

EMBARGO

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AUSTRALIAN LOAN IN LONDON

Statement by the Prime Minister and Chairman
of the Australian Loan Council, Mr. Harold Holt

A new Australian cash loan is to be issued in London next week. This will be the first Australian loan issued on the London market since October 1963.

The new loan will be for an amount of £Stg 14 million (\$A 35 million) and will have an interest coupon of 7 per cent. The loan will finally mature in September 1981 and will have an issue price of 99, offering the investor a yield of 7.11 per cent.

While this will be the highest yield ever offered in a Commonwealth loan raised overseas, underwriting and other charges are considerably lower in London than in other overseas capital markets. From the point of view of the borrower, this offsets to a large extent the difference between the interest coupon now being offered by major borrowers in London and the slightly lower interest coupons which are possible in other markets.

The approval of the British authorities was originally obtained for a conversion loan of £Stg 14 million to refinance State Government maturities of £Stg 14.6 million (\$A 36.6 million) which fell due on 1 July 1967, but the market conditions at the time made this impracticable. The new cash loan is in effect a deferred refinancing operation for the securities which were repaid on maturity on 1 July. Funds for this purpose were provided partly from the National Debt Sinking Fund and partly from a special internal loan subscribed to by the Commonwealth on 1 July out of the cash balances of the Loan Consolidation and Investment Reserve.

In accordance with the undertaking given to the States last year to arrange for the refinancing of their oversea maturities at Australian rates of interest until June 1969, the new loan will be issued in the name of the Commonwealth.

Since October 1963, four Australian loans totalling £Stg 59 million have been paid off in London on reaching their final maturity dates. After allowing for market purchases by the National Debt Sinking Fund, Australian debt in London has been reduced by approximately £Stg 80 million (\$A 200 million) since July 1964. A further £Stg 100 million (\$A 250 million) Australian securities mature in London before the end of 1972, mostly resulting initially from State Government loans raised 20 or more years ago.

It is against this background that the Commonwealth has decided, with the approval of the Loan Council, to re-enter the London market on this occasion after a break of four years.

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NOTE: During the absence of the Treasurer (Mr. McMahon) overseas, Mr. Holt is Chairman of the Australian Loan Council. This follows normal procedures adopted when the Treasurer, whom the Prime Minister customarily nominates as Chairman, is overseas.

CANBERRA
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