

1877.

NEW ZEALAND.

INSCRIPTION OF STOCK BY THE BANK OF ENGLAND

(FURTHER PAPERS RELATING TO THE PROPOSED).

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The AGENT-GENERAL to the Hon. the PREMIER.

7, Westminster Chambers, Victoria Street, Westminster, S.W.,
6th July, 1877.

SIR,—

In continuation of my letter of 8th June, I have the honor to enclose you further correspondence with the Secretary of State.

Shortly afterwards, I received a rough draft of the new clauses the Treasury proposed to add to the Bill. I at once asked the other Agents-General to attend a meeting at my office, the day but one following, and in the meanwhile, through Mr. Mackrell, communicated with the Bank of England.

The Agents-General for Victoria, New South Wales, and South Australia attended the meeting, as did also Mr. Mackrell. A resolution was passed, copy of which I forward, together with copy of the letter covering it, which I addressed to Mr. Herbert, in compliance with the wish of the meeting. I may explain that whilst not quite satisfied with the new clauses, we all deemed it inexpedient to raise a discussion about them, as very little waste of time might prevent the Bill being passed this session. Enclosure No. 4.

I am sorry to say there was more difficulty with the Bank authorities. They strongly objected to the clauses as first proposed. I represented these objections to Mr. Herbert and Mr. Malcolm, and at their instance the Treasury agreed to materially alter them. Once more the Bank objected, and negotiations are still going on to settle the points of difference still remaining. I saw the Deputy-Governor of the Bank, and was glad to receive his assurance that the Bank wished the Bill to pass, and would try to settle the difficulties. Mr. Mackrell has been in constant communication with the Bank lawyers, and I with the Colonial Office. The difficulties are now much narrowed. I think they will be removed, and the Bill put into such a shape as the Bank will approve.

The Treasury has introduced the Bill, and it has been read a first time. I will endeavour to obtain two copies to enclose to you.

I regret I have not a copy of the Bill proposed last year to the New Zealand Assembly. My recollection of it leads me to think it will suitably work with the Bill now passing through Parliament. Your Law Officers will, however, see to that.

I have inquired of many people well able to form an opinion, and they all think that New Zealand securities will be much improved in value by inscription. I am of opinion that if the power the Act will give be judiciously used, most beneficial results to the colony will follow.

I venture to suggest to you that if you propose to negotiate any fresh loan, it would be desirable to do so under the provisions of the Inscription Bill; but whether or not you are making such fresh loan, I think that immediately you can obtain the necessary power, you should authorize agents here to convert existing loans into inscribed stock. You should give the agents power to decide if the new stock should be 4 or 4½ per cent. stock, and also to fix the terms of conversion, binding them only to make such terms fully sufficient to cover all expenses, including stamp duties. In my opinion, they will be able to obtain a profit over and above expenses, besides dispensing with sinking fund, and adding to the market value of the loans. The latter would be at once felt, if a new loan were negotiated. It would not, I think, be disadvantageous to negotiate a new loan at the same time as the old loans were converted. The Metropolitan Board of Works Consols, inscribed by the Bank of England, bearing 3½ per cent. interest, are worth at present 101½ ex dividend. I see no reason why Colonial inscribed stocks should not be worth fully as much. I think there is little doubt but that shortly trustees will be allowed to invest in Colonial inscribed stocks.

I have, &c.,

The Hon. the Premier, Wellington.

JULIUS VOGEL, Agent-General.