

fronted with a new proposal to that effect, which seemed to us one of extreme gravity, we have hardly known, during the few days that have passed since receiving your letters, what was the best to advise. However, there being no time for communication with you by letter, and delay in the issue of the loan being equally out of the question in view of the heavy engagements falling due here next month, we have been obliged to come to some conclusion at once which we could telegraph to you; and we have accordingly sent you the message, of which copy is annexed.

As your instructions in reply will, no doubt, come to us quickly, we confine ourselves in this letter to a very brief explanation of our message.

Assuming that you approved of placing the new loan upon the market at once, the only point of immediate importance was whether inscription could wisely be delayed until next May; but, after full consideration, we think it certain that by such a postponement you would lose more in the price of the loan than you would gain in interest, even supposing that the engagements for which provision must be made would allow of any interest being saved at all between now and May.

With regard to a conversion into inscribed stock here of debentures created in the colony under the District Railways Purchasing Acts, we have so often pointed out the grave danger of disaster to your credit which lies in any operation of that kind, that we feel we should be going beyond our province if we were to make a fresh remonstrance against it now. The Government and Parliament have decided that such operations may be made, and it only remains for us to carry out the orders we may receive for them. But, as you are pleased to leave a discretion with us in this particular instance, we have felt justified in suggesting that it would be wise to modify your proposals in the following way: Instead of sending the bonds you mention over here for conversion, under the first part of clause 6 of the Act of 1886, we would strongly advise that only the power under the second part of the clause should be used for any operation on this market, an Order in Council being issued to authorize the creation of inscribed stock for so much as you may want in cash over and above whatever you can place in debentures within the colony. If this course were adopted the raising of this amount could then be successfully combined with the raising of the North Island Loan, and what we must still believe is a very serious risk would be averted.

But while we advise this method, it may of course be that your engagements would make it difficult for you to wait so long; and we have therefore said in our message that if you cannot wait it will be best to combine, as you propose by way of alternative, the £175,000 of the North Island Railway Loan with the £1,325,000 new loan, and so make up altogether a million and a half.

It is unnecessary for us to point out how desirable it was, in preparation for the new loan, that the market should not have hanging over it the rest of the stock for paying off the $4\frac{1}{2}$ -per-cent. five-thirties; and we have been glad to accept an offer from the same syndicate that took the first half million to take the remaining amount of £560,000 at the same price of $97\frac{1}{2}$. The sale is for the 28th of October account, but with the option of paying up any part before that date. You will remember that the difference between that price and par will be provided for by us as part of the expenses of the conversion.

The last point included in our telegram is to ask what assurance we may give to the market as to the time that will elapse before coming upon it again. The price at which the new loan will go depends entirely on this; and, having regard to what passed in the debates on the Loan Bill at the end of the session, we hope your answer may be a favourable one. In any case, however, we have been obliged to prepare you for a very different price from the one you got for your last million and a half; for at the best this loan will not be placed except at a price considerably below the market quotation of the day.

We have, &c.,

P. G. JULYAN,

F. D. BELL,

Loan and Stock Agents.

The Hon. the Colonial Treasurer, Wellington.

Copy of Telegram referred to in No. 30.

The LOAN and STOCK AGENTS to the COLONIAL TREASURER.

Treasurer, New Zealand.

London, 23rd September, 1886.

FINANCIAL proposals 14th August. Firstly, new loan: Advise offer loan at once, because present moment favourable. With regard delaying inscription until May, do not think this would be advisable, because you would lose more in principal than you would gain in interest. Secondly, District Railway debentures: irrespectively of danger converting bonds not regularly issued upon Stock Exchange, any private conversion certainly impossible, nor could conversion operation be combined with new loan, therefore suggest your proposals must be modified in the following manner: instead sending over debentures authorize creation inscribed stock direct under second part clause six, and then combine that issue with North Island Railway Loan whenever raised. Thirdly, but if you cannot wait, then combine £175,000 that loan with new loan, making altogether £1,500,000. Fourthly, $4\frac{1}{2}$ -per-cent. 5-30s. with object clearing ground for new loan, have sold remainder inscribed stock, £560,000, same syndicate at $97\frac{1}{2}$ for October account. Lastly, what assurance may we give market respecting time elapse before coming again: price of issue entirely depends upon this, but anyhow must prepare you for figure sensibly below market quotation. LOAN AGENTS.

No. 31.

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,—

7, Westminster Chambers, London, S.W., 4th October, 1886.

It being necessary for the Loan Agents to satisfy the Bank of England of their authority to raise the £240,000 for redeeming the District Railway debentures, I telegraphed to you asking for the particulars of the Order in Council authorizing the conversion, and have to express my thanks for your prompt message in reply.

With reference to the question at the end of your message, I answered at once that we had decided to bring out the loan next Wednesday, when we should fix the minimum.

I have, &c.,

F. D. BELL.

The Hon. the Colonial Treasurer, Wellington.