

By the Imperial Act 29 and 30 Vict., cap. 104 (1866), it was recited that "the Agents appointed under the Loan Act of 1863 had, by direction of the New Zealand Government, issued and placed in the hands of the Commissioners of Her Majesty's Treasury debentures to the amount of £500,000 sterling, which debentures were held by the Commissioners as collateral security for the repayment of certain sums of money due from the Government of New Zealand to Her Majesty's Exchequer;" and the schedule of the Act gave a narration of the debentures which had been delivered on the 23rd January, 1866, to the Bank of England "to be held on deposit, on account of the Lords Commissioners of the Treasury, in the names of G. A. Hamilton and the Crown Agents."

The question is, whether under these provisions the New Zealand Government are still entitled to pay off the half-million to Her Majesty's Government, and whether negotiations should be initiated with the Treasury and the Bank of England on the subject. If the Government are entitled to pay off the half-million, and to make an issue of $3\frac{1}{2}$ -per-cent. stock for that purpose, the result would be to set free the amount now standing to the credit of the sinking fund for the redemption of the debentures.

I mention this matter at once, but it will require more careful examination later on. Nevertheless it would be well for the Government to let me know early whether they claim to have the right to pay off the debentures, or whether they intend to let them run on to their due date in 1915.

II.—Other Loans.

In your Financial Statement of June, 1890, you refer to several loans falling due in the course of the next two or three years, and you say that "it may be found desirable, when making provision for such of them as are not renewable, to deal at the same time with those which are, and make one operation do for all."

The question is, whether, supposing any conversion is offered to the holders of the sixes of 1891, a general offer should be made at the same time to the holders of any other debentures. Some of these, as you are aware, are not domiciled here, nor quoted on the Stock Exchange. The most important one of those that are quoted is, of course, the old Consols of 1867; and if any general operation in conversion were undertaken, it may be well to attempt one of the outstanding amount of £1,261,800.

It is also matter for consideration whether, if any general conversion is to be made now, the opportunity should not be taken to convert the colonial issues of stock under the Consolidated Stock Act of 1884, and so endeavour to bring as much as possible of the outstanding public debt into one denomination of $3\frac{1}{2}$ -per-cent. stock.

The questions involved in what I have said are so important that they require more careful elucidation, and I will endeavour to express my view more clearly by an early mail. In the meanwhile, however, it would be desirable that I should know whether the policy of the Government would be to attempt so large an operation if the market should be favourable for one during the early part of 1891.

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,

F. D. BELL.

No. 5.

The COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

The Treasury, Wellington, 23rd January, 1891.

I have the honour to acknowledge receipt of your two letters, dated the 14th November last, respecting the redemption of the outstanding sixes of 1891, and a possible conversion of other loans falling due in the course of the next few years. You also refer to the guaranteed half-million of 1863, and raise the question whether we are still entitled to pay off the half-million to the Imperial Government, and whether negotiations should be initiated with the Imperial Treasury and the Bank of England on the subject. Shortly after receipt of these letters, your telegrams dated the 7th and the 19th inst. reached me, stating that the Governors of the Bank of England had consented to bring out a conversion loan, and giving particulars of the loans you proposed to convert. Upon first consideration of your letters the Government were of opinion that it would be desirable to make an offer to the holders of the "sixes of '91" to convert into $3\frac{1}{2}$ -per-cent. stock, and that the conversion operation should be extended to embrace other loans presently falling due—subject, however, to the views of the Stock Agents, who the Government recognise are best able to decide whether a successful operation can be effected or not. With respect to the guaranteed half-million, it was thought you had possibly overlooked the fact that the money had been paid over to the Imperial Treasury by the Bank of England.

Telegrams embodying the Government's opinion, as above, were despatched in reply. Upon receipt, however, of your telegram giving particulars of the loans you contemplated including in the conversion operation, amounting to a little over £800,000, the matter was further considered, and Ministers have since decided that it is not desirable, in the existing circumstances, for the present Government to authorise such an operation, as it is their intention to ask His Excellency the Governor to relieve them from office in the course of a day or two.

Before sending you a telegram to the above effect I received your message, dated the 19th inst., relating to the probable equivalent required to convert the £64,000 consolidated loan, 1867, debentures. I therefore despatched a message that it had been decided it was not desirable to convert at present; meaning, of course, that Government did not intend to authorise the conversion of any loans just now. Yesterday your telegram dated the 21st was received, showing that you assumed my last message related solely to the question of the conversion of the consolidated 1867 debentures.