

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  $3\frac{1}{2}$ -per-cent. stock.

I am myself strongly of opinion that any offer of conversion should only be made in  $3\frac{1}{2}$ -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 rata* 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.