

the amount for which similar bonds can be purchased in the market. But Mr. Fitzherbert obtained an exceptional price. The bonds subsequently fell to £92, and some of the original purchasers, I believe, suffered. When I acted as Agent in the negotiation of the first part of the Immigration and Public Works Loan, the securities had again risen in value. The minimum fixed was £95 10s. If, when Mr. Fitzherbert negotiated the debentures he sold, the idea occurred to him of fixing a lower rate of interest than five per cent., he was probably confronted by the same difficulty that I was. I felt that it would be desirable to reduce the rate; but I found that to do so would involve an exercise of personal authority the responsibility of which I did not dare to undertake. The opinion, in short, of skilled persons was against it. Last year, when the debentures had risen to a premium—and when it became apparent that the value of our securities was positively reduced by the risk run by a buyer, of having to receive back at the end of any year a par price for the debentures he had bought at a premium—I semi-officially brought the matter before the Agent-General. He informed me in the same manner that personally he agreed with me, but that the opinion of others did not warrant his insisting on the course. In truth, there was, I believe, a not unnatural dread, on the part of those who bought and sold Colonial securities, of anything being done which might make them less popular. Those persons did not feel certain that the rise in the value of Colonial securities was of a permanent character, and they counselled delay. But in the Colonies, the feeling of the excellent nature of Colonial securities impelled the Colony of Queensland to commence the great operation of reducing the rate of interest. The attempt was boldly made, and the four per cent. debentures cleared 86 per cent.—a splendid result as compared with the rate at which money was borrowed on five per cent. securities, even with a premium attaching to them. Victoria followed with a four per cent. loan, and, not being in want of the money at an early date, fixed par as the price, intending to work off the debentures by gradual, or, as I may term it, retail sales. I found that the other Colonies were determined also to favour a four per cent. rate; but not wishing to force a change on our Home representatives, we contented ourselves with calling for tenders in the Colonies. The minimum was fixed at £90 10s. Had it been fixed at £90, the sale would have been at once concluded; and, but for the exaggerated accounts of probable disturbances in New Zealand, the bonds would have been cleared off without delay after the minimum was declared. As it is, the sales are progressing gradually. We have advices of £150,000 being sold. The parcel offered in New Zealand has all been taken up, the Trust Fund being the purchaser, except of a small amount. Putting on one side the sale in the Colony, I may refer with gratification to the operation in the adjoining Colonies. The money is borrowed on most favourable terms. The rate, including provision for payment of discount, is equivalent to borrowing money at $4\frac{1}{2}$ per cent.; and when I announced the Public Works policy in 1870, I asked its acceptance on the basis of the probable necessity of borrowing at the rate of $5\frac{1}{2}$ per cent. We fixed £90 10s., whilst Queensland, commencing the reduction to four per cent. had to submit to £86, and even then concluded a splendid operation. Our debentures, too, are payable only in the Colonies, whilst those of Queensland are what are known as remittable debentures—that is to say, interest and principal can, at the pleasure of the holder, be made payable in London. Our four per cent. borrowing does not involve a sinking fund, whilst the debentures have forty years' currency—a striking proof of what I have always maintained, that drawing or sinking funds are not required by lenders of money, so that their obvious impolicy and costliness cannot be defended on the ground of necessity.

I was pleased, after we had called for tenders in Australia, to receive a cablegram from the Loan Agents, announcing their recommendation that in future loans we should reduce the rate of interest, and abolish sinking or drawing funds. At length, public opinion at Home, was, I suppose, equal to the reduction. The Agents said they could obtain for four per cent. debentures 86 per cent., and for $4\frac{1}{2}$ per cent. debentures, nearly par. I may add, that the Agents have been instructed to use their discretion as to reducing the rate, although I have expressed a preference in favour of four per cent. All the

Dread, at Home, of making Colonial securities less popular.

But feeling in Colonies caused Queensland to take the lead. Her 4 per cent. Debentures cleared 86.

Victoria, fixed par price.

New Zealand called for tenders for 4 per cents.; minimum, £90 10s.

£150,000 sold in Australia; and sales progressing. Parcel offered in Colony taken up, nearly all by Trust Fund.

General result, equal to borrowing at $4\frac{1}{2}$ per cent. In 1870, Public Works policy proposed on basis of $5\frac{1}{2}$ per cent.

No sinking or drawing fund.

After tenders called for in Australia, Loan Agents at Home recommended reduction.

Instructed to use discretion; but 4 per cent. preferred by Colonial Treasurer.