

SESSION II.
1923.
NEW ZEALAND.

£5,000,000 LOAN OF 1922

(PARTICULARS OF THE CHARGES AND EXPENSES IN CONNECTION WITH THE
RAISING OF THE).

Laid on the Table of the House of Representatives by Leave.

[EXTRACT.]

New Zealand Government Offices, 415 Strand, London W.C. 2,
24th November, 1922.

SIR,—

I have the honour to transmit herewith the Loan Agents' Account for the £5,000,000 5-per-cent. Stock 1935-45 Loan, issued in April last, and authorized under the following Acts and the New Zealand Loans Act, 1908, viz. :—

£2,800,000 under the Aid to Public Works and Land Settlement Act, 1921.
£250,000 under the Native Land Amendment Act, 1913.
£500,000 under the Education Purposes Loans Act, 1919.
£200,000 under the Finance Act, 1916 (section 50), and Finance Act, 1920 (section 16).
£250,000 under the Discharged Soldiers Settlement Loans Act, 1920.
£500,000 under the Electric-power Works Loan Act, 1919.
£500,000 under the War Purposes Loan Act, 1917.

The net proceeds of the public issue (after allowing for all expenses, including brokerage on stock sold to meet such expenses) amounted to £4,903,765 13s. 10d., made up of sums credited to the Public Account at various dates. . . .

To meet the expenses of the loan and bring the net proceeds up to the full amounts authorized in conformity with section 8 of the New Zealand Loans Act, 1908, I sold £100,000 5-per-cent. stock at 100½, the gross proceeds (£100,500) being credited to the Public Account. . . . Of this stock £95,755 10s. 7d. at 100½ was required to produce £96,234 6s. 2d., which latter sum, with £114 15s. interest received on overdue instalments, amounted to £96,349 1s. 2d., representing the total expenses of the loan.

	£	s.	d.
The gross loan receipts therefore amounted to	5,096,349	1	2
and the expenses to	96,349	1	2

leaving amount authorized and credited to Public Account	£5,000,000	0	0
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The securities issued in respect to the loan were—

	£	s.	d.
5-per-cent. stock—			
Public loan	5,000,000	0	0
Subsequent sale for expenses	95,755	10	7
	£5,095,755	10	7

The sum of £6,045 16s. 8d. for discounts on prepayments is included in loan expenses, but for the purpose of ascertaining the cost of the loan it is considered that this item should be eliminated, as the Government had the use of the money before it was due under the terms of prospectus and earned interest thereon. In computing, therefore, the net return to the Government this item has been excluded, as well as the loss in interest to the 1st January, 1923 (which is not included in Loan Agents' Account), and any loan expenses (excluding cables) which may have been incurred in New Zealand. No account is taken of stamp duty, as for this loan the stamp duty has not been compounded, but will be paid on transfers as made during currency of loan. On this basis the net return to the Government is £98 4s. 9d. per cent., whilst the net cost with redemption in 1945 (twenty-three years) works out at £5 2s. 8d. per cent., and interest without redemption £5 1s. 9d. per cent. . . .

As, however, the public loan stock and subsequent private sale of stock for expenses differ both in prices and expenses, it is considered desirable to quote the separate figures in each case, taking into account the loss incurred in interest to the 1st January, 1923, in order to arrive at the true cost to the Government :—

	£	s.	d.	
(1.) On the £5,000,000 5-per-cent. stock public loan the net return is ..	97	12	0½	per cent.
Interest with redemption, 1945 (twenty-three years)	5	3	8	„
Interest without redemption	5	2	5	„
(2.) On the £95,755 10s. 7d. 5-per-cent. stock sold after public loan at 100½				
to complete sum authorized the net return is	99	8	4	„
Interest with redemption, 1945 (twenty-three years)	5	0	10½	„
Interest without redemption	5	0	7	„

Averaging these two statements, the net return on the total loan is £97 12s. 9d. per cent., which is equivalent to interest with redemption in 1945 (twenty-three years) of £5 3s. 8d. per cent., or interest only of £5 2s. 5d. per cent. . . .

I have, &c.,

J. ALLEN.

The Right Hon. the Minister of Finance, Wellington, N.Z.