

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.		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.	Rate of Interest yielded per Cent.		Interest shown in Column 2.		105.	105½.	106.	106½.	107.	107½.	108.			
(1.)	(2.)		(3.)											
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ 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.

19th January, 1891.

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