

Colonial Secretary's Office,  
Auckland, October 17th, 1857.

SIR—

I have the honor to acknowledge the receipt of your letter of the 4th June, reporting your proceedings since your arrival in England, and to advert to the subjects referred to therein, and to some others which concern the public interests of the Colony.

2. It is most satisfactory to learn that you can with confidence express your belief that the objections at first entertained by the Imperial Government to the guarantee for half a million have been overcome. From the information conveyed from Mr. Labouchere on this subject in February last, and from other information which this Government has received, it is unquestionable that it is owing to the ability and perseverance displayed by you that this change of opinion is attributable, and that the Colony will therefore owe to your exertions the very great benefits which must result from the removal, by means of the guarantee, of most of the obstacles which have hitherto retarded the progress of New Zealand.

3. It is a source of great gratification to me to have to assure you that the Government fully appreciates the value of your services in carrying out the wishes of the Legislature, which cannot but be sensible of the obligations which you have thus conferred upon the Colony.

4. Assuming that the sanction of Parliament will be given to the whole sum of £500,000 proposed to be borrowed, it requires to be considered what amount should from time to time be raised, so as to ensure that no unnecessary delay may occur in obtaining such sums as are immediately required; while at the same time the Colony is not burdened with interest on any amount for which there may be no present occasion.

5. From your knowledge of the intentions of the Legislature in this respect, you are aware that it is desired to discharge as soon as possible the debt to the New Zealand Company, on the basis of the proposed compromise. It will be necessary therefore to raise at once what is required for the above purpose, and for repaying to the Province of Auckland the sum of £45,036 8s. 2d., carried to the credit of the New Zealand Company's fourths out of the proceeds of the sale of Crown Lands in that Province.

6. As the Debentures issued by Governors Fitzroy and Grey, bear interest at 8 per cent.; it is most desirable to render this liability less burdensome to the Colony by taking up these Debentures out of monies to be raised under the Parliamentary Guarantee. They amount to £27,253 11s. 10d.; to which may be added Scott's Debentures, amounting to £3,675 16s. 0d., unless you are, in accordance with your previous instructions, able to effect that they may be reckoned as a debit to the New Zealand Company.

7. It will also be necessary to make immediate provision for purchasing Land from the Natives. On this subject I am happy to be able to inform you that there is every prospect that purchases on an extended scale may be anticipated.

At no previous time have the land purchasing operations been more successful; already since July 1856, the purchase of several valuable Blocks in the Provinces of Auckland and Wellington, amounting in round numbers to about 400,000 acres, has been, or is just about to be, completed; and from the energy and efficiency of the present Land purchase staff, a very large addition to the lands open for settlement may at an early date be expected, both in those Provinces and in that of New Plymouth, where the Natives have recently shown a disposition to part with lands which they had previously refused to alienate; a sum of from £40,000 to £50,000 ought therefore to be made available for this object.

8. As the Government has only raised £67,700 under the authority of the Debenture Act, a further sum of about £5,500 will be required to meet past liabilities authorized by the Legislature to be defrayed from that source. This sum can be raised here under the Debenture Act; but as it is intended to replace the amount raised under that Act by sums to be borrowed in England under the Loan Act, a saving of interest would be gained by obtaining the monies required to meet all past liabilities directly in England, instead of raising in this country any further sums under the Debenture Act; it is therefore advisable to procure the above sum of £5,500 at once.

9. For the above services, and to provide for Balances due to Provinces previous to July 1856, £100,000 (in addition to the amount required to extinguish the New Zealand Company's debt, and to repay the Province of Auckland) should therefore be taken up in London on the most favorable terms; this is all for which there is any necessity at present; and this Government will, so soon as it is informed that the sanction of Parliament has been given to the Loan, arrange for the transmission to New Zealand of such amounts as are required here.

10. I enclose for your information a statement shewing the respective amounts of Debentures issued under the Debentures Act; and the periods when they will have to be paid off. You will perceive that the whole amount issued to the public is £67,700. Debentures to the amount of £25,000 are also held in deposit by the Union Bank, pursuant to arrangements made for winding up the Bank of Issue, whereby the stock of that Bank was converted into Debentures, and the Cash applied in aid of the General Revenue, the Union Bank undertaking, on the security of the Debentures, to exchange outstanding Notes of the Bank of Issue. The advances made by the Union Bank on this account have been repaid out of monies raised by the sale of other Debentures, so that the Debentures deposited in the Union Bank are virtually redeemed, and may be cancelled at any time, except about £4,500, being the amount of Bank of Issue Notes still outstanding, of which possibly some may be lost; and will therefore never be presented.