

The 1884 Consolidated Stock Act fairly well achieved its object, for by 1908 there remained but £212,602 of the old sinking funds accumulated prior to 1884. In 1906 it was recognized that the arguments on which the abandonment of sinking funds was based did not apply to dead-weight debt incurred for Maori War and defence purposes, so a special sinking fund for the repayment of old war and defence loans was instituted. This was followed in 1910 by the Public Debt Extinction Act, which made provision for the ultimate redemption of the whole public debt, and marked the complete reversal of the policy which had been followed since 1870.

In regard to direct conversion of original loans into consolidated stock under the 1877 Act, the operations up till 1911 were found summarized in a parliamentary paper published annually from about 1890 up till that year (see B.-18, 1911). Additional information was also obtained from certain tables prepared by the then Assistant Controller and Auditor-General, and published at the end of the Budget tables in 1894. It was found that, in so far as they went, these tables confirmed the parliamentary return referred to above. From 1911 onward the annual published accounts are fairly complete, and with trifling exceptions little difficulty was experienced in tracing the conversion operations up till 31st March, 1926. Conversions into inscribed stock were mostly above par, and resulted in a nominal increase in the debt, though it was estimated at the time that when completed the operations would result in a saving in debt charges.

New issues, issues in redemption and for expenses, were picked up from various sources, mostly by investigating the accounts of the different years, and eventually the four different classes of stock issued were reconciled with the debt outstanding as at 31st March, 1926. Including the issue of £429,250 to cover the expenses of conversions, a total of £50,052,445 of stock was issued for the conversion of loans totalling £47,460,381, thus resulting in a nominal increase in the debt of £2,592,064. In addition, new issues of inscribed stock, including issues for expenses, amounted to £18,161,497, making up a grand total of stock issued of £68,213,942. This sum has been allocated (see Schedule A attached) in accordance with the purposes for which the different original loans were raised.

The value of the railways taken over from the Provincial Governments of Canterbury and Otago was assessed by a special Commission at £1,104,281 (see parliamentary paper E. 3 of 1877). Under the Financial Arrangements Act, 1876, the General Government was to take over an equivalent amount of provincial debt. Accordingly, stock issued in conversion of old provincial debts to the amount of the valuation has been allocated to public works.

Redemptions of "miscellaneous" consolidated stock totalled £859,739, and this sum has been allocated to the redemption of stock issued for revenue deficiencies.

The expenses of conversions have been allocated proportionately in accordance with the amounts of the original loans. The expenses of direct issues had already been allocated in the accounts of different years.

Part of the stock is already allocated in the debt table for 1926, but as this part could not be separated in the accounts this partial allocation was ignored and the total issues allocated. As a result, however, the present allocation of £11,640,209 of stock is confirmed, except that there is a small increase of £279 in the expenses allocated to State Advances (Settlers Branch). In most of these accounts the only addition represents a proportion of the conversion expenses which apparently had not been previously allocated.

A complete allocation of the consolidated stock hitherto classed as "miscellaneous" is attached (see Schedule B). It will be noted that the greater part of it represents issues for public-works purposes. There are no accounts for several of the items in the allocation, and these will have to remain grouped under the heading of "Miscellaneous," though henceforth it will be known what classes of loan expenditure this heading represents.

Finally, a classification of the whole public debt outstanding on the 31st March, 1926, under the headings of services for which it was raised, will be found in Schedule C attached.

R. E. HAYES,
Secretary to the Treasury.

The Treasury, Wellington, 5th August, 1926.