

Advertiser 4-6-31

# HOW CONVERSION WILL WORK OUT

## Comparison of Rates

### OFFICIALS' REPORT

Melbourne, June 3.

A long report from the Under Treasurers relative to the conversion loan was presented to the Premiers' Conference this morning.

The report set out the original proposals of the conference for the conversion and the tentative suggestions of the banks and Stock Exchange which were:

- 1—That there should be ten fixed maturity dates, the periods being 7, 10, 13, 16, 19, 22, 24, 26, 28 and 30 years.
- 2—As a general rule, each holding converted to the new loan should be divided equally between the ten maturity dates.
- 3—Special arrangements should be made to consolidate small holdings, on conversion, into fewer issues than the ten referred to.
- 4—Conversion into a 4 per cent. stock, after allowing for the 2 1/2 per cent. reduction in the interest yield, would result in variations in the principal amount of each holding.
- 5—There would be many objections to variations of this nature.
- 6—It would be better to make the adjustment by reducing the interest yield by 2 1/2 per cent. and without making any variation in the principal sum involved.

#### Under Treasurer's Report

The committee of Under Treasurers reported that it was convinced that it would be quite impracticable to make the adjustment merely by a variation of interest rates. In every new rate there would be broken pence. This would involve much trouble and expense in administration. Moreover, as it was necessary, in view of the large sum involved, to spread the maturities over about ten fixed dates, the number of existing stocks and maturities would virtually be multiplied by ten.

As the committee understood that the chief objection to variations in the principal amount arose where a discount was necessary, an effort had been made to evolve a plan providing for (a) a limited number of securities; (b) even rates of interest; (c) the elimination of issues at a discount. Such a plan must necessarily provide for issues at a small premium in most cases.

#### Facts to be Borne in Mind

- The following were the principal facts to be kept in mind in considering any such plan.
- On a debt of £450,000,000, with existing rates of interest from 6 1/2 to 5 1/2 per cent., the rates, after the 2 1/2 per cent. reduction, would be £5 0/9 to £4 1/4.
  - On £45,000,000, at present earning 5 per cent., the new rate would be £3 17/8.
  - On £30,000,000, earning 4 1/2 to 4 per cent., the new rate would be from £3 13/8 to £3 2/.
  - On £31,000,000, earning 3 1/2 to 3 per cent., the new rate would be from £2 18/1 to £2 6/8.

#### Recommendations

- The committee recommended:
- 1—Three flat rates to be adopted, namely 4, 3 1/2, and 3 per cent.
  - 2—Ten fixed maturity dates, the periods being 7, 10, 13, 16, 19, 22, 24, 26, 28 and 30 years.
  - 3—New securities at 4 per cent. to be spread over all maturity dates; 3 1/2 and 3 per cent. securities to be limited as indicated hereafter.
  - 4—Existing securities (£450,000,000), now bearing interest at 5 1/2 per cent., and over, to be converted into 4 per cent.—this would give a small premium of new stock for each conversion.
  - 5—Existing securities (£45,000,000), now bearing interest at 5 per cent., to be converted at option of holder into 3 1/2 per cent., maturing in 13 years, at par, or 4 per cent. at a small discount.
  - 6—Existing securities (£51,000,000), now bearing interest at less than 5 per cent., to be converted at option of holder into 3 per cent., maturing in seven years at option of holder; into 3 per cent., maturing in seven years and 16 years, or into 4 per cent. at a discount. If converted into 3 per cent., the 4 1/2 to 4 per cent. would receive a small premium, and 3 1/2 to 3 per cent. would be subject to a discount.
  - 7—Interminable and like securities, also tax free securities, to be dealt with as suggested later.
- The committee recommended that the general reduction of 2 1/2 per cent. should apply to all securities, subject to the proviso that holders of 3, 3 1/2, and 3 per cent. stocks, who acquired such securities prior to August 4, 1914, should have their interest reduced below

3 per cent. Tax free securities included:—Held by public, £44,000,000, at rates of from 3 to 6 1/2 per cent., with interest amounting to £2,100,000 per annum; held by semi-Government bodies, mainly State Savings Banks, £44,000,000, at from 3 to 6 1/2 per cent., involving £2,000,000. Broadly speaking, there were two classes of tax free securities—(a) securities with definite dates of maturity, varying from 1931 to 1962, the total amount being about £72,000,000, of which £31,000,000 would mature within the next three years; (b) securities which were interminable, indefinite, not fixed or redeemable at option of Government, total about £16,000,000.

#### Conversion Suggestions

- The committee submitted the following suggestions:
- 1—Holders to be invited to convert into new securities, subject to the general reduction of 2 1/2 per cent. in interest (not 15 per cent., as had been proposed), with the concession to holders who acquired 3, 3 1/2, and 3 per cent. securities prior to August 4, 1914.
  - 2—Holders of securities who so converted to be given new securities at the reduced rates, such securities to be tax free only until the existing dates of maturity.
  - 3—The new securities, issued to replace the tax free securities maturing in 1932, 1933, and 1934 (amounting to £4,100,000, £4,600,000, and £11,100,000 respectively), 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.
  - 4—The new securities, issued to replace all other tax free securities, to retain their present maturity dates.
  - 5—Holders of securities who do not convert, to be subject to such action as the conference may decide in order to secure equality of sacrifice.
  - 6—Arrangements to be made by the Governments concerned so that all tax free securities held by semi-Government bodies should be subject to the reduction.

#### Tax-Free Securities

Tax-free securities which were interminable, redeemable at option of Government, &c., totalled £16,000,000, of which £10,000,000 was held by the public, and £6,000,000 by semi-Government bodies, chiefly Savings Banks. About £12,000,000 carried rates of interest of 3 or 3 1/2 per cent., and £4,000,000 from 3 1/2 to 5 per cent. The committee recommended:

- 1—Holders to be invited to convert into new securities, subject to the general reduction of 2 1/2 per cent. in interest, with the concession to holders who acquired 3, 3 1/2, and 3 per cent. securities before August 4, 1914.
- 2—Where holders of 3 and 3 1/2 per cent. stock converted, their securities should be treated for conversion purposes as maturing in 30 years, and to be converted into 3 per cent. tax free securities maturing in 30 years.
- 3—Where holders of securities carrying rates above 3 1/2 per cent. converted their holdings, the existing securities to be dealt with as in (2); or if desired by the Treasurer of the State concerned, new securities be issued bearing the reduced rates of interest, but otherwise conforming to existing conditions. This would enable the States concerned to continue existing arrangements under which funds, chiefly from semi-Government bodies, have been made available under special conditions of repayment.
- 4—Holders of securities who do not convert, to be subject to such action as conference might decide, to secure equality of sacrifice.
- 5—Arrangements to be made by the Governments concerned, so that all tax free securities held by semi-Government bodies should be subject to the reduction.

#### Bearer Bonds

Dealing with general conditions relating to existing taxable securities, the committee set out that the new securities restricted to three flat rates of interest, namely, 4 3/4, and 3 per cent., spread over ten maturity dates, would yield as follows:—Seven years, 4 and 3 per cent.; 10 years, 4 per cent.; 13 years, 4 and 3 1/2 per cent.; 16 years, 4 and 3 per cent.; 19, 22, 24, 26, and 28 years, 4 per cent.; 30 years, 4 and 3 per cent.

The new securities should be Commonwealth securities, and to be in the form of bearer bonds, debentures, or inscribed stock, &c., as at present.

A further recommendation dealt with actuarial valuations of stock, premiums, and discounts. The interest on the new securities should be free from the present Commonwealth super tax of 7 1/2 per cent., and further new taxation, but subject to other existing Commonwealth and State taxation.

Reference was again made to a 2 1/2 per cent. tax on non-converted securities, and to special consideration for overseas money temporarily invested in Australia owing to exchange difficulties.

It was suggested that the dates of maturity of securities held by State Savings Banks should stand, if desired by the Treasurer of the State concerned, on the same conditions as the conversion issued. All questions re-

lating to Treasury bills taken up by the banks in Australia to be settled by the Loan Council, in consultation with the banks.

Adv. 4-6-31

#### UNIVERSITY PIANO RECITALS

Three pianoforte recitals, covering the syllabus of the Australian Music Examination Board, will be given at the Conservatorium on June 18 and 25 and July 2 by Messrs. I. G. Reimann, William Silver, and George Pearce, all of whom are members of the Elder Conservatorium staff. The programmes have been designed to assist teachers and students who are interested in the work of the board, and will be given twice on each day at 4 p.m. and 8 p.m. Mr. Reimann's recital will be given in the South Hall, and Mr. Silver's and Mr. Pearce's will be held in the Elder Hall. Admission will be free. For the convenience of country teachers and students the programmes on June 25 and July 2 will be broadcast—the first half of the afternoon session (from 4 to 4.30) and the latter half at the evening session (from 8.30 to 9). On June 18 Mr. I. G. Reimann will discuss the new technical requirements, and play the works in Grade Books V. and VI. Programmes for the three recitals may be obtained at the front office of the University.

News 4-6-31

#### How Rhodes Scholars Live

#### MONEY FROM COOKS' TOURS

(“News” Special Representative)  
LONDON, June 3.

Rhodes scholars have to economise drastically to live within their allowance and must find some remunerative work to do during vacation if they desire to make the best of their three-year period.

This information was given by Australian Rhodes Scholars in an interview today following the statement yesterday by Sir Francis Wylie (Oxford secretary to the Rhodes trustees) that the scholarship was not sufficient to keep a student at Oxford.

Australian Rhodes scholars pointed out that many undertook work to supplement their income. Most did coaching, some became guides for Cooks' tours during vacations, thereby seeing Europe and earning money.

One was reputed to have made £100 a year solving crossword puzzles; many contributed to newspapers.

One former Rhodes scholar systematically played poker, from which he had large winnings.

College fees average £200 a year, leaving £200 for club subscriptions, books, clothes, and general expenses. The Rhodes Scholarship is based on the average English students' allowance, but a Rhodes scholar pointed out that English students returned home penniless for the 16 weeks of the vacation. Rhodes scholars wanted to make the most of the three years' stay and travel to Europe, which was impossible if they desired to enter fully into Oxford life.

Adv. 5-6-31

#### Fine Organ Recital

Mr. John Horner began his organ recital in the Elder Conservatorium Hall yesterday with the passacaglia and fugue in C minor of John Sebastian Bach. In this he brought out the beauties of exquisitely interwoven theme and subtle development with high artistry. Investing the triumphant finale with its due glory of sound, the largo from Dvorak's “New World Symphony” followed. Expressively rendered, it created a deep impression. In effective contrast, came a Corelli allegro, replete with vivacious melodic charm.

Jean Sibelius was drawn upon for his tone-poem, “Finlandia,” with its vivid opening and storm episode proceeding to thanksgiving theme and triumphant conclusion.

Miss Gladys Cilento sang the Inflammatus from Dvorak's Stabat Mater in melodious and expressive fashion to the recitalist's excellent organ accompaniment. The recital ended with a great rendering of Karg-Elert's choral improvisation on “In Dulci Jubilo,” the unconventional registration of the opening movement, with richly resonant reeds predominating, enhancing the effect. Mr. Horner's programme on June 11 will include compositions by Bach, Franck, Coleridge Taylor, and Alfred Hollins.

Adv. 5-6-31

#### Prof. Sir William Bragg

THE many old personal and student friends of Sir William Bragg were pleased to see that he was included in the birthday honors. Sir William, who was professor of mathematics and physics at the University of Adelaide from 1885 to 1908, married a daughter of Sir Charles Todd, and their son, William Lawrence Bragg, who was born in Adelaide, has been Langworthy professor of physics at Victoria University of Manchester since 1919. Recently Mr. Fred Johns sent me an item dealing with Fellows of the Royal Society, and in it tribute is paid to Sir William Bragg and his distinguished son. Mr. Johns writes:—“Dear Rufus—The election to the Fellowship of the Royal Society, the most coveted honor in the scientific world, of Professor T. H. Laby, M.A., Sc.D. (Camb.), who has held the chair of Natural Philosophy in the University of Melbourne for 16 years, recalls the interesting fact that Professor Laby, who was born at Creswick, Victoria, and our own Professor Sir Douglas Mawson, D.Sc., also F.R.S., the famous Antarctic leader, published in 1904 the first results in radio activity in Australia; these advanced scientists, both Sydney University men, found in fair quantity radium in mineral from Pilbarra, W.A., and Carcoar, N.S.W.”

#### Many Australians Honored

“SINCE 1824, when that fine sailor, Phillip Parker King, son of the third Governor of New South Wales, was made F.R.S.—probably the first Australian to be so honored—many Australians have been elected Fellows of the Royal Society. Two of the most distinguished living Australians admitted to this exalted Fellowship are Professor Gratton Elliot Smith and Major-General Sir David Bruce. Other Australians born who are Fellows of the Royal Society and resident abroad are Dr. Walter Rosenhain, W. Lawrence Bragg, a native of Adelaide, who succeeded the famous New Zealander, Lord Rutherford (one of the world's leading physicists) as Professor of Physics at Manchester University in 1919; and Professor Coleridge Farr, who has been for many years in New Zealand, and was born at St. Peter's College (Adelaide), where his father, the late Archdeacon Farr, was headmaster. Coleridge Farr was Angus Engineering Scholar in 1889, and is a D.Sc. of Adelaide. The late Sir Edward Stirling, a native of South Australia, one of the most notable of Adelaide University professors of the past, was made F.R.S. in 1893. That renowned physicist, Sir William Bragg, of London, who shared with his distinguished son the Nobel physics prize of 1915, received his F.R.S. in 1907 for work in radioactivity while professor at Adelaide University. Other former professors at Adelaide who are Fellows of the Royal Society are:—Professor Horace Lamb, who went to Manchester from here in 1885; and Professor F. Wood Jones, now of the University of Melbourne.”

Adv. 5-6-31

#### DENTAL RESEARCH IN AMERICA

#### Adelaide Doctor's Experiences

Australian dental schools, and particularly that of the Adelaide University, compare favorably with those I have seen abroad, but dental research holds a much stronger position on the American continent, particularly in Toronto University.”

So said Dr. Roy Gilmore Ellis, a graduate of the Adelaide University, who has been absent three years doing dental research work at the Toronto University, and returned to Adelaide yesterday.

Dr. Ellis is a son of Mr. S. Howard Ellis, chief clerk in the Royal Agricultural and Horticultural Society.



he will return to Canada in September to take up an appointment on the staff of the Toronto University.

“It makes one feel good,” he said, “to see the sun shining on a winter day. In Canada, the four seasons are defined clearly almost to the day. Here the difference between the maximum temperature of summer and the minimum temperature of winter is about 85 degrees, but in Canada it is about 150 degrees.”