

early part of the financial year further parcels of the stock, totalling £1,925,500, were purchased on the London market at prices slightly below par. The funds for these purchases were mainly provided from New Zealand, having been borrowed locally at rates of interest not exceeding $5\frac{1}{8}$ per cent. These cancellations reduced the amount of 4-per-cent. consolidated stock outstanding to £9,731,356.

This was the position on the 14th September, 1929, when a further £5,000,000 conversion offer was underwritten. The terms of the offer were to convert the 4-per-cent. 1929 stock into 5-per-cent. stock to mature on the 1st July, 1945, the Government, however, having the option of redeeming the stock at par on or after the 1st July, 1935, on giving three months' notice. The conversion was at par, but a cash payment of £2, payable on 1st November, 1929, was offered. This offer was taken up by holders to the extent of £3,628,102, and the balance of the £5,000,000 was taken up by the underwriters on the maturity date, 1st November. The offer, of course involved an increase in the interest payable, but that was inevitable in view of the market rates effective at the time. Indeed, the Dominion was fortunate in obtaining conversion on these terms, for the London market at that time was feeling the effect of the boom on the New York Exchange, and shortly after the offer was made the market hardened sharply as a result of the violent disturbances in New York, accentuated by what is known as the "Hatry crisis" in London. The cost of the conversion offer worked out at £5 7s. 3d. per cent.

The balance of the 4-per-cent. consolidated stock, amounting to £4,731,356, was redeemed on the maturity date, the whole of the necessary funds being provided from New Zealand. £4,047,235 of the amount was obtained from the proceeds of local issues, partly for departmental investments (mostly at 4 per cent. interest), and partly to the public, at $5\frac{1}{8}$ per cent. interest; £672,000 came from public-debt-repayment moneys and £12,121 from special sinking funds.

Summary.

To sum up all the operations concerned therein, the £29,490,852 of 4-per-cent. consolidated stock was disposed of as follows:—

	£
Converted into other stock	21,759,496
Redeemed out of the proceeds of special London issues for purchases on the market	575,949
Redeemed out of the proceeds of New Zealand issues in redemption	5,968,786
Redeemed out of public-debt-repayment moneys and sinking fund	1,186,621
	<u>£29,490,852</u>

The stock issued for the first two items mentioned above amounted in the aggregate to £23,074,789, of which all but £31,350 was issued in London, representing an increase in the debt of £739,344. Allowing for the redemption of this amount of additional stock and other expenses of conversion over the respective periods of the new stock, the average annual cost of this part of the debt is now £4 19s. 6d. per cent. per annum.

The issues in redemption in New Zealand resulted in no increase in the debt, and the average annual cost of the new securities issued locally is £4 12s. 10d. per cent. Redemptions out of debt-repayment moneys and sinking funds, of course, represent definite reductions of debt.

One result of all these operations is that our external debt was reduced by £6,400,000, which economically means that the Dominion has discharged its obligations to that extent. The redemption of such a large amount of London debt, necessitating the transfer of over £7,000,000 of cash from New Zealand over the period of the transactions, was very favourably commented upon in that financial centre.

Local sales of $5\frac{1}{8}$ -per-cent. securities, aided by departmental investments, provided £5,959,288 of the required funds, the balance for the repayments being

Reduction of external debt.

Local sales.