

No. 10.

The AGENT-GENERAL to the PREMIER.

(No. 1010.)

Westminster Chambers, 13, Victoria Street, London, S.W.,

SIR,—

26th June, 1891.

The date fixed by the conversion prospectus for sending in debentures having expired, I have now to report the progress made in the various loans up to this time.

When writing on the 13th May (No. 776), the amount converted or known to be in for conversion was £171,900. The total (counting Westland scrip as before) is now increased to £198,800, or £26,900 more. These are the details:—

	£	£
Loan of 1863, March series	42,400	
" June series	28,700	
" December series	4,400	
		75,500
Loan of 1860, sent in to bank as per narration annexed ...	21,000	
" still to be sent in	4,800	
		25,800
Provincial loans,—		
Lyttelton and Christchurch	6,200	
Auckland	11,800	
Otago	23,700	
Canterbury	5,800	
Westland	50,000	
Nelson	Nil	
		97,500
		<u>£198,800</u>

To this amount will presently have to be added the remaining debentures of the loan of 1860, which will be sent in for conversion as they come to me from the Union Bank of Australia.

In accordance with the arrangements already reported to you, I have applied to the Bank of England for further advances to the amount of £75,000, and have paid off their first advance of £100,000, directions being given to transfer the £110,000 of 3½-per-cent. conversion stock (security for that advance) into the names of myself and the Audit officer. On the 1st July £50,000 more will be paid off, if not the £75,000.

The Trustees of the Sinking Fund of the 1863 loan have paid over the sum of £193,763 10s. 6d. in further part release from that fund, and a summary is annexed showing how that amount is made up. Adding the same to the £110,817 13s. already paid over, the total released by the Trustees to date is £304,581 3s. 6d.

In compliance with my promise to the Sinking Fund Trustees last April, it was necessary to consider what proposal should be made to them for a further release of sinking fund after the 15th June. When writing to you on the 30th April (No. 638) it had not been settled whether the Trustees should make a formal decision now, under section 8 of "The Consolidated Stock Act, 1884," of the amount to be retained in their hands, or whether they should wait till the last series of the sixes of 1863 was paid off. Further consideration of the matter has been in favour of the latter course. It will perhaps be in the recollection of the Treasury that when the first release was made, in 1886–87, a question arose as to whether, for the purposes of section 8, the sinking fund could be separated into the subdivisions allocated to the various issues, or whether it ought not to be treated as one entity. My view was that it ought to be so treated, and that the subdivisions ought to be taken only as convenient allocations for purposes of account, but not as finally binding in case the safety of the fund should become endangered; and the result was that the subdivisions were not then disturbed, and a large margin for safety was left in the subdivisions of the fives and of the guaranteed half-million. But no formal determination was then made under section 8, and if the Trustees had decided to make one now the effect might have been to disturb the existing allocations. On the whole it seemed best only to make another interim release until all the sixes are extinguished; and accordingly I proposed to the Trustees to value the 4-per-cent. stock left in the fund at par, reserving £100 of stock against each £100 of debentures still outstanding, and going on with sales until the limit of £100 for £100 was reached. Sir Penrose Julyan assented to this plan, but, as he thought it would be more prudent not to value the stock above 95, the proposal will be carried out with that alteration.

In consequence of the conversion of parts of the Lyttelton and Christchurch, Canterbury, and Otago provincial loans, the interest on which is paid through the Crown Agents to the Union Bank of Australia and the Bank of New Zealand, it has been necessary to adjust the payments for the next half-yearly dividends on those loans.

The conversion prospectus having reserved the right to bring in debentures not converted up to the 15th June, I have instructed the Bank of England to continue receiving debentures on the same terms for the present. The equivalents will, however, have to be revised after the next dividends of any loan are paid, and the actuaries will be directed to make the proper computations accordingly.

You will doubtless observe from the present report that the second stage of the conversion is passing over satisfactorily, and the third stage will also be completed on the 1st July by the extinguishment of the 1860 loan. The following papers are now transmitted, recording the transactions above mentioned:

1. Proposal by the Agent-General as to a Further Release of the Sinking Fund of 1863.