

DEBT CONVERSION AGREEMENT.

22° GEO. V., No. VI.

No. 6 of 1931.

AN ACT to approve an Agreement between the Commonwealth of Australia, of the first part, and the States of New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania, of the second, third, fourth, fifth, sixth, and seventh parts, respectively, relating to the Conversion of the Internal Public Debts of the Commonwealth and the States.

[Assented to 23rd July, 1931.]

WHEREAS by Section 105A of the Constitution it is provided that the Commonwealth may make agreements with the States with respect to the Public Debts of the States, including (*inter alia*) the consolidation, renewal, conversion and redemption of those debts: And whereas it is further provided by the said section that the Parliament may make laws for the carrying out by the parties thereto of any such agreement: Be it therefore enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Legislative Council and the Legislative Assembly of Western Australia, in this present Parliament assembled, and by the authority of the same, as follows:—

Short title and commencement.

1. This Act may be cited as the *Debt Conversion Agreement Act, 1931*, and shall come into operation on a day to be fixed by proclamation.*

Approval of Agreement.

2. The Agreement, in the form of agreement set forth in the schedule to this Act, in so far as the State of Western Australia is concerned as a party thereto, is approved; and it shall be lawful for the State to enter into such agreement, and for the Premier of the State for and on behalf thereof to sign and execute the same.

THE SCHEDULE.

DEBT CONVERSION AGREEMENT.

AGREEMENT made the _____ day of _____, One thousand nine hundred and thirty-one, between the Commonwealth of Australia (in this Agreement called the Commonwealth) of the first part, the State of New South Wales, of the second part, the State of Victoria, of the third part, the State of Queensland, of the fourth part, the State of South Australia, of the fifth part, the State of Western Australia, of the sixth part, and the State of Tasmania, of the seventh part (each of the parties of the second, third, fourth, fifth, sixth, and seventh parts being in this Agreement referred to as a State, and the expression "the States" in this Agreement meaning where the context so permits or requires all of such parties):

Whereas by Section 105A of the Constitution it is provided that the Commonwealth may make agreements with the States with respect to the public debts of the States, including (*inter alia*) the consolidation, renewal, conversion and redemption of such debts:

And whereas at a Conference between Ministers of the Commonwealth and Ministers of the States convened in Melbourne on the twenty-fifth day of May, 1931, it was resolved, as part of a plan for establishing the financial stability of the Commonwealth and of the States, that a conversion should be arranged of the internal public debts of the Commonwealth and of the States, and the following conditions were provisionally agreed upon as recommendations by the Conference to the Australian Loan Council, namely:—

General Conditions.

1. Holders of all existing securities to be invited to convert their holdings into new stock—conversion to apply to all securities the holders of which do not dissent as prescribed by Commonwealth law.
2. On conversion all existing securities to be subject to a general reduction of $22\frac{1}{2}$ per cent. in the interest yield provided that holders of 3, $3\frac{1}{2}$, and $3\frac{3}{4}$ per cent. stocks who acquired such securities prior to 4th August, 1914, shall not have their interest reduced below 3 per cent.
3. New securities to be restricted to three flat rates of interest, viz., 4, $3\frac{7}{8}$, and 3 per cent., and to be spread over ten (10) fixed maturity

dates as follows, subject to the Government having the right to redeem in whole or in part at any time after 31st December, 1950:—

<i>Period—Years.</i>				<i>Rate of Interest per cent.</i>
7	..	..	..	4 and 3
10	..	..	..	4
13	..	..	..	4 and 3
16	..	..	..	4 and $3\frac{7}{8}$
19	..	..	..	4
22	..	..	..	4
24	..	..	..	4
26	..	..	..	4
28	..	..	..	4
30	..	..	..	4 and 3.

4. The new securities to be Commonwealth securities, and to be in the form of bearer-bonds, debentures, or inscribed stock, etc., as at present.

5. The equivalent amount of new stock to be determined by actuarial valuation after taking into account the interest rate and date of maturity of each existing security, and after allowing for the general reduction of $22\frac{1}{2}$ per cent. in the interest yield.

6. Existing securities, £450,000,000, now bearing interest at $5\frac{1}{4}$ per cent. and over to be converted into 4 per cent. at a premium. As a general rule each holding to be spread equally over the ten maturity dates, but special arrangements to be made to consolidate small holdings on conversion.

7. Existing securities (£45,000,000) now bearing interest at 5 per cent. to be converted, at option of holder, into $3\frac{7}{8}$ per cent. stock at par, maturing in sixteen years, or 4 per cent. stock (at a discount).

8. Existing securities (£61,000,000) now bearing interest at less than 5 per cent. to be converted, at option of holder, into 3 per cent. stock maturing in seven years and thirteen years (at a premium), or into 4 per cent. stock (at a discount).

9. To facilitate the issue of new securities, all fractions below £10 to be paid off in cash, subject to holders being entitled to contribute cash to make up the next higher £10.

10. The interest on the new securities to be free from the present Commonwealth super-tax of $7\frac{1}{2}$ per cent., and from any further taxation which may be imposed by the Commonwealth or by any State, but to be subject to other existing Commonwealth and State taxes.

11. Where overseas trade money has been temporarily invested in short-term securities, because of exchange difficulties, the holders to be given the right to convert into a short-term new security, subject to other conditions similar to the main conversion.

Special Conditions Applicable to Tax-Free Securities.

12. Tax-free securities with definite dates of maturity—
- (i) Holders to be invited to convert into new securities subject to the general reduction of 22½ per cent. in the interest yield, with the proviso set out in clause (2) above.
 - (ii) Holders of tax-free securities who so convert to be given new securities at the reduced rates, such securities to be tax-free only until the existing date of maturity.
 - (iii) The new securities issued to replace the tax-free securities maturing in 1932, 1933, and 1934 to be re-converted on maturity dates into 4 per cent. securities maturing in 1941, on the same basis as other conversions into the new 4 per cent. issue.
 - (iv) The new securities to replace all other tax-free securities to retain their present maturity dates.

13. Tax-free securities which are "Interminable," "Redeemable at option of Government," etc.—

Holders to be invited to convert into new securities, subject to the general reduction of 22½ per cent. in the interest yield, with the proviso set out in clause (2) above, the general conditions attaching to the new securities to be the same as those attaching to the original securities.

Government Securities Held by State Savings Banks.

14. Dates of maturities of securities held by the State Savings Banks to stand, if so desired by the Treasurer of the State concerned, on same conditions as conversion issue.

Treasury Bills.

15. The rate of interest on Treasury Bills taken up by the banks in Australia to be reduced to 4 per cent., and all other questions in relation to the Bills to be settled by the Loan Council in consultation with the banks.

Loan Council.

16. The terms herein set out to be regarded as recommendations by the Conference to the Loan Council, which it is to be understood is at liberty to modify any details of the plan, and to settle all details not included above: And whereas the said conditions, with certain modifications, have been embodied in a Bill for an Act to be known as the Commonwealth Debt Conversion Act, 1931, which has been passed by both Houses of the Federal Parliament and is ready for presentation to the Governor General for the Royal assent, and is hereinafter referred to as the said Act: And whereas there have been incorporated in the said Act additional provisions deemed to be convenient for carrying out the said conditions as so modified as aforesaid:

Now this Agreement Witnesseth:

1. This Agreement shall have full force and effect, and shall be binding on all the parties, when it is approved by the Parliaments of the Commonwealth and of the States.

2. The Commonwealth is authorised to arrange and effect a conversion, on the basis of a twenty-two and a half per centum reduction of interest,

in accordance with the terms and conditions of sections three, eight, and ten to twenty-two, inclusive, of the said Act, of all public debts of the States, the liability for which has been assumed by the Commonwealth under the Financial Agreement hereinafter mentioned, and the interest and principal of which are payable in Australia, and of all public debts of the Commonwealth (including borrowings by the Commonwealth for or on behalf of a State under the said Financial Agreement), the interest and principal of which are payable in Australia. The said sections of the said Act shall be binding upon the parties hereto as part of this Agreement.

3. The Commonwealth will take the necessary action to submit to the Federal Parliament any legislation necessary to carry out or give effect to this Agreement.

4. So far as the provisions of this Agreement may not be in accordance with any provisions of the Financial Agreement between the parties hereto dated the twelfth day of December, one thousand nine hundred and twenty-seven, the provisions of this Agreement shall prevail.

5. Subject to the last preceding clause the provisions of the said Financial Agreement and the undertakings and obligations of the Commonwealth and of the States therein contained shall apply to the public debts after conversion in the same manner as they applied before conversion.

Signed by the Prime Minister of the }
Commonwealth of Australia for and }
on behalf of the said Common- }
wealth in the presence of— }

Signed by the Premier of the State of }
New South Wales for and on behalf }
of the said State in the presence }
of— }

Signed by the Premier of the State of }
Victoria for and on behalf of the }
said State in the presence of— }

Signed by the Premier of the State of }
Queensland for and on behalf of the }
said State in the presence of— }

Signed by the Premier of the State of }
South Australia for and on behalf of }
the said State in the presence of— }

Signed by the Premier of the State of }
Western Australia for and on behalf }
of the said State in the presence of— }

Signed by the Premier of the State of }
Tasmania for and on behalf of the }
said State in the presence of— }