

(No. 99.)



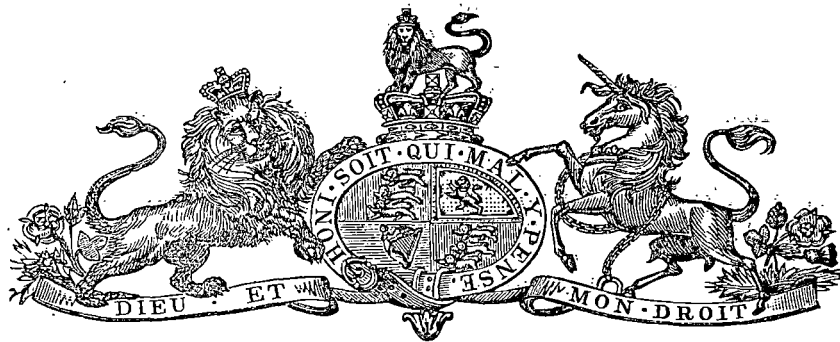
1889.

PARLIAMENT OF TASMANIA.

CONVERSION OF 4 AND 6 PER CENT.
DEBENTURES.

CORRESPONDENCE, &c.

Presented to both Houses of Parliament by His Excellency's Command.



CONVERSION OF 4 AND 6 PER CENT. DEBENTURES.

Treasury, 24th April, 1889.

SIR,

AMONG the instructions given to the Agent-General was one directing him to make enquiry regarding the practicability of converting and consolidating some of our loans into new stock at lower rates of interest than those at which they are current. I do not remember having yet seen any reference to this matter in the despatches of the Agent-General; and as we have now created by our new Loan a 3½ per cent. stock, and have thereby proved the feasibility of obtaining money at much lower rates than we have hitherto paid, I desire through you to bring the very important question of conversion and consolidation before the Agent-General, in the hope that, as the result of his enquiry, I may have something tangible to place before Parliament if it be found practicable to move in the direction indicated.

I should not propose at present to attempt to deal with any of our 4 per cent. loans, of which we have £2,900,000, redeemable from 1908 to 1920; nor would I think it worth while touching the 5 per cents, of which we have only £15,000, payable in London in the years 1892 and 1893; but there is a total of £657,000 in 6 per cents, redeemable in London from the year 1893 to 1901, with which, I think, something might be done to advantage. These debentures will fall in as under:—

	£
In 1893	99,700
1894	100,000
1895	104,500
1896	100,000
1897	100,000
1898	52,800
1901	100,000
	<u>£657,000</u>

I notice that these bonds are quoted at from 108 to 120, varying according to the term of their currency. I do not know whether it will be possible to exchange any of these for 3½ per cents with a long currency without giving a premium, but I should think it not improbable that some, if not all, holders of the short-dated 6 per cents, say up to 1895, might be induced to exchange their bonds for long-dated 3½ per cents. If such an arrangement could be effected in regard to any of the short-dated 4 per cents, it would, I think, be the best course to adopt. For the longer-dated and higher-priced 6 per cent. debentures, it will no doubt be necessary to offer a larger amount of 3½ per cent. stock in exchange. I shall be glad if the Agent-General will at once consult financial experts as to the best method of procedure in this matter, and as to the possibilities of an advantageous conversion of these loans into 3½ per cent. inscribed stock, and furnish a report and recommendation at the earliest possible date.

I have the honor to be,
Sir,

Your obedient Servant,

B. STAFFORD BIRD, *Treasurer.*

The Hon. the Premier, Hobart.

(No. 465.)

*Office of the Agent-General for Tasmania, Westminster Chambers,
5, Victoria-street, London, S.W., 7th June, 1889.*

SIR,

I HAVE the honor to reply to your despatch (No. 365) of the 24th April last, covering a communication from the Hon. Treasurer regarding the conversion and consolidation of the Tasmanian loans.

This subject has not escaped my attention during the last five months, but I have deemed it advisable not to make any recommendations in respect of it until our $3\frac{1}{2}$ per cent. loan was got off. And even now, if we follow the counsel of Mr. Westgarth (extract from whose letter of the 6th inst. accompanies), we shall not take action of any sort.

But Messrs. Lanarch & Billingham are of opinion that we might at once proceed to convert and consolidate all the Tasmanian loans in one uniform $3\frac{1}{2}$ per cent. inscribed stock. They agree with me that this operation should be general, and not confined to any one or more of our issues.

The method of effecting this is that adopted by the Cape of Good Hope, and I enclose herewith copy of Act No. 16 of 1881 (the Cape of Good Hope General Loans Act, 1881), for the information of your Government.

I have, &c.

E. BRADDON, *Agent-General.**The Hon. the Premier, Hobart, Tasmania.*

P.S.—As regards the 3 per cent. rate for our consolidated loan, it is pointed out by one of our financial authorities that the Canada loan floated at that figure “hung fire” at the time, although it is now quoted at a fair price.

E. BRADDON.

EXTRACT from a letter from MR. W. WESTGARTH, dated 6th June, 1889.

My decided view in this important matter is that the Australasian Colonies should all delay their consolidation a short while longer, in the hope of doing so in 3 per cents. instead of $3\frac{1}{2}$ per cents. At the same time, if the other and larger Colonies of the group proceeded to consolidation in $3\frac{1}{2}$ per cents, I do not see how Tasmania could stand out.

Seeing that Canadian Threes have already touched 97, and require only the Trusts' status to go to 100, it seems to me decidedly wrong policy to rush into a $3\frac{1}{2}$ consolidation at present.

It seems certain that as soon as Mr. Goschen has completed his “conversion,” the way will be opened for admission to the Trusts' rank for Australasian stocks. This may be by the end of this year. My view is, that when the Australasian Colonies prepare to issue 3 per cents, and that if they can not confederate and issue, like Canada, a confederation stock, they can all at any rate issue a stock identical in term, interest, date, &c., as they will greatly help the value. I think that this 3 per cent. should be the only stock bearing the Trust privilege, as thus a conversion of all outstandings would be early and prompt. This might be on terms dividing the advantage between the issuing Governments and the holding public. The former would profit by reduced interest charge, the latter by a greatly increased relative capital value, and by having a surpassingly marketable stock in the 3 per cents. This seems all I need say at present, but if anything occurs to you to ask, I shall be much pleased to give my views. The broken integer $3\frac{1}{2}$ should be, if possible, avoided. The prospects are, I think, that Australasian 3 per cents would stand within a very few years at about 100.

[ACT No. 16 of 1881.]



CAPE OF GOOD HOPE.

AN ACT to declare the Terms and Conditions applicable to Loans authorised to be raised by the Government of the Cape of Good Hope, and to provide for the creation of Cape of Good Hope Consolidated Stock.—[Assented to 25th June, 1881.]

WHEREAS it is expedient to define in one Act the terms and conditions applicable to all loans hereafter authorised to be raised by the Parliament of the Cape of Good Hope, and whereas it is expedient to provide for the creation of Cape of Good Hope Consolidated Stock, and to enable this colony to take advantage of the provisions of an Act of the Imperial Parliament, intituled "The Colonial Stock Act, 1877:" Be it therefore enacted by the Governor of the Cape of Good Hope, with the advice and consent of the Legislative Council and House of Assembly thereof, as follows:—

I. As often as by any Act passed during the present or any future session, authority shall be given to raise any sum of money for the purposes mentioned in such Act, the Governor may from time to time, as he may deem expedient, raise such sum either by debentures or stock issued in this Colony (hereinafter referred to as "Colonial Stock"), or by Cape of Good Hope Consolidated Stock, or partly by debentures, partly by colonial stock, and partly by consolidated stock.

II. When the borrowing shall be upon debentures, such debentures shall be issued in this colony or in England, or partly in this colony and partly in England, for sums not exceeding five hundred pounds, nor less than one hundred pounds each, upon the best and most favourable terms that can be obtained.

III. When the borrowing shall be upon colonial stock, the following provisions shall be observed:

1. Such stock shall be issued by crediting the purchaser thereof for such sum thereof as he shall purchase in books to be kept for that purpose by the Treasurer of the Colony; such credit to be given in the first instance upon production and delivery to the said Treasurer, by such purchaser, or by his order of a scrip certificate of the amount of stock for which such credit shall be claimed, such certificate being signed by the Colonial Secretary and countersigned by the said Treasurer and by the Controller and Auditor-General, and which scrip certificate shall be kept in the office of the said Treasurer.
2. Such stock shall bear interest at a rate to be specified in the said scrip certificate, and such interest shall be payable half-yearly on the 15th day of April and 15th day of October in each year, the first of such payments to be made on the half-yearly day which shall happen next after the opening of such credit in the books of the said Treasurer as aforesaid, and shall be paid on such days, respectively, or so soon thereafter as demand shall be made therefor by the lawful holder for the time being of such stock, to such lawful holder or his duly authorised attorney, at the office of the Treasurer in Cape Town.
3. Such stock shall be transferable by transfer in the books of the said Treasurer, and every person to whom any such credit as aforesaid shall have been given in the said books in the first instance, or to whom any such transfer shall thereafter have been made in the said books, shall be entitled to require and demand of the said Treasurer a receipt or certificate stating the amount of such stock standing to his credit in such books.
4. Such stock shall be put up for public tender in such amounts as may from time to time seem fit, and may be disposed of for the best terms which can be thus obtained. If more tenders than one offering the same terms shall be received for a greater amount of such stock than the amount for the time being about to be issued, it shall be lawful to accept any one or more of such tenders, or any part of any such tenders as circumstances may make expedient.

IV. When borrowing shall be upon consolidated stock, such stock shall be issued in England under the provisions of the Act of the Imperial Parliament, intituled "The Colonial Stock Act, 1877," upon the best and most favourable terms that can be obtained, and on such other conditions, subject to the provisions of this Act, as the Governor, with the advice of the Executive Council, may, before the issue thereof, from time to time determine.

V. In case provision be made for the gradual extinction of any loan to be raised under the authority of any such Act by the terms and conditions upon which such loan shall be raised, there shall be charged and chargeable upon, and set apart out of the annual revenues of this colony, an annual sum equal to the interest on the whole amount of the principal or capital sum of such loan, and a further sum equal to one pound sterling per centum on such whole amount; and such sums shall be annually charged on and be payable out of the revenues of the colony so long as any portion of such loan or any interest thereon shall remain unpaid and unextinguished, and no longer.

Preamble.

Loans to be raised by debentures or "Colonial Stock" or by "Cape of Good Hope Consolidated Stock."

Debentures to be for not more than £500 nor less than £100.

Provisions when borrowing is on Colonial Stock.

On Consolidated Stock provisions of Imperial "Colonial Stock Act, 1877," to apply.

In case of Sinking fund one per cent. beyond annual interest of loan to be charged on revenues.

Portion of such fund not required for interest to be applied in extinguishing the debt.

VI. Such portion of the fund which shall under the last foregoing section be charged and chargeable annually on the revenues of the colony as shall not be required for the payment of the interest, for the time being, due upon any such loan as is in the last section mentioned, shall be applied in redeeming the loan in such manner and form as shall be provided by the terms and conditions whereon and whereunder the debentures or stock certificates for the same, as the case may be, shall have been issued.

Cancellation of redeemed debentures.

VII. All debentures or stock certificates which shall be redeemed as aforesaid, shall, immediately on the receipt thereof, be cancelled by or on behalf of the said Treasurer, and shall be duly advertised as so cancelled.

Special accounts to be kept, and submitted to Parliament.

VIII. An account showing the amount of all stock and debentures issued from time to time under authority of any Act, and of the moneys realised by the issue and sale thereof, and of the expenditure of all such moneys or of so much thereof as shall for the time being have been expended, and an account of the amount of such stock and debentures for the time being outstanding, and of all such sums thereof as shall from time to time be bought in and cancelled, if any, vouched by the Controller and Auditor-General, shall be laid before both houses of Parliament within fourteen days after the commencement of every session thereof.

Powers and authorities given to the Governor.

IX. The Governor, with the advice of the Executive Council, shall have and may exercise the following powers and authorities, or any of them :—

- (1.) He may from time to time declare all or any of the existing loans of this colony, whether in the form of debentures or colonial stock, to be convertible into consolidated stock of such denominations and on such conditions as he may before the creation thereof from time to time determine.
- (2.) He may authorise the creation and issue of such an amount of consolidated stock in exchange for the securities held for such loans as may be necessary.
- (3.) He may authorise the creation and sale of any such consolidated stock for the purpose of raising money for redeeming any outstanding loans, and for paying any expenses in the creation of consolidated stock, and otherwise carrying out the provisions of this Act, on such conditions as he may determine.
- (4.) Any conversion so authorised may be effected either by arrangement with the holders of existing securities, or by purchase thereof out of moneys raised by the sale of new consolidated stock, or partly in one way and partly in the other.

Any power by this section conferred on the Governor may be exercised from time to time, and he may alter any conditions as often as occasion shall require, provided that no contract or engagement previously entered into shall be prejudicially affected thereby.

Capital of loan not to be increased. Exception.

X. Nothing in this Act contained shall authorise an increase of the capital, or of the annual charge on any loan, except that when securities exchanged for consolidated stock bear a higher rate of interest than the consolidated stock an additional amount of consolidated stock may be created and issued to make up the difference in saleable value between the securities and the consolidated stock.

Loans chargeable on the Colonial revenue.

XI. All loans raised under the authority of any such Act as is in the first section mentioned, and all existing loans converted into consolidated stock, and interest thereon, and all charges and expenses incurred in carrying out the provisions of this Act, or any agreement made in pursuance thereof, shall be chargeable upon and payable out of the revenue of this colony.

What agreements the Governor may enter into in regard to loans.

XII. The Governor, with the advice of the Executive Council, may from time to time enter into such agreement with the Crown Agents, or any bank, or any person or persons, as to the Governor may seem fit, providing for all or any of the following things :—

- (1.) For inscribing consolidated stock in the books of such agents, bank, person, or persons.
- (2.) For managing the creation, inscription, and issue of consolidated stock.
- (3.) For effecting the conversion of loans into consolidated stock, and managing transfers thereof.
- (4.) For paying interest on consolidated stock.
- (5.) For issuing consolidated stock certificates to bearer, and as often as occasion shall require, re-issuing or re-inscribing consolidated stock, and re-issuing consolidated stock certificates.
- (6.) For receiving from time to time all moneys raised by or on behalf of the colony under this Act.
- (7.) For paying such money from time to time into such account or into such bank as may be duly appointed in that behalf.
- (8.) For issuing scrip for deposits on loans.
- (9.) For paying off capital of loans and generally conducting all business connected with such loans.
- (10.) And for the protection and remuneration of such agents, person, or persons, or bank, in respect of any such agreements.

Such agreements as valid as if embodied in this Act. Powers the Governor may exercise.

XIII. Every agreement made in pursuance of this Act shall be as valid and effectual as if the terms thereof had been herein embodied.

XIV. The Governor, with the advice of the Executive Council, shall have and may exercise the powers following :—

- (1.) He may from time to time appoint an agent or agents in England for the purpose of this Act, and may empower such agent or agents to exercise all or any of the powers by this Act exercisable by the Governor.
- (2.) He may at any time remove or accept the resignation of any agent, and appoint another or others.

Short title.

XV. The short title of this Act shall be "The Cape of Good Hope General Loans Act, 1881."

The Times, 27th May.

CAPE OF GOOD HOPE.—Conversion of the Public Debt into Consolidated Three-and-a-Half per Cent. Stock.—The London and Westminster Bank, Limited, are instructed by the Government of the Cape of Good Hope to receive the outstanding Debentures of Loans negotiated by the Government of the Colony of the Cape of Good Hope through the Crown Agents for the Colonies, and of the Five per Cent. Loan negotiated through the London and Westminster Bank, Limited, for conversion, until further notice, into Cape of Good Hope Consolidated Three-and-a-Half per Cent. Stock, on such terms as may be ascertained from time to time at the London and Westminster Bank, Limited.

The Cape of Good Hope Consolidated Stock, bearing interest at $3\frac{1}{2}$ per cent. per annum, created for the purposes of this Conversion, under the Acts of the Cape Legislature, No. 16 of 1881, as amended by No. 18 of 1883, and No. 16 of 1886, will be inscribed in accordance with the provisions of the Colonial Stock Act, 1877—40 and 41 Vict., cap. 59—in the books of the Stock to be kept by the London and Westminster Bank, Limited, and will be transferable, without charge and free of stamp duty, at that bank, either by the stockholders personally or by their attorneys. The interest, at the rate of $3\frac{1}{2}$ per cent. per annum, will be payable, on behalf of the Cape of Good Hope Government, at the London and Westminster Bank, Limited, Lothbury, on the 1st January and 1st July in each year, by dividend warrants, which, if desired, can be sent by post to the stockholders; and the Stock will be redeemable at par at the same Bank, on the 1st July, 1949, but the Government of the Cape of Good Hope have the option of redemption at par in London, on or after 1st July, 1929, on giving 12 calendar months' notice by advertisement in the *London Gazette* and in *The Times* newspaper, or by post to the then stockholders at their registered addresses.

Stock certificates to bearer, of the denominations of £100, £500, and £1000, with coupons for the half-yearly dividends attached, will be obtainable in exchange for inscribed stock at the London and Westminster Bank, Limited, Lothbury, on payment of the prescribed fees, and such certificates can be re-inscribed as Stock at the will of the holder.

The revenues of the Colony of the Cape of Good Hope alone are liable in respect of this Stock and the dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or the dividends thereon, or for any matter relating thereto.—40 and 41 Vict., cap. 59, sec. 19.

The provisions relating to the annual drawings of certain of the Government Debentures will continue to operate as heretofore, and such Debentures as may remain unconverted will be drawn in the same ratio as hitherto.

Debentures lodged for conversion must have all undue coupons attached, and interest on the Consolidated Three-and-a-Half per Cent. Stock, issued in exchange, will accrue from the 1st July, 1889. The interest on Debentures lodged for conversion will be paid at old rates up to such 1st July, and any difference of interest will have to be adjusted at the time the Debentures are deposited.

Forms for listing the Debentures to be lodged for conversion can be obtained of the London and Westminster Bank, Limited, and the signatures of the persons in whose names (not exceeding four) the Consolidated Stock is to be inscribed will be required thereto.

*London and Westminster Bank, Limited,
Lothbury, London, E.C., 27th May, 1889.*

TELEGRAM.

The Agent-General to the Premier.

(Translation.)

London, 8th June, 1889.

FINANCIAL advisers recommend consolidation of loans same way as Cape of Good Hope.

Treasury, Hobart, 2nd September, 1889.

SIR,

REFERRING to despatch No. 465 from the Agent-General, dated 7th June, 1889, I have the honor to request that you will procure from the Agent-General a statement, which our financial advisers in London would furnish, as to the terms on which the conversion of the whole of our outstanding debentures from 4 per cent. to 6 per cent. might be attempted with a probability of successfully effecting it.

I enclose a Return showing our outstanding debentures which might be converted into a $3\frac{1}{2}$ per cent. consolidated stock.

I am hopeful that by issuing $3\frac{1}{2}$ per cent. consolidated stock for a longer period than that within which our debentures are to be redeemed, a considerable amount of the 4 per cent., if not also some of those bearing higher rates, may be issued at par. It will be well that we should see clearly what the procedure is likely to be before we commit ourselves to it, and therefore I wish to know—(1) What portions, if any, of these debentures are likely to be exchanged for a $3\frac{1}{2}$ per cent. stock at par? (2) What portions of the debenture stock can only be exchanged by the issue of a larger amount of consolidated stock? (3) What that larger amount would probably be? And (4) what the charges of the London and Westminster Bank would be for effecting the conversion per million?

In comparing the "Cape of Good Hope General Loans Act, 1881," under which the consolidation of the loan of that Colony was effected, with our "Inscribed Stock Act," it appears to me that all the powers necessary for the conversion and consolidation of our loan are provided in this Act. If, therefore, the conditions which may be submitted to us in response to this inquiry are as favourable as I anticipate they will be, there will be nothing to prevent our proceeding with the conversion whenever our advisers may recommend it.

I have, &c.

The Hon. the Premier.

B. STAFFORD BIRD, Treasurer.

RETURN of Debentures redeemable in London.

Act of Parliament.	Rate of Interest per cent.	Amount.		When redeemable.												
				1892.	1893.	1894.	1895.	1896.	1897.	1898.	1901.	1908.	1911.	1913.	1914.	1920.
29 Vict. No. 2	6	£ 102,500	1 January	£	£	£	£	£	£	£	£	£	£	£	£	
31 Vict. No. 9	6	454,500	1 July	...	99,700	100,000	102,500	100,000	100,000	52,800						
33 Vict. No. 38	6	100,000	1 July	...	...	...	...	...	...	100,000					
		657,000			99,700	100,000	104,500	100,000	100,000	52,800	100,000					
36 Vict. No. 4	5	15,000	1 September	12,000	3000	...	...							
41 Vict. No. 3	4	300,000	1 July	...	...	...	...	...	...	...	300,000				
44 Vict. No. 34	4	300,000	1 January	...	...	...	...	...	...	...	...	...	...	...	300,000
46 Vict. No. 45	4	523,750	1 January	...	...	...	...	...	...	...	...	...	500,000	...	...
47 Vict. No. 47	4	800,000	1 July	...	...	...	...	...	...	...	...	...	23,750	...	800,000
49 Vict. No. 54	4	1,000,000	1 January	...	...	...	...	...	...	...	...	1,000,000	...	...	...
		2,923,750	1 July	...	...	...	...	...	...	...	300,000	1,000,000	523,750	800,000	300,000
TOTAL	3,595,750		12,000	102,700	100,000	104,500	100,000	100,000	52,800	100,000	300,000	1,000,000	523,750	800,000	300,000

ALEX. REID, *Accountant.*

J. E. PACKER, *Under Treasurer.*

Treasury, 3rd September, 1889.