

1900.
NEW ZEALAND.

ISSUE OF SHORT-DATED DEBENTURES UNDER THE LAND FOR SETTLEMENTS ACTS.

OBJECTION OF THE CONTROLLER AND AUDITOR-GENERAL TO A CLAUSE GIVING THE HOLDERS OF THE DEBENTURES THE OPTION TO CONVERT THEM INTO 3-PER-CENT. CONSOLIDATED STOCK AT A FIXED FORWARD PREMIUM, AND THE TERMS ON WHICH HE AGREED TO COUNTERSIGN THEM.

Laid upon the Table by the Colonial Treasurer by Leave of the House.

The Hon. the COLONIAL TREASURER to the CONTROLLER and AUDITOR-GENERAL.

The Treasury, Wellington, 17th March, 1900.

The Controller and Auditor-General.

THE Colonial Treasurer has given careful consideration to your view that the clause in the Land for Settlements debentures giving the holder the option, at any time during their currency, to convert them into consolidated stock at the fixed rate of £103 of stock for £100 of debentures is contrary to section 5 of "The Consolidated Stock Act, 1877," which says that the amount of additional stock that may be created for the purposes of a conversion shall not exceed the difference in the saleable value between the debentures and the stock.

You hold that the difference in saleable value means the difference at the time of the conversion, and therefore cannot be fixed at the time of the issue of the debentures, and consequently should not be inserted in them.

Of course, conversion must in every case be the result of an offer on the part of the Government to convert, and obviously the offer must specify the rate, and give the holders a reasonable time in which to make their election.

As to what is a reasonable time, that is a matter for the financial advisers of the Government. In some cases six weeks have been given, in others six months. These cases, however, differ from the present one in that in them the offer was made and the time given with a view to conversion and as the first step in the negotiations, whereas in the present case negotiation cannot be said to be in active progress at the time when the debentures are issued. The Colonial Treasurer therefore considers that your objection is sound in principle, although he is satisfied that, having regard to the short currency of the debentures (two years), the low rate of premium (3 per cent.), and the almost certain stringency of the money-market for some time to come, the option, if exercised by the debenture-holders, must be to the advantage of the colony.

Unfortunately, the difficulty caused by the section referred to did not occur either to the Colonial Treasurer or to the Agent-General, and the latter, when disposing of the debentures, undertook that the option clause should appear in them.

The Colonial Treasurer is satisfied that you realise as fully as he the imperative necessity of keeping perfect faith with the public on these matters, and therefore trusts that you will feel justified in waiving your objection, and allowing the debentures to be completed in their present form.

He thinks, too, it would be proper to bring the matter before Parliament at the beginning of the session—say, within ten days of the opening—both for the purpose of informing the Legislature of what has been done and of ratifying the form of the debentures in question.

R. J. SEDDON,
Colonial Treasurer.

The Hon. the Colonial Treasurer.

Audit Office, 17th March, 1900.

THE Controller and Auditor-General, being satisfied that the difficulty caused by the provisions of section 5 of the Consolidated Stock Act did not occur either to the Colonial Treasurer or to the Agent-General, and that in order to keep faith with the public it is of imperative necessity that the debentures should be completed at once, has countersigned them in their present form, on the understanding that the course which the Colonial Treasurer states that he thinks the proper one will be taken by the Government, of bringing the matter before Parliament within ten days of the opening, with a view to the ratification of what has been done.

J. K. WARBURTON,
Controller and Auditor-General.

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