures indicate.

The loans guaranteed by the Imperial Government have been excluded for reasons too obvious to need explanation.

The 8 per cents. (Treasury Bills) have not been taken into account, as they will either be redeemed before the new scheme can come into operation, or will afterwards be displaced by the issue of the consolidated securities.

In one or two of the smaller Provincial issues it will be found that the aggregate of the several annual payments, according to the proposed scheme, is, by reason of the longer periods over which those payments are extended, somewhat in excess of the total amounts which would be payable under existing arrangements. It must be borne in mind, however, that the differences between the old and new rates of annual charge (over the shorter periods) would, if capitalized, represent considerable portions of such excess, and should it be found necessary to deal separately with each Province in this respect, there would probably be no difficulty in finding an easy and satisfactory solution, as the benefits derivable from an opposite state of things, in the majority of the Provincial loans, far outweigh the comparatively small amounts referred to.

By a "cumulative" sinking fund it is to be understood that the total annual charge would remain at £304,230 throughout the whole period, and that after paying therefrom the interest on the outstanding portion of the debt, the growing balance would be applied to the annual drawings.

Several of the smaller Provincial loans have been excluded from this statement because the current market prices on which the conversion is based cannot be ascertained in this country. This defect can perhaps be remedied in the Colony, but whether or not, there is no reason why they may not be embraced in one general scheme, and their coming into it will heighten the general advantages, while their very obscurity will be the strongest possible incentive to consolidation on the part of all concerned.

In addition to the saving of £45,270 a year on the annual charge, there will be the present accumulations in the several sinking funds, amounting, it is believed, to about £100,000; but as it is probable that some few of the holders may not immediately come into the conversion scheme, it will be necessary, in order to keep faith with them, to retain out of that amount a sum proportioned to the non-consolidated securities, and to continue the present sinking funds, in that proportion, at the existing rates. The balance, after defraying therefrom the expenses attending the operation, might very properly return to the general exchequer, or be divided *pro rata* among the Provinces.

P. G. JULYAN,
Crown Agent for the Colonies.

London, 30th March, 1867.