

to such an amount less the sinking fund which has accrued up to the 31st March last, would be a matter as to which you can from time to time advise. If a loan were now maturing, and the question of converting it or paying it off by accrued sinking fund were to arise, I think you would agree with me that it would be much less likely to disturb the market to offer to convert the loan outright than to throw upon the market for sale the accrued sinking fund to provide the funds. We may, however, leave this question for further consideration, as it will be very much regulated by the various conditions prevailing for the time being.

As I have already written, I should like you as early as possible to provide for the conversion of the consolidated debentures. I suggested in a former letter that, before you made your proposed operation public, you might make arrangements for privately buying up parcels of debentures as they are offered in the market, without unduly increasing the market rate and making large operations more difficult. This, of course, must depend upon your own judgment. I recognize it will require very nice care and discretion to decide as to whether or not to carry out such operations.

Singularly enough, my letter is crossed by one from Sir F. D. Bell, in which he suggests something of the same kind, in the way of converting any debentures offered for conversion. I have replied to that in a separate letter, pointing out my fear that such continuous operations might interfere with the large operations from time to time, and asking you to advise me further on the subject. It may, however, be in the direction of Sir F. D. Bell's suggestion, not exactly to convert debentures coming in, but to buy them up; providing those debentures were of the kind which it was proposed shortly to include in a conversion operation.

I do not propose to offer for sale any of the debentures you will create this year on account of the increase of the sinking fund. We will take them up in the colony unless the Sinking Fund Commissioners are able to take up any part of them, in which case they can have what they require. But it would be better for the Sinking Fund Commissioners to take up the inscribed stock belonging to the Trust Funds which you have for sale, leaving the Trust Funds here free to make investments in the colony with the amounts placed at their disposal by the sale you make.

The Agents for New Zealand Loans and Stock, London.

I have, &c.,

JULIUS VOGEL.

P.S.—I hope it will not be necessary for you to give any assurances regarding the future when you negotiate the two and a half millions. You will be, of course, aware that the million for the North Island Trunk Railway still remains unnegotiated. We are proceeding with that railway, and would probably require the loan to be negotiated about July next. But if you find it absolutely necessary to give any pledge not to come in the market again during 1885, I suppose there would be no difficulty in obtaining temporary advances on the North Island Trunk Railway Loan in anticipation of its negotiation in 1886.—J.V.

No. 39.

The COLONIAL TREASURER to the LOAN AGENTS.

GENTLEMEN,—

24th November, 1884.

I have the honour to acknowledge the receipt of your letters of the 4th and 9th ultimo, Nos. 426 and 435.

Other correspondence which has taken place renders it unnecessary to further reply to these letters. I may, however, observe that the cablegram received from the Agent-General (a copy of which I attach) after the receipt of your cablegram of the 30th September leads me to think you were inclined to modify your views. Hence my asking you to do so in my cablegram of the 7th October.

The Agent-General's message you will observe was headed "Loan Agents' Message." It came between the two of which you send copies, but you sent no copy of it, and evidently overlooked it, or you would have understood my pressing you to reconsider the question in consequence of the more hopeful views expressed in the cablegram.

I have, &c.,

The Agents for New Zealand Loans and Stock, London.

JULIUS VOGEL.

Copies of Telegrams enclosed in No. 39.

The AGENT-GENERAL to the COLONIAL TREASURER.

(Received 5th October, 1884.)

LOAN Agents' message. My impression success Sydney three half will create buoyancy all round, which case market become bare inscribed stock change aspect before January.

London, 4th.

The COLONIAL TREASURER to the LOAN AGENTS.

Loan Agents, London.

Wellington, 7th October, 1884.

UNLESS you act on cable authority new loan powers only reach you December. If only new loan floated would require additional million July. Perhaps, therefore, better float two millions and a half January. Have arranged wants till then, but regrettable lose good market. Reconsider expediency immediate conversion Consolidated Loan, 1867. Must base conversion on market, not actuarial equivalent. If conversion effected market bound support new loan. Advise all points, will accept your judgment.