

22 GEO. V. No. 2, 1931. *Debt Conversion Agreement Act.*

PART VIII.—
MISCEL-
LANEOUS.

28. All regulations and Orders in Council made or purporting to be made under this Act shall be published in the *Gazette*, and forthwith upon such publication shall be read as one with this Act and shall be judicially noticed and construed as being of equal validity, and shall not be challenged in any proceedings whatsoever.

Effect of
regulations
and Orders
in Council.

All such regulations and Orders in Council shall be laid before the Legislative Assembly within fourteen days after such publication if the Legislative Assembly is in session, or if not, then within fourteen days after the commencement of the next session thereof.

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.

22 GEO. V.
No. 2.
THE DEBT
CONVERSION
AGREEMENT
ACT OF 1931.

[ASSENTED TO 29TH JUNE, 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 Assembly of Queensland in Parliament assembled, and by the authority of the same, as follows:—

Preamble.

1. This Act may be cited as "*The Debt Conversion Agreement Act of 1931.*"

Short title.

Debt Conversion Agreement Act. 22 GEO. V. No. 2,Commence-
ment.

*2. This Act shall commence on a day to be fixed by the Governor in Council by Proclamation published in the *Gazette*.

Approval of
Agreement
(Schedule.)

*3. The Agreement, a copy of which is set forth in the Schedule to this Act, is approved.

Proclama-
tion of
executed
Agreement.

†4. On the publication in the *Gazette* of the Proclamation pursuant to section two of this Act, there shall be appended thereto a copy of the Agreement as finally agreed upon and made and executed by the parties thereto, and for the purposes of this Act "this Act" shall mean and include this Act and the said Proclamation.

†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.

* See amendments made by 22 Geo. V. No. 3, *infra*, next Act.

† Repealed by s. 2 (c) of 22 Geo. V. No. 3, *infra*, next Act.

‡ See now Schedule in 22 Geo. V. No. 3, *infra*, next Act.

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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, $3\frac{2}{3}$, 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 :—

Period—Years.	Rate of Interest per cent.
7	4 and 3
10	4
13	4 and 3
16	4 and $3\frac{2}{3}$
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, &c., 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 $3\frac{2}{3}$ 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.

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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 $22\frac{1}{2}$ 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 reconverted 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," &c.—

Holders to be invited to convert into new securities, subject to the general reduction of $22\frac{1}{2}$ 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 Australian Loan Council has approved the said conditions with modifications :

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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 authorized to arrange and effect a conversion, on the basis of a twenty-two and a half per centum reduction of interest, of all public debts of the States the interest and principal of which are payable in Australia, and of all public debts of the Commonwealth the interest and principal of which are payable in Australia.

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, 1927, 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 Commonwealth 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—