

P A P E R S

RELATIVE TO A

LOAN OF £3,000,000 STERLING

FOR THE

SERVICE OF NEW ZEALAND.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF HIS EXCELLENCY.

AUCKLAND
1864.

P A P E R S
RELATIVE TO A LOAN OF £3,000,000 STERLING
FOR THE
SERVICE OF NEW ZEALAND.

No. 1.

COPY OF A DESPATCH FROM HIS GRACE THE DUKE OF NEWCASTLE, K.G., TO GOVERNOR SIR GEORGE GREY, K.C.B.

(No. 75.)

SIR,—Downing Street, July 27, 1863.
I enclose copies of correspondence which has passed between this Department, Mr. Crosbie Ward, the War Office, and the Lords Commissioners of the Treasury, respecting the settlement of the Imperial claims upon the colony in respect to military services, and the proposal that the Imperial Government should guarantee a loan of 500,000 £.

You will perceive that, the session being nearly at its close, I took upon myself to offer Mr. Ward to accept the sum of 200,000 £. in satisfaction of the recent Imperial claims, amounting to something more than 207,000 £., to remit an old debt of 67,927 £. in respect of the New Zealand Fencibles, and to recommend to Parliament to guarantee the proposed loan.

These terms Mr. Crosbie Ward did not apparently think himself authorised to accept; and although he subsequently appears to have changed his mind, and was understood at a personal interview to express his readiness to close the negotiation on the proposed conditions, this did not occur till the Bill had been definitively withdrawn, and the rules of the House of Commons rendered it impossible that it should be then re-introduced.

I shall address you again on this subject. I can now only express my regret that Mr. Ward was, or considered himself, precluded from accepting the proposal of Her Majesty's Government till it was too late to do so, and my apprehension that the Lords of the Treasury may not consent to its renewal.

Governor Sir George Grey, K.C.B.,
&c. &c. &c.

I have, &c.,
NEWCASTLE.

Enclosure.

SIR,—War Office, Pall Mall, S.W., April 24, 1863.
I am directed by the Secretary of State to forward, for the information of his Grace the Duke of Newcastle, a copy of a letter addressed to Mr. Crosbie Ward, the accredited agent in this country on behalf of the Government of New Zealand, enclosing a statement of the amount due by that colony to the 30th September, 1862, on account of expenses arising out of the insurrection of the natives.

In regard to that paragraph of the letter to Mr. Crosbie Ward informing him that the account furnished is exclusive of the advances that have been made out of Her Majesty's Treasury Chest in New Zealand on account of the hire of certain colonial vessels and of other naval expenses, I am to state, that the sum of 45,001 £. 10s. 8d., advanced from the Treasury Chest for this service, has been repaid, or is in course of repayment, to this Department, by the Admiralty. It is, however, for his Grace the Duke of Newcastle to determine whether any claim shall be raised against the colony for this service.

The Under Secretary of State for the Colonies,
&c. &c. &c.

I have, &c.,
DOUGLAS GALTON.

SIR,—War Office, April 24, 1863.
His Grace the Duke of Newcastle having referred you to this Department for information respecting the amount due by the colony of New Zealand to the Imperial Government, on account of the expenses arising out of the recent native rebellion in that colony, I am directed by the Secretary of State for War to forward, in answer to your personal application, a statement showing that the amount due by the colony to the 30th September, 1862, is £207,317 1s. 8d.

PAPERS RELATIVE TO

I am to state that this amount is exclusive of the sums advanced from Her Majesty's Treasury Chest in New Zealand on account of the hire of the 'Tasmanian Maid,' and 'Wonga, Wonga,' and of other special charges appertaining to sea transport; the question of the liability of the colony to defray these charges having been referred to the Colonial Office, and pending the decision on this question, no charge has been raised against the colony.

The sum of £207,317 1s. 8d. is also exclusive of the amount due to the Imperial Government on account of the New Zealand Fencibles.

The account now rendered includes the sum of £7,000 charged on account of the capitation grant of £5 per officer and man for the period from 1st April to 30th June, 1862. This sum is approximate only, and will have to be adjusted when a statement shall have been received of the average number employed in the colony during the period in question.

The account is furnished to you as the nearest approximation to the sum due by the colony to the 30th September, 1862, but it must not be considered as a final statement to that period, as an investigation of the accounts in this office will render it necessary to refer to the colony for information respecting certain items included in a statement received from the Deputy-Commissary-General, New Zealand, relating to the accounts of the year 1860-61 and prior years.

Should you wish to inspect the detailed vouchers relating to the account, or require any further information thereon, your application to this effect will be immediately attended to.

I have, &c.,

Crosbie Ward, Esq.

D. GALTON.

AMOUNT due by the Colony of New Zealand on account of army services to 30th September, 1862.

	£.	s.	d.	£.	s.	d.	£.	s.	d.	£.	s.	d.
1860-1, and prior years.												
To amount of capitation at £5 per man :—												
1858-59, 1,464 men -	-	-	-	-	7,320	0	0					
1859-60, 1,214 men -	-	-	-	-	6,070	0	0					
1860-61, 2,670 men -	-	-	-	-	13,350	0	0					
								26,740	0	0		
Advances to Paymasters of the Taranaki, Wellington, and Wanganui Militia :												
March Quarter, 1860 -	-	-	-	-	1,997	5	8					
June " " -	-	-	-	-	7,374	13	7					
September " " -	-	-	-	-	8,875	6	8					
December " " -	-	-	-	-	7,451	4	0					
March Quarter, 1861 -	-	-	-	-	5,963	11	4					
								31,662	1	3		
MILITIA.												
March Quarter, 1860 :—												
Lodging money -	-	-	-	-	20	18	10					
June Quarter, 1860 :—												
Lodging money -	-	-	-	23	2	7						
Clothing -	-	-	-	386	10	4						
Forage -	-	-	-	292	12	0						
Engineer services -	-	-	-	1,108	8	4						
					1,80	13	3					
September Quarter, 1860 :—												
Field allowance -	-	-	-	36	8	0						
Lodging money -	-	-	-	27	14	1						
Clothing -	-	-	-	149	0	0						
Forage -	-	-	-	369	5	6						
Engineer services -	-	-	-	1,806	7	8						
Secret Service -	-	-	-	50	0	0						
					2,438	15	3					
December Quarter, 1860 :—												
Field allowance -	-	-	-	23	0	0						
Lodging money -	-	-	-	85	13	1						
Clothing -	-	-	-	420	0	0						
Forage -	-	-	-	427	10	0						
Engineer services -	-	-	-	1,129	7	10						
Pay of Maori irregulars -	-	-	-	861	1	1						
Conveyance of mails -	-	-	-	25	0	0						
					2,971	12	0					
Carried forward -	-	-	-	7,241	19	4						
					58,402	1	3					

5 B.—No 2.

Carried forward	-	-	-	-	-	-	-	<u>197,534</u>	<u>1</u>	<u>0</u>
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PAPERS RELATIVE TO

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward - -	-	-	-	-	-	-	-	-	-	197,534	1	9
Amount due for arms and other military stores supplied :—												
Per claim, see War Office letters.												
57, 30, 868 - -	-	-	-	-	-	2,856	17	4				
57, 30, 1240 - -	-	-	-	-	-	1,477	12	0				
57, 30, 1392 - -	-	-	-	-	-	1,338	2	7				
57, 30, 1382 - -	-	-	-	-	-	73	0	6				
57, 30, 3508 - -	-	-	-	-	-	425	10	1				
						6,171	2	6				
Deduct—Paid by the Colony - -	-	-	-	-	-	1,338	2	7				
										4,832	19	11
Amount advanced 30th September, 1861, to Colonial Treasurer as an imprest to pay a colonial allowance to the officers of Her Majesty's ships - - - -	-	-	-	-	-	-	-	-	-	5,000	0	0
										207,367	1	8
Deduct—												
Amount repaid by the colony for secret service money - -	-	-	-	-	-	-	-	-	-	50	0	0
*Amount due by the colony to the 30th September 1862 - - - -	-	-	-	-	-	-	-	-	-	207,317	1	8

* This Amount is exclusive of advances made from the Treasury Chest on account of the hire of the 'Tasmanian Maid,' 'Wonga Wonga,' and other Naval Services, the Vouchers for which have been forwarded to the Admiralty.

STATEMENT of Amount expended in New Zealand on account of road-making.

Period.	Purchase of Animals, Working Pay, and other Expenses.	Provisions, Forage, Fuel, and Light issued by the Commissariat.	TOTAL.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
30th December 1861 to 31st January 1862.	5,729 6 10	109 16 5	5,839 3 3	†Provisions.
February 1862 - -	2,383 15 2	1,156 0 0	3,539 15 2	{ Provisions 664 15 8
March 1862 - -	2,989 6 7	1,312 10 5	4,301 17 0	{ Forage 481 4 4
Total to 31st March 1862	11,102 8 7	2,578 6 10	13,680 15 5	{ Provisions 633 186 6
				{ Forage 678 11 11
April 1862 - -	4,542 13 4	1,779 11 5	6,322 4 9	{ Provisions 726 19 4
May „ - -	2,781 13 3	1,852 4 5	4,633 17 8	{ Forage 1,052 12 1
June „ - -	2,531 17 4	4,169 2 3	6,700 19 7	{ Provisions 478 9 8
July „ - -	1,075 10 5	2,862 17 3	3,938 7 8	{ Forage 1,373 14 9
August „ - -	64 6 10	29 6 8	93 13 6	{ Provisions 494 12 6
Total from 1st April to 31st August 1862 - }	10,996 1 2	10,693 2 0	21,689 3 2	{ Forage 3,674 9 9
	22,098 9 9	13,271 8 10	35,369 18 7	{ Provisions 250 15 8
Deduct—				{ Forage 2,612 1 7
Estimated value of animals purchased for road-making purposes and still available - }	3,990 0 0	- - -	3,990 0 0	{ Provisions 22 10 6
	18,108 9 9	13,271 8 10	31,379 18 7	{ Forage 6 16 2

SIR,—
New Zealand Government Agency Offices,
3, Adelaide Place, London Bridge, May 11th, 1863.

His Grace the Duke of Newcastle having referred me to the War Office for a statement of the amount alleged to be due by the colony of New Zealand to the Imperial Government on account of military operations in the colony, I have the honour to inform you that the Under-Secretary of State for War has furnished me with an approximate statement accordingly, to 30th September 1862, showing a total charge of £207,317 1s. 8d.

A copy of this statement having, as I am informed, been forwarded by the War Office for your information, I enclose for purposes of reference an abstract of the items comprised in it.

Having regard to the fact that this statement is approximate only, being partly based on estimate, and partly consisting of large items, which cannot be investigated without reference to the colony, I beg to submit the following remarks, founded on a comparison with other statements furnished to the Colonial Government.

The last statement of the Deputy-Commissary-General in Auckland, dated 14th November, 1862, based upon a statement of Her Majesty's Treasury, contained in a minute from their Lordships of 24th May, 1862, showing the amount chargeable to 29th October, 1861, and brought down by the Deputy-Commissary-General himself to the 30th September, 1862, exhibits, when adjusted so as to comprise items of the same nature with the War Office statement, a total of £195,233 17s. 5d. I have the honour to enclose an abstract of the statement in this shape.

Another statement, compiled by the Government of New Zealand from accounts furnished from time to time, shows, when dealt with in the same manner, a total of £203,849 19s. 11d., of which I enclose the particulars.

I have to express great regret that the information obtainable in this country does not permit the apparent discrepancies of these three statements to be reconciled; and that, therefore, the exact amount of the Imperial claim against the colony cannot be fixed without a delay which may extend to many months. But the Colonial Government are unwilling to postpone the discharge of whatever may be due by the Colony, if delay can be avoided; and, therefore, I will pass at once to the consideration of the nature of the Colony's liability, for the different items of which the account is composed.

The charge on account of local forces rests upon an undertaking by the Colonial Government, given about the time of the outbreak of war, to repay advances made from the Treasury Chest for the pay, allowances, and rations of militia and volunteers called out for active service.

The gratuity to ships of war was advanced out of the commissariat chest at Auckland, to the order of the Colonial Government, and at their express request.

The capitation charge for troops rests upon an undertaking of the Colonial Government, given in 1858, to pay £5 per year for every officer and man of Her Majesty's troops in the colony.

The charge for field defences, for road-making, and for arms and ammunition (except a few items), together with that for transport, if raised, rests upon no promise or guarantee of the Colonial Government, but, it is presumable, on the Imperial view of what is a fair colonial liability.

The charge for barracks, including repairs and extensions, was, I understand, commuted in 1858, in the undertaking to pay £5 a head for Her Majesty's troops.

I have to observe that if the question of what is a fair colonial liability be left open for consideration, the colony may justly claim that the whole account shall be considered on the same principle, and in that case, the guarantee of the Colonial Government, given under severe pressure, without full knowledge, and accompanied by a protest, shall not be made to cover items in themselves not fairly chargeable.

But if the guarantee, formally given by the colony, be insisted upon in all cases as a proof of debt, the colony will be justified in demanding that its liability shall be strictly limited to the items comprised within the terms of its undertaking.

The Colonial Government on their part desire to discharge the whole amount for which it can be shown that the colony has made itself responsible, without urging any claims for reduction, however well grounded. And I venture to assume that Her Majesty's Government will take the same view, inasmuch as the great bulk of their claim will thereby remain undisturbed, and the process of settlement be rendered most easy and rapid.

Assuming the total amount claimed by the Imperial Government at £200,000, than which sum it cannot be greatly more or less, it will be necessary, in the view now submitted of the colonial liability, to reject the following items:

	£
Field defences, a sum of about	2,100
Arms and ammunition, about	5,700
Barracks, about	6,000
Road making, about	31,400

The colony also claims to have paid, in addition to £1,388 2s. 7d. admitted by the War Office, a sum of £850 14s. in cash upon sundry accounts.

In further reduction of the total liability the colony claims to have spent certain sums on the maintenance and repairs of barracks and military buildings, the cost of which by agreement falls upon the Imperial Government, as against the colonial contribution to the troops. No complete colonial statement of these disbursements is in my possession; but I am informed that an estimate of the value of the work done, amounting to some thousands of pounds, can be furnished by the War Office if required.

It appears from the above considerations that the actual liability admitted by the Government of New Zealand, so far as can be ascertained from the approximate statements rendered in this country and in the colony, is not greatly more or less than £150,000.

I have accordingly the honour to propose that the sum of £150,000 be taken as the amount of the debt of New Zealand to the Imperial Government, on account of military operations, to the 30th

September, 1862, to be discharged in accordance with the provisions of the New Zealand Loan Act, 1862.

The Under-Secretary of State, Colonial Office.

I have, &c.,

CROSBIE WARD.

ABSTRACT of statement of amount due by the colony of New Zealand on account of military expenditure to 30th September, 1862, rendered by the War Office.

(*Vide Captain Galton's letter of 24th April, 1863.*)

	£	s.	d.
1860-12—			
1. Local Forces.—Advances to Paymaster	64,836	6	5
" Clothing, Forage, Field Allowances, Lodging Money, &c.	9,768	18	11
" Commissariat Supplies	23,158	17	5
	97,764	2	9
2. Field Defences.—(No charge raised.)			
3. Arms and Ammunition	6,171	2	6
4. Ships of War.—Gratuity paid	5,000	0	0
5. Transport.—Hire of local Steamers.—(No charge raised.)			
1858-62—			
6. Her Majesty's Troops.—Contribution of £5 per year per officer and man*	61,458	15	0
7. Barracks.—Building and Repairs	6,931	5	5
8. Road-making	31,379	18	7
	208,705	4	3
Deduct Cash paid by the Colony	1,388	2	7
	207,317	1	8

* Including £7,000 estimated for June quarter, 1862.

ABSTRACT of statement furnished from time to time to the Government of New Zealand, adjusted to 30th September, 1862.

(*Vide Minute of Colonial Treasurer of New Zealand, accompanying "Loan Act, 1862."*)

	£	s.	d.
1860-12—			
1. Local Forces.—Advances for Pay, and Contingent Expenses to 31st March 1862	60,273	2	9
" Clothing supplied to do.	986	14	4
" Rations do do.	24,896	3	5
" Pay and Rations to 30th June 1862	1,955	19	6
" do 30th September 1862	4,241	0	11
" Secret Service	50	0	0
	92,408	0	11
2. Field Defences	2,126	0	4
3. Arms and Ammunition	5,672	4	8
4. Ships of War.—Gratuity paid	5,000	0	0
5. Transport.—Hire of local Steamers	16,422	2	10
1858-62—			
6. Her Majesty's Troops.—Contribution of £5 per year per officer and man†	60,337	10	0
7. Barracks.—Building and Repairs	7,000	0	0
8. Road-making	31,379	18	7
	220,340	17	4
Deduct—Charge for Transport	£16,422	2	10
Excess of Charge for Barracks	68	14	7
	16,490	17	5
	203,849	19	11

† Including £7,000 estimated for June quarter, 1862.

STATEMENT of claims by the Imperial Treasury against the Government of New Zealand, to 30th September 1862, furnished by the Deputy-Commissary-General, Auckland.

(*Vide letters of 2nd September and 14th November, 1862.*)

Amount due to 29th October, 1861, as stated in Treasury Minute of 24th May, 1862	193,180	5	6
Local Forces.—Pay, Rations, &c., to 30th June, 1862	17,394	4	5
" " 30th September, 1862	4,452	4	3
Her Majesty's Troops.—Contribution for year to 31st March, 1862	27,718	15	0
Road-making to 30th June, 1862	31,337	17	5
" 30th September, 1862	42	1	2
Total as per letter of 14th November, 1862	274,125	7	9
Deduct—Error admitted in Treasury Statement	69,469	7	6
" Hire of Steamers 'Wonga Wonga,' &c.. . . .	16,422	2	10
	85,891	10	4
	188,233	17	5
Add—Estimated Charge for Troops to 30th June, 1862, at £5 per officer and man per year	7,000	0	0
	195,233	17	5

SIR,—

Downing Street, June 17, 1863.

In my letter of the 20th March last I forwarded to you, by desire of the Duke of Newcastle, a copy of a despatch from the Governor of New Zealand, reporting that, in accordance with the wishes of his Responsible Advisers, Mr. Crosbie Ward was proceeding to England to represent the local Government upon several important questions.

One of those questions, as the Lords Commissioners of the Treasury will have learnt, was "the final settlement of accounts between the Imperial Government and this Colony, arising out of Commissariat advances during the insurrection."

Upon the arrival of Mr. Ward in England, he was, by his Grace's directions, placed in communication with the War Office, for the purpose of examining these accounts, with a view to their ultimate settlement.

I am now to transmit to you, to be laid before the Lords Commissioners, a copy of a letter from the War Office dated the 24th April and a copy of a letter from Mr. Ward, dated the 11th May, the first showing the result of the examination of the accounts, according to the Secretary of State's view, the second showing the result, according to Mr. Ward's view.

According to the War Office statement the amount due from the colony up to the 30th September last is £207,317 1 8d., exclusive of the sum of £67,927 5s. 9d. for advances made several years back for New Zealand Fencibles; and of a sum of £45,001 10s. 8d. advanced for the hire of certain colonial vessels and other naval expenses, and which has been repaid to the War Department by the Admiralty; whilst on the other hand, Mr. Ward puts the total amount due at about £150,000, exclusive of what is due for the Fencibles.

But it will also be found that, irrespective of a difference of opinion as to what items can or cannot fairly be chargeable against the colony, it is stated both by Captain Galton and Mr. Ward that, under any circumstances, no conclusive account can be rendered without a reference to New Zealand for further information.

In the Duke of Newcastle's opinion such a delay is much to be regretted, and I am, therefore, to submit for the consideration of the Lords Commissioners, whether it may not be possible to arrive at a final settlement by a compromise between the Lords Commissioners on the part of the Imperial Treasury, and Mr. Ward on the part of the Colony. I am, however, to add, that his Grace is not in a position to state whether Mr. Ward is prepared to entertain the question of compromise, as he has not thought it right to communicate with him on the subject, without previous reference to the Lords Commissioners.

I am also to transmit to you, as being closely connected with this question, a copy of an Act passed by the General Legislature of New Zealand, "for raising a loan of £500,000" under an Imperial guarantee, £200,000 to be devoted, as shown by the schedule attached to the Act, towards the "reinstatement of the settlement and inhabitants of Taranaki," and £300,000 to repay advances from the Imperial Treasury on account of militia and volunteers and other military expenditure, and for the construction of roads and other public works. I am also to transmit a copy of a report upon the Act by Mr. Reader Wood, the present Treasurer of the colony, together with a financial statement made by Mr. Dillon Bell, the late Treasurer, in the House of Representatives, on the 14th August last year.

It will now remain for the Lords Commissioners and the Secretary of State for War, to whom a copy of this will be forwarded, to determine whether a compromise shall be entertained. But the Duke of Newcastle desires me most seriously to impress upon their Lordships and upon Earl de Grey, how desirable it is that a final settlement of the accounts should be completed without further loss of time, and that, having this object in view, a stated sum should be accepted from the colony, which amount could be liquidated from the monies to be raised under the Loan Act, and could be immediately and surely liquidated in no other way.

The Duke of Newcastle is also of opinion that it might be advisable to meet the present claims of the New Zealand Government, rather by the remission of certain disputed claims of long standing, which it may be difficult under existing circumstances to recover, than by any material reduction of the present claim of the War Office.

This recommendation of course implies that the Imperial guarantee should be given for the payment of the interest of the loan. But I am to state that, taking into consideration the financial condition of the colony, which cannot be considered otherwise than satisfactory, the Duke of Newcastle feels no hesitation in recommending that this guarantee should be given, and that the necessary bill should be submitted to Parliament for this purpose during the present session.

I have, &c.,

F. ROGERS.

G. A. Hamilton, Esq.
&c. &c. &c.

SIR,—

Treasury Chambers, July 16, 1863.

I am commanded by the Lords Commissioners of Her Majesty's Treasury to request that you will state to the Duke of Newcastle that, under the circumstances stated in your letter of the 17th ultimo, they will not object to the introduction of a bill into the House of Commons to authorize the guarantee by the Imperial Government of a loan of 500,000*l.*, proposed to be raised by the Colonial Government of New Zealand.

Their Lordships deem it necessary to state, with reference to the opinion expressed by his Grace in your letter, that a final settlement of the accounts between the Imperial and Colonial Governments should be completed without loss of time, and a stated sum accepted from the colony payable out of the moneys to be raised under the Loan Act, that they would not feel warranted in accepting the

offer made by Mr. Crosbie Ward, the agent for New Zealand, in his letter of the 11th May, of the sum of £150,000 in liquidation of the debt of New Zealand to the Imperial Government on account of military operations to the 30th September, 1862.

According to the view of the War Department, there is a claim of £207,317 1s. 8d. as the nearest approximation of the sum due by the colony up to the 30th September 1862 that can be arrived at without further reference to the colony, on account of expenses arising out of the recent native rebellion.

There is also a claim, amounting to £67,927 5s. 9d., for advances made several years ago in respect of the New Zealand Fencibles; and a sum of £45,001 10s. 8d. due for hire of vessels and naval expenses.

Their Lordships will be quite ready to enter into a full consideration of any particulars connected with these claims, but they must require, as a condition precedent to the proposed guarantee being actually given by this Board, that such sum, as after further consideration they shall decide to be due by the colony in respect of these three items, shall be paid out of the moneys to be raised by the loan under the Imperial guarantee.

Their Lordships would have preferred that the amount to be so paid should be fixed positively in the Act of Parliament; but as the period of the session does not admit of any delay in the introduction of the Bill, this cannot be done, and they therefore will only observe at the present time that they do not expect that a less sum than £200,000, or possibly than £250,000, will satisfy the fair claims upon the colony in respect of the advances that have been made for the service of the colony out of Imperial funds.

Sir F. Rogers, Bart.,
&c., &c., &c.

I am, &c.,

F. PEEL.

SIR,—

Downing Street, 16th July, 1863.

I am directed by the Duke of Newcastle to acknowledge the receipt of your letter of the 11th May last, reporting the result of your communications with the War Department with reference to a settlement of the amounts due to the Imperial Treasury by the colony of New Zealand on account of military operations there. His Grace has also received from the War Department a copy of the letter addressed to you by Earl de Grey's desire on the 24th April last.

It appears from the statement received from the War Department that the amount due from the colony up to the 30th September last was £207,317 1s. 8d. exclusive of a sum of £67,927 5s. 9d. for advances on account of New Zealand Fencibles, and a sum of £45,001 10s. 8d. advanced for the hire of certain colonial vessels.

On the other hand you state that the sum of £207,317 1s. 8d. ought to be diminished by omitting certain items which in your opinion, are not properly chargeable against the colony. And you propose that the sum of £150,000 should be taken as the amount of the debt to be discharged in accordance with the provisions of the New Zealand Loan Act of 1862.

It is also stated by the Secretary of State for War, and by yourself, that irrespective of the difference of opinion as to what items can or cannot fairly be chargeable against the colony, no conclusive account could under any circumstances be rendered without a reference to the colony.

In the opinion of the Duke of Newcastle, such a delay was greatly to be regretted, and he accordingly suggested to the Lords Commissioners of the Treasury whether by avoiding all matter of detail some arrangement might not be arrived at with you, having for its object a final settlement of all outstanding Imperial claims against the colony.

I am now to acquaint you that the Duke of Newcastle would be prepared on behalf of Her Majesty's Government to accept a sum of 200,000*l.*, in satisfaction of all Imperial claims, in respect to military and naval expenditure, up to the 30th September last, to be paid for out of the 500,000*l.* to be raised by loan under the Imperial guarantee, and that upon your immediately making known your acceptance of this proposal Her Majesty's Government will lose no time in submitting a bill to Parliament authorizing the raising of the above sum (500,000*l.*) under an Imperial guarantee.

I am, &c.,

F. ROGERS.

Crosbie Ward, Esq.
&c. &c. &c.

SIR,—

New Zealand Agency Offices,
3 Adelaide Place, London Bridge, E.C., 17th July, 1863.

I HAVE to acknowledge the receipt of your letter of the 16th instant, in which you acquaint me that his Grace the Duke of Newcastle, having considered my letter of the 11th May last, and that of the Under Secretary of State for War, of the 24th April last, on the subject of the claims of Her Majesty's Government against the colony of New Zealand, in respect of naval and military expenditure, has suggested to the Lords Commissioners of the Treasury whether some arrangement might not be arrived at, having for its object a final settlement of all outstanding Imperial claims against the colony; and that his Grace would be prepared, on behalf of Her Majesty's Government, to accept a sum of 200,000*l.*, in satisfaction of all such claims, up to the 30th September last, to be paid out of the 500,000*l.* to be raised by loan under the Imperial guarantee; and further, that, upon my immediately making known my acceptance of this proposal, Her Majesty's Government will lose no time in submitting a bill to Parliament, authorizing the raising of such loan under an Imperial guarantee.

If the proposal now made were to be understood as a waiver of all claims upon the colony, except for military assistance rendered since the native outbreak in New Zealand in the year 1860, I should

reply that the sum named exceeds that which the colony admits as properly chargeable for such assistance by an amount so important to the colony as to oblige me, on its behalf, to decline the proposal.

But the proposal, as stated, embraces the settlement of all Imperial claims in respect to military and naval expenditure up to 30th September, 1862, among which claims that for the balance of expenses incurred many years ago in locating the New Zealand Fencible Force appears as a very important item. Viewed in this light, the proposal must be characterised as one of liberality on the part of Her Majesty's Government.

But I regret to say that I am prevented from entertaining any proposal for discharging the last-mentioned claim, since it has never yet been submitted for the consideration of the General Assembly of New Zealand. From the year 1853, when the charge was raised against the Colony in an incomplete state, and before the General Assembly was constituted, the claim dropped out of sight until just previous to the last session of that body, when a despatch from his Grace raised the question again, but too late, considering the circumstances of the time, for its proper consideration in that session. No legal appropriation, therefore, having yet been made for the discharge of this claim, I am unable to do more than receive from Her Majesty's Government any proposal which they may be pleased to make for its separate settlement, and to undertake that any such proposal, or, in the absence of any new proposal, the claim as it has already been raised, shall be submitted to the General Assembly of the Colony at the earliest opportunity; and Her Majesty's Government have, doubtless, full confidence that the General Assembly will promptly and fully discharge any liability which fairly rests upon the Colony. I am to be understood, however, as not pledging the Government of New Zealand to any particular recommendation with regard to this claim.

In addition, I have to point out that the claim in question is not of that kind for the discharge of which the Colony has deemed it right to request the guarantee of Her Majesty's Government to the proposed loan, and that to pay so large a sum out of the proceeds of the loan for such a purpose would have the effect of materially diminishing the amount applicable to those requirements which, springing out of the native insurrection, are declared to be the legitimate objects to which the moneys borrowed may be devoted.

The proposal now authorised by his Grace the Duke of Newcastle, and that which I had the honor to make in my letter of the 11th May last, are, I venture to submit, materially the same. The objection now raised to the former is one, not of principle, but of legal form. I trust, therefore, that his Grace will consent to treat the liability of the Colony for military assistance rendered during the native insurrection as a separate debt to the Imperial Government, taken at the round sum of £150,000, to be paid as proposed by his Grace, leaving the claim for the sum of £67,927 5s. 9d., for the location of the New Zealand Fencible Force, to be a distinct charge, untouched in the present settlement.

I beg that you will convey to his Grace an assurance of the sincere regret which the Government of New Zealand will feel that, in submitting the immediate answer which his Grace has required to his proposal, I have been unable to suggest a final settlement of all the claims raised by the Imperial Government against the Colony.

I have, &c.,

CROSBIE WARD.

Sir F. Rogers, Bart.,
Colonial Office, Downing Street.

New Zealand Government Agency,

Sir,— 3, Adelaide Place, King William Street, E.C., July 18th, 1863.

Referring to my letter of yesterday, and to the conversation which took place between Mr. Chichester Fortesque and myself, on the subject of the settlement of Imperial claims against the Colony of New Zealand, I desire to draw the attention of Her Majesty's Government to certain further considerations which appear to me to be of great importance.

A proposal has been made to me on behalf of the Colony to pay the sum of £200,000 in liquidation of all claims of the Imperial Government, in respect of naval and military expenditure, to the 30th September, 1862. Being unable to deal with these claims as a whole, I have proposed to pay the sum of £150,000 in respect of the claim arising out of the native insurrection, and to refer the principal remaining claim, being that for the location of the pensioner force, and nominally amounting to the sum of £67,927 5s. 9d., to the General Assembly of the Colony, by whom it has never yet been considered.

This proposal has been declined, and I am informed that the sum of £150,000 is insufficient to satisfy the claim of Her Majesty's Government for military assistance rendered to the Colony during the native insurrections. Under these circumstances I desire to remind the Government what the nature of that claim really is.

The detailed account rendered by the War Office comprises two classes of items charged against the Colony, one class being based on the ground of a technical liability, such as an undertaking or engagement entered into by the Colony, the other on that of a fair and reasonable responsibility evident in the nature of the items themselves. Taking each set of items separately, the sum of the former is in round figures £150,000, that of the latter considerably less. I have tendered payment on behalf of the Colony of the larger amount, on account of the greater simplicity of the examination into this class of items, and also because, owing to the severity of the language addressed by Her Majesty's Government to the Colony on the subject, I desired to avoid, as far as possible, any discussion upon the propriety of the various charges.

The Colony is, I submit, more than justified in taking the present course, since many of the items of account which rest on the ground of technical liability cannot be alleged to be in themselves fairly and reasonably chargeable, but may rather be said to appear in the account by a species of accident; that is to say, the Colony urges that the sum of £150,000, on whatever account it may be computed, does in effect more than cover all the charges for which it can be held honourably liable.

The largest item among those to which allusion has been made is the contribution of 5*l.* a year per

officer and man to the pay of Her Majesty's troops in the colony. The claim on account of this item amounts to about 61,000*l*. The arrangement to pay a contribution at the rate named was made in the year 1858, in time of peace, and had reference to the peace establishment of the garrison, consisting of one regiment of the line. However reasonable this arrangement might have been at the time, it was one which obviously was inapplicable to a period of protracted war. That rate of contribution which was proportioned to the circumstances of the colony when the number of soldiers was small became utterly disproportionate when the number of soldiers had increased sevenfold. It is fair to urge that in this case, as in any other, a total and unexpected change of the circumstances under which the agreement had been made practically annulled it; and the change was in effect notified by the colony when the resolution was taken by the House of Representatives to assist the Imperial Government in prosecuting its designs to the extent of the resources of the colony. This is what the Imperial Government has a right to require; and this is practically what the colony has done, and is prepared to do.

The employment of force against the insurgent natives of New Zealand in 1860-61 was at least, in a great measure, determined on by the Imperial Government, rendered necessary by Imperial policy, and directed against a race under the immediate control of the Imperial authorities. Whatever part the colonists may have taken in bringing about the war, Her Majesty's Government must admit that a large share of responsibility rests upon itself. The Imperial Government was not a mere ally of the Colony, rendering a limited amount of assistance upon stated terms. It was a principal in the matter; not only as holding the natural attitude of a mother country towards a dependency, but as being itself mainly concerned in and answerable for the issue. Under these circumstances, I submit that Her Majesty's Government is bound to consider, not what remuneration for the employment of its troops it can obtain from the Colony, nor what portion of its own expenditure it can recover; but what is the fair and reasonable expense which each party may be expected to bear as its share of the whole cost of the war.

The cost to New Zealand of the war already reaches a round sum of £500,000. This sum includes only extra expenses entailed upon the Colony directly by the war, and might be largely swollen by a number of expenses which spring indirectly from the same cause. The charge of £500,000, in the shape of a debt upon the resources of a population of 100,000 persons, paying taxes to the State at the rate of about £4 per head per year, will appear of its proper magnitude if it be compared, after making all due allowances, with the expenditure of the United Kingdom for similar purposes. Thus compared, it represents an amount of above one hundred millions sterling. In addition to this enormous burden, the Colony is prepared to pay to Her Majesty's Government the sum of £150,000, and the offer to do so is declined as insufficient.

I now respectfully entreat Her Majesty's Government to reconsider their determination. I have endeavoured to show that the sum of £150,000 is, first, not less than the amount which is fairly chargeable on the Colony, and, secondly, the extreme amount which its resources enable it to pay without serious injury. I submit that the Colony cannot, in justice to itself, incur the additional liability which is sought to be imposed upon it; and that therefore the offer of payment which I have had the honor to make, and now repeat on its behalf, is one which Her Majesty's Government may honourably accept.

I have, &c.,

The Under Secretary of State for the Colonies.

CROSBIE WARD.

No. 2.

COPY OF A DESPATCH FROM HIS GRACE THE DUKE OF NEWCASTLE, K.G., TO GOVERNOR SIR GEORGE GREY, K.C.B.

(No. 121.)

SIR,—

Downing-street, December 26, 1863.

I informed you in my Despatch of the 27th of July that I should recommend to the Lords of the Treasury that a Bill should be introduced during the next session of Parliament, authorizing Her Majesty's Government to guarantee a loan of £500,000 to be contracted by the New Zealand Government, on condition that £200,000 of that sum should be paid to the Imperial Government in satisfaction of all claims of the Imperial Government on account of military operations up to the 30th September, 1862, and of an old claim of £67,927 in connexion with the New Zealand Fencibles.

To this proposal their Lordships have now assented, on the understanding that the colonists are now paying for all expenses of the volunteers, militia, and other local corps, which I am glad to learn (though not as yet from your official Despatches) the people and Government of New Zealand have shown so much spirit and energy in raising, and that provision will be made immediately on the meeting of the New Zealand Legislature for repaying the more recent advance of £12,000 a month from the Treasury Chest (of which you apprised me in your Despatch of the 22nd August), with interest at the rate of four per cent. per annum on all such advances which are allowed to remain unliquidated for more than three months.

I shall hope to receive the assent of your Government to these proposals as soon as possible.

At the same time their Lordships have addressed to me various questions respecting the circumstances under which the above monthly advances were made, to which your Despatches do not furnish any answer.

They desire to know whether, when the necessity of providing further funds became apparent, the Assembly was summoned for the earliest practicable day; whether, when the previous Assembly was prorogued, there was reason to believe that an emergency of this kind to a greater or smaller extent would arise; and if this was the case, whether provision was made to meet it, such as to reasonable persons would at the time have appeared sufficient; and, if it was not made, what means were taken by you to impress on the Assembly the necessity of making it.

They are also desirous of knowing whether any provincial funds, and what amount, were within reach and available for the purpose of at least making advances to the general government at the time

when advances from the Treasury Chest were applied for and obtained; and whether those who had charge of the provincial revenues were called upon, and with what effect, to apply them to the pressing services of the colony. I need hardly observe that this question has a peculiar application to those provinces who are most affected by the existence and concerned in the results of the present war.

I have to request that you will furnish me with such a report as will enable me to give a full and explicit answer to these questions.

Governor Sir George Grey, K.C.B.,
&c., &c.

I have, &c.,
NEWCASTLE.

No. 3.

COPY OF A DESPATCH FROM GOVERNOR SIR GEORGE GREY, K.C.B., TO HIS GRACE THE DUKE OF
NEWCASTLE, K.G.

(No. 157.)

MY LORD DUKE,—

Government House, Auckland,

November 7, 1863.

I have the honor to transmit for your Grace's information copies of a correspondence relating to the terms under which an advance not exceeding in the whole £150,000, is to be made to the Colonial Government from the Treasury Chest, to enable them to continue to make provision for the safety of the settlements in the Northern Island of New Zealand.

2. The whole sum thus borrowed will be expended on strictly military objects connected with the defence of Her Majesty's New Zealand possessions, and will be repaid in London within six months from the date of the advance, the General Assembly being now engaged in making provision for this purpose.

His Grace the Duke of Newcastle, K.G.,
&c., &c., &c.

I have, &c.,
G. GREY.

Enclosure 1 in No. 3.

MEMORANDUM for His Excellency the Governor.

Ministers beg to suggest to the Governor the advisability of making the following financial arrangement:—

The Commissariat has relieved the Treasury from the strain arising from the war expenditure now going on, by advances since August last, at the rate of £12,000 per month; in addition to this, the Bank of New Zealand has advanced, at some inconvenience to itself, a sum of about £43,000. It is now proposed, until the General Assembly, which is in session, has made provision for the war expenditure, that the Commissariat should advance temporarily to the Treasury the sum of £100,000. It is probable that in less than three months the Colony will be in a position to repay this and all the advances made by the Commissariat, and be able to carry on the war expenditure without any further assistance.

Treasury, October, 1863.

READER WOOD.

Enclosure 2 in No. 3.

SIR,—

Head Quarters, Queen's Redoubt, November 6, 1863.

WITH reference to a memorandum from Ministers to his Excellency the Governor, proposing an advance from the Commissariat of £100,000, on the probability of a repayment being made by the Colony in three months, I am directed by the Lieutenant-General Commanding to forward the accompanying copy of a letter from Deputy-Commissary-General Jones, C.B., for the consideration of the Government.

The Private Secretary, Government House.

I have, &c.,
W. J. HUTCHINS,
Lieut.-Col., Asst. Military-Secretary.

SIR,—

Commissariat, Auckland, October 31, 1863.

I have the honour to acknowledge the receipt of your letter, No. 3133, of the 30th instant, directing me to advance the sum of £100,000 to the Colonial Government, under the mere probability of its being repaid in three months.

I venture to suggest that you will draw the Lieutenant-General's attention to the instructions from the Secretary of State for the Colonies, under date 23rd September, 1862, in which such advances are ordered not to be made, "except for military purposes, under urgent and unforeseen circumstances."

The memorandum of Ministers is not definite upon the urgency of this demand, or the purposes for which it is required; and with reference to the enclosures of your letter of the 17th August last, the monthly loan of £12,000 was solicited upon the understanding that these advances should be provided for soon after the meeting of the General Assembly.

It now, however, appears that in place of paying off the £36,000 already advanced, a very much larger amount is demanded, and no distinct provision for any repayment yet made.

I therefore venture to submit for the Lieutenant-General's consideration, whether it would not be well, before making this large advance, that some decided step should be taken by the Colonial Govern-

ment towards providing for the payment of these advances.

I would also further suggest, that some understanding be arrived at respecting any future demands, as I can scarcely suppose that the Lords Commissioners of Her Majesty's Treasury will approve of a continuance of such large loans, especially as those incurred during the late war have not yet been liquidated.

I also beg to refer to the articles upon page 183 of the Commissariat Regulations, where the proper course is defined to meet the expenses of temporary levies when necessarily raised in times of war or rebellion. Were those instructions acted upon these loans would be unnecessary, and the sums only which are actually requisite would be expended; but at present there is no check or apparent limit to the expenditure, nor the appropriation of the loans to the purpose for which they were granted.

The Assistant Military Secretary,
Head Quarters, Queen's Redoubt.

I am, &c.,
H. STANLEY JONES,
Deputy-Commissary-General.

Enclosure 3 in No. 3.

Government House, Auckland,

Sir,—

November 7, 1863.

In reply to your letter of the 6th instant, I have the honour to state, that upon conferring with my responsible advisers I am assured by them that in order to provide for the safety of the settlements in the Northern Island of New Zealand it is indispensable that they should obtain from the Treasury Chest a loan not exceeding in the whole a sum of £150,000.

They authorise me to state, that although they only at this moment require the sum of £100,000, they will not ask for any larger advance than a further sum of £50,000; that the whole sum borrowed shall be expended on strictly military objects, for the defence of Her Majesty's possessions; and that the whole amount shall be repaid in London, within six months from the date of the advance, from the proceeds of the loan which they are now obtaining the authority of the General Assembly to raise.

The Honourable Lieut.-General Cameron, C.B.,
Commanding the Troops.

I have, &c.,
G. GREY.

Enclosure 4 in No. 3.

Head Quarters, Auckland,

Sir,—

November 7, 1863.

I do myself the honour to acknowledge the receipt of your letter of this date, and in reply have to acquaint your Excellency that the Deputy-Commissary-General has been instructed to make the advance solicited from the Treasury Chest in his charge, for the purpose specified.

His Excellency the Governor,
&c. &c. &c.

I have, &c.
D. A. CAMERON,
Lieut.-General.

No. 4.

COPY OF A DESPATCH FROM GOVERNOR SIR GEORGE GREY, K.C.B., TO HIS GRACE THE DUKE OF
NEWCASTLE, K.G.

(No. 1.)

Government House, Auckland, January 4, 1864.

MY LORD DUKE,—

I have the honour to transmit the copy of a Memorandum I have received from my responsible advisers, requesting me to inform your Grace that Mr. Reader Wood, the Colonial Treasurer, is about to proceed to England for the purpose of negotiating the loan authorized by the Legislature during the late session, and on other business connected with the Colony, and that he will be prepared to furnish your Grace with any information that may be required by the Imperial Government on the subject of the proposed guarantee to the loan.

In accordance with the wishes of my responsible advisers, I have assented to Mr. Reader Wood's proceeding to England to perform these duties. I beg further to state that the Colonial Ministers are of opinion that Mr. Wood is in all respects qualified to acquaint your Grace, whenever you may require him to do so, with the views and opinions of the present Government of New Zealand on the state of this country and its requirements. For my own part I am quite satisfied that Mr. Reader Wood's large experience of New Zealand will enable him to afford your Grace much valuable information upon all questions connected with its interests.

I have, &c.,

G. GREY.

His Grace the Duke of Newcastle, K.G.,
&c. &c. &c.

Enclosure in No. 4.

Ministers would be much obliged by his Excellency informing his Grace the Duke of Newcastle by the outgoing mail that Mr. Reader Wood, the Colonial Treasurer, is about to proceed to England for the purpose of negotiating the loan authorized by the Legislature during the late session, and on other business connected with the Colony, and that he will be prepared to furnish the Duke with any information that may be required by the Imperial Government on the subject of the proposed guarantee to the loan.

FREDERICK WHITTAKER.

Auckland, 28th December, 1863.

No. 5.

COPY OF A DESPATCH FROM THE RIGHT HONOURABLE EDWARD CARDWELL, M.P., TO GOVERNOR SIR GEORGE GREY, K.C.B.,

(No. 65.)

Downing Street, 26th May, 1864.

SIR,—

I informed you in my Despatch No. 43, of 26th April last, that I should request the Law Officers of the Crown to furnish me with their opinion respecting the competency of the New Zealand Legislature to pass the two Acts No. 7, the Suppression of the Rebellion Act, 1863, and No. 8, the New Zealand Settlements Act, 1863.

This I have done, and I am advised that there is in their judgment no reason to doubt the legality of the former of the two Acts, and that the only reason for questioning the legality of the latter arises from its repugnancy to the third section of the Imperial Loan Guarantee Act, 20 and 21 Vict., c. 51. I intend to submit to Parliament in connexion with the contemplated loan, a provision calculated to remove this doubt.

I enclose you the copy of a letter which by my desire has been addressed to Mr. Reader Wood, and which will explain to you the views of Her Majesty's Government in respect to the proposed guaranteed loan.

I am only induced to make this offer to Mr. Reader Wood in the full conviction that the recent military successes, improved by a just and temperate policy on your part, will lead to a speedy and permanent pacification of the Northern Island.

I have stated to Mr. Reader Wood that his acceptance of this proposal will be regarded by Her Majesty's Government as conveying on his own part and that of his colleagues an assurance of their desire cordially to co-operate with you in a just and temperate policy towards the native race. On the part of Her Majesty's Government, I need not repeat the instructions which were fully conveyed to you in my Despatch No. 43, of 26th April last.

I entirely anticipate that your Ministers will be animated by a just sense of the exertions and sacrifices which have already been made by the mother country for the Colony, and that on colonial grounds they will be as anxious as you can be yourself to terminate the present hostilities. But it is my duty to say to you plainly that, if unfortunately their opinion should be different from your own as to the terms of peace, Her Majesty's Government expect you to act upon your own judgment, and to state to your Ministers explicitly that an army of 10,000 English troops have been placed at your disposal for objects of great Imperial concern, and not for the attainment of any merely local object; that your responsibility to the Crown is paramount; and that you will not continue the expenditure of blood and treasure longer than is absolutely necessary for the establishment of a just and enduring peace.

Governor Sir George Grey, K.C.B.,
&c., &c., &c.

I have, &c.,
EDWARD CARDWELL.

No. 6.

COPY OF A LETTER FROM SIR FREDERIC ROGERS, BART., TO G. A. HAMILTON, ESQ.

Downing Street, June 2, 1864.

SIR,—

With reference to your letter of the 19th December last, signifying the willingness of the Lords Commissioners of the Treasury to submit a Bill to Parliament for guaranteeing a loan of £500,000 to the Colony of New Zealand, to enable them to meet some of the heavy charges which had fallen upon the Colonial resources from the war with the natives, I am now directed by Mr. Secretary Cardwell to request that you will lay before their Lordships this present communication, with its enclosures, as setting forth the grounds on which he is prepared to recommend that the amount thus proposed to be guaranteed should be extended to the sum of £1,000,000.

The Lords Commissioners are of course aware that since July last, when the loan of £500,000 was

in contemplation, hostilities with the natives have been renewed, and that Sir George Grey has found himself compelled to adopt the most vigorous and energetic measures for the prosecution of the war, and that the consequences have been such as to entail a heavy expenditure on the Imperial and Colonial revenues.

Although it is hoped that the measures adopted by Sir George Grey, and carried on with the able assistance of Lieutenant-General Sir D. Cameron, will bring about an early termination of the war, and place upon a better footing our future relations with the natives, the charges upon the Colonial revenues up to the present time, and those which are still unavoidable, have been and will be so large as to allow of their payment by no other means than by having recourse to a loan.

I am now to request that you will lay before the Lords Commissioners, for their information, and with a view to enabling them to decide upon the proposed loan of £1,000,000, the following papers:—

1. Copy of a Despatch from Sir George Grey, submitting the following Acts passed by the Legislature of New Zealand; No. 7, for the Suppression of the Rebellion; No. 8, to establish Settlements for the Colonization of the Northern Island; No. 12, for raising a loan of £3,000,000; No. 12, to appropriate certain sums raised under the Loan Act, No. 11.

2. Copy of a Despatch from Mr. Cardwell, dated the 26th April, making known to Sir George Grey the opinion he had formed on these important measures.

3. Copy of a Despatch from Sir George Grey, introducing Mr. Reader Wood, the Treasurer of New Zealand, who was proceeding to England on matters connected with the loan.

4. Copy of a letter from Mr. Reader Wood, dated the 24th May, showing that the financial capabilities of the Colony are sufficient to meet its current expenditure and provide for the interest and sinking fund of the loan.

5. Copy of a Letter addressed to Mr. Reader Wood on the 26th May, by Mr. Cardwell's desire, setting forth the conditions on which he is prepared to recommend that a loan of £1,000,000 should be guaranteed by this country.

6. Copy of a Despatch from Mr. Cardwell to Sir George Grey, dated 26th May, forwarding a copy of the letter addressed to Mr. Reader Wood on that day.

7. Copy of Mr. Wood's reply to letter of 26th May.

Mr. Cardwell feels that the papers transmitted afford such complete information that it is not necessary for him to add any observations of his own, and that he need do no more than direct the attention of the Lords Commissioners more immediately to his Despatch to Sir George Grey and to the letter to Mr. Wood.

The proposal now submitted may, however, be shortly stated as follows:—

1. That the Imperial guarantee should be extended to a loan of £1,000,000.

2. That the amount due to the Imperial Treasury, calculated, so far as appears at present, at somewhat less than £500,000, should be repaid out of the loan.

And that, as regards the future charge on the Home Treasury for military expenditure, there shall be a prospective increase of Colonial contribution, as stated in the letter to Mr. Wood, namely, as follows:—

1. That one regiment shall be supplied to New Zealand without cost.

2. That in consideration of this regiment the Colonial Government shall continue to apply £50,000 a year to native purposes.

3. That on all troops beyond this regiment New Zealand shall pay to the Imperial Treasury the same contribution as that which it is proposed that the Australian Colonies shall pay, viz., £40 per annum a head on infantry and £55 on Artillery.

4. That New Zealand shall not pay upon more than 4,000 men in the year 1865.

I have, &c.,

F. ROGERS.

G. A. Hamilton, Esq.
&c. &c. &c.

No. 7.

HIS EXCELLENCY THE GOVERNOR TO THE COLONIAL TREASURER.

Government House, Auckland, 4th January, 1864.

SIR,

The legislation of last Session of the General Assembly renders it necessary that some very important matters of business should be transacted without delay in England, on behalf of the Colony of New Zealand.

I have accordingly to request you to proceed to England by the next mail steamer, and to act on the part of the Government of New Zealand in the following matters:—

1. To raise a Loan of £3,000,000, under the "New Zealand Loan Act, 1863."

2. To endeavour to obtain an Imperial Guarantee for such Loan.

3. To organise a system of Emigration to the Northern Island of the Colony, with a view to locating settlers under the "New Zealand Settlements Act, 1863."

4. To adjust and settle all outstanding accounts up to the 1st January, 1863, between Her Majesty's Imperial Government and the Colony of New Zealand.

The Honorable Reader Wood,
Colonial Treasurer.

I have, &c.,

G. GREY,
Governor.

No. 8.

THE HON. THE ATTORNEY-GENERAL TO THE HON. THE COLONIAL TREASURER.

SIR,—

Auckland, 5th January, 1864.

The Government of New Zealand does not desire to fetter you with specific and minute instructions, a strict adherence to which might be the means of causing the miscarriage of your mission to England, but rather it desires to indicate generally its views of the manner in which your mission should be performed.

There are three matters of importance for the transaction of which you are specially sent to England, as the Agent of the Colonial Government.

1. The raising of the Loan under the Loan Act, 1863, and obtaining, if possible, the Imperial Guarantee.
2. The organization of a system of Emigration of persons to be located under the Settlements Act.
3. The settlement of the outstanding accounts, up to the 1st of January, 1863, between the Imperial and Colonial Governments.

1. The Loan. As you negotiated the arrangement with the Bank of New Zealand for a temporary advance, it is unnecessary to say more on that subject than that it is the desire of the Government that no part of the Loan should be negotiated under that arrangement, if possible, but that the advances made should be repaid before the time fixed, the 1st of September, and the authority given to the Bank to raise money cancelled. It may be possible to enter into some arrangement with the Imperial Government for making temporary advances before the Loan can be negotiated, and, if it were possible, to induce them to meet our immediate necessities by temporary advances. Debentures could be deposited with them for sale in such manner as they may think fit, and the proceeds applied to the repayment of the advances.

It is difficult to fix a minimum at which the debentures shall be sold, as the raising of the money is indispensable; but it is clear that no part of the loan should be raised upon terms worse than those which have, in former loans, been fixed as a minimum, namely, that debentures bearing six per cent. interest should not be sold below par. The loan now to be raised is to bear interest at the rate of five per cent. only, but it is easy to make the calculation to show at what price securities bearing that interest may be sold, so as not to realise less than six per cent. at par.

It may be possible to induce the Imperial Government, under the peculiar and pressing circumstances of the Colony, to make advances as we require them, and, from time to time, to sell portions of our loan to repay them. This would be an economical and satisfactory arrangement, and it is not necessary to point out to you the claims we have on the Imperial Government for assistance, especially when it can be afforded without any pecuniary cost to themselves, as you, a member of the Government, are thoroughly acquainted with all the circumstances which give us such a claim.

2. Emigration. It is unnecessary to enter here on the question of emigration, as the views of the Government are fully stated in a paper enclosed.

3. Outstanding claims. With regard to the outstanding claims of the Imperial Government there is little to be said. It is the opinion of this Government that the offer of the Secretary of State for the Colonies to Mr. Ward was an equitable one, and that it should be accepted.

I have, &c.,

FREDK. WHITAKER.

P.S.—It was intended to enclose a Memorandum stating the views of the Government on the subject of emigration, but several questions have arisen which require consideration, and you will be furnished with the Government's instructions by the next mail.

F. W.

The Honorable Reader Wood,
Colonial Treasurer.

No. 9.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

SIR,—

Westminster Palace Hotel, London, March 18th, 1864.

I have the honor to report that I arrived in London on Saturday, March 12th. On the 16th I had the honour of an interview with Sir Frederic Rogers, and on the 17th with Mr. Chichester Fortescue. His Grace the Duke of Newcastle is suffering so severely from illness as to be unable to attend at his office in Downing Street, or to take his seat in the House of Lords. I have not therefore been able to see His Grace.

I informed Sir F. Rogers that I had been sent to England by the Government of New Zealand, for the purpose of negotiating a Loan of Three Millions, which the Legislature had authorised to be raised, of affording any detailed information to Her Majesty's Government with reference to the state of affairs in the Colony generally, and, especially of obtaining the Guarantee of the Imperial Government to the Loan. I said, the course which Her Majesty's Government might take with reference to that Guarantee was of deep importance to the Colony, and that I should be glad to know as soon as possible when I might expect the decision of the Government upon that point to be communicated to me.

Sir F. ROGERS.—That is the most difficult question you could ask.

Mr. WOOD.—I do not wish for a moment to press you for an early decision, but I should like to know, if possible, about the time when it was likely Her Majesty's Government would decide. I can hardly, I suppose, expect to be able to indicate to the New Zealand Government by the outgoing mail the course which will be taken in reference to this matter?

Sir F. ROGERS.—You have a perfect right to press us for an answer, but it will be quite impossible to give you one by the outgoing mail. You see if it depended upon one department it might be done.

The Treasury is principally concerned in this matter; they are the objecting parties, and we are not yet even in a position to lay the matter before the Duke of Newcastle; we have received the Despatches, but the Acts to which they refer have gone round by Southampton, and will not be here till the end of the week. Why are you in such a hurry?

Mr. WOOD.—The fact is, we are already spending money on account of this Loan; we have made arrangements with the Bank of New Zealand for advances on account, and we are anxious to be in a position to meet our engagements [I here detailed the arrangement with the Bank].

Sir F. ROGERS.—I see. Then if you get an answer by the end of the Session that will do?

Mr. WOOD.—If the answer is delayed so long we shall be placed in a difficulty, as we are anxious that the Bank should not have to negotiate the £500,000 on our account, but that the Loan should be negotiated in time to enable us to meet our engagements with the Bank, and to enable us to cancel the authority to negotiate, that has been in the form of security placed in the hands of the Bank. There would be scarcely time to do this between the end of the Session and the 1st September.

Sir F. ROGERS.—Yes, that would drive you into a corner. Why are you so anxious for our guarantee?

Mr. WOOD.—The Colony has taken upon itself, at the request of Her Majesty's Government, full responsibility in Native affairs, which has imposed an enormous burthen upon us; at the same time, however, that we accept this burthen, without in the least desiring to evade it, we do think in fairness it should be made as light as possible. If the Loan is guaranteed we shall save one or one and a-half per cent. in interest; no additional expense will be incurred by Her Majesty's Government, and to New Zealand the saving of £30,000 or £45,000 a year will make all the difference to her finances.

Sir F. ROGERS.—Yes, but you see anything in the shape of a precedent is so bad; we have guaranteed ever so much already, and these liabilities ought not to be increased.

Mr. WOOD.—I can hardly recognise this as a liability, the finances of New Zealand are so elastic, it is such a rising Colony that I cannot think Her Majesty's Government incurs any liability at all in putting its name to the back of our bill. As far as precedent is concerned, I know of no other Colony which is circumstanced as New Zealand is at this moment, and if another Colony were so circumstanced I think it might very fairly ask for the guarantee.

Sir F. ROGERS.—The Cape might be so situated. I know of no other Colony.

Mr. WOOD.—Canada also might, in case of an American war, be placed in a similar position, and have a similar claim.

Sir F. ROGERS.—Well, you see, the Treasury takes this view of the case. They say, this is all very well as long as everything goes well, as long as commerce is prosperous and peace preserved. But who can tell, in the present state of European affairs, that a war may not take place, and then who can foresee the consequences; the Colonies may be placed in such a position that they cannot possibly pay either principal or interest—that, you must see, is a possibility, and England would then, when she could least afford it, have her pecuniary liabilities considerably increased.

Mr. WOOD.—I admit that as a possibility, but I think a very remote one; the same argument might apply to any loan, as a consequence of a general war might possibly be, the sweeping of civilisation away altogether.

Sir F. ROGERS.—Yes, no one can tell, but that is the view of the Treasury. We are not the objecting parties, the difficulties are thrown in the way by the Treasury; all the papers will have to be referred to them, and I cannot tell when we shall get them back.

Mr. WOOD.—I shall be most happy to supply the Treasury with any information that I can afford.

Sir F. ROGERS.—You had better come and look us up after Easter.

The conversation I held with Mr. Fortescue upon the subject of the loan was in substance much the same, with this addition however. With him I entered into detail as to the appropriation of the loan, and pointed out to him that at least one-half of the amount would be expended for purely military purposes in the pay of local forces, and in compensating the Taranaki settlers for the losses they had sustained during the war, when he remarked that probably there would be less objection on the part of the Treasury, and the House of Commons to give the Imperial guarantee to that part of the loan, than to that which would be expended on Immigration and Public Works. I stated that the Act had been so framed, that there would be no technical difficulty in the way of guaranteeing either the whole of the loan or a portion but that it should not be forgotten, that though sums were appropriated for specific purposes, the whole, with the exception of an insignificant fraction, was forced upon the Colony by the state of the Native question, and that if it were not for the Native difficulty, New Zealand would not be compelled to seek assistance in carrying out any scheme of Immigration or public improvement which the Legislature might think fit to adopt.

Upon the whole, taking into consideration the manner, as well as the matter of these interviews—the former being kind and courteous far beyond my expectations—the impression made upon my mind is, that though Her Majesty's Government was perfectly well aware of the intention of the New Zealand Government to apply for the guarantee, they had not only not decided upon refusing it, but were prepared to give the subject the fullest and fairest consideration, with an earnest desire to render the Colony as much assistance as possible in the difficult task which it has undertaken.

I have, &c.,

READER WOOD.

The Hon. the Colonial Secretary,
Auckland, New Zealand.

No. 10.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

SIR,—

Westminster Palace Hotel, London, April 9th, 1864.

I have the honour to state that on the 4th instant, the day on which Parliament met after the Easter recess, the "Times" announced the resignation of His Grace the Duke of Newcastle, in conse-

quence of continued ill health, and the appointment of Mr. Cardwell as Secretary of State for the Colonies in his stead.

I called at the Colonial Office on the 5th instant and saw Mr. Cox. I expressed a wish to see Mr. Cardwell as soon as his engagements would enable him to favour me with an interview. Mr. Cox told me that Mr. Cardwell would not formally take the seals of office until Thursday the 7th instant, that he was then at Oxford, and that the change which had taken place would necessarily delay a little the settlement of the business upon which I had been sent to England. I represented to him the great importance it was to the Colony that as little delay as possible should take place, when he assured me that he would do all in his power to press my business forward. I was unable to ascertain whether the Duke of Newcastle had expressed any opinion in favour of granting the guarantee of Her Majesty's Government to the loan of £3,000,000. Beyond the fact that all the papers on the subject had been sent to Sir Frederick Rogers to be laid before His Grace, I was able to gather nothing from Mr. Cox. Last night I saw Mr. C. Fortescue for a few minutes in the House of Commons. He told me that Mr. Cardwell was fully sensible of the necessity of coming to a speedy decision, that he had got all the papers, and as soon as he had made himself fully acquainted with the subject, he intended to see me.

I hope therefore to be in a position to report more fully, and possibly more satisfactorily before the Mail leaves.

I have, &c.

READER WOOD.

The Hon. the Colonial Secretary.
&c. &c.

No. 11.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Westminster Palace Hotel, London, April 23, 1864.

SIR,—

I have the honour to report that last evening I received a note from Sir Frederic Rogers requesting me to call upon him at noon to-day, and to bring with me in writing, such information as I could give on the following points.

1. The extent to which the loan is required to defray the expense of Military Defence.
2. The extent to which those expenses might properly have been defrayed out of the unusually large revenue.

3. The security for the loan, independently of the conjectured proceeds, and sale of confiscated lands.

I beg to enclose for your information a copy of the Memorandum which I gave to Sir Frederick Rogers. In addition to the above information, he required me during the interview to show that the Colony financially was in a position to pay the interest on the loan; I showed that verbally, Sir F. Rogers added the statement I made to the memorandum, and I have added substantially the same statement, to the copy which is enclosed.

The whole subject is at the present time before the Cabinet. I do not know whether their decision will be conveyed to me before the departure of the mail, but Sir F. Rogers told me that Mr. Cardwell wished him to let me know exactly how the matter stood. Sir Frederick did so in these words: "The matter stands in this way, (subject of course to the decision of the Cabinet to-day) the probability is that the Confiscation Act will be assented to, but the Government will insist on certain conditions as to the manner in which it is to be carried out. In reference to the guarantee, there will be a strong distinction drawn between the sums required for purposes of military defence, and those which although you make out a good case for including them in Defence expenditure—will substantially tend to the general welfare and improvement of the Colony; and probably, some new arrangement will be insisted on, as to a greater contribution from New Zealand towards troops, not to commence immediately, but at some future period."

From this, I think you will see that there is every probability that Her Majesty's Government will guarantee the New Zealand Loan to the extent of One and a-half millions.

I have, &c.

READER WOOD.

The Hon. the Colonial Secretary.

Enclosure in No. 11.

MEMORANDUM UPON THE FOLLOWING POINTS IN CONNECTION WITH THE PROPOSED NEW ZEALAND LOAN OF £3,000,000.

1. The extent to which the loan is required to defray the expense of military defence.
2. The extent to which those expenses might properly have been defrayed out of the unusually large revenue.
3. The security of the loan, independently of the conjectured proceeds and sale of confiscated lands.

1. The loan may be divided into four parts:

(a) The sum of one million, which is the estimated amount required to defray the cost of pay and allowances of the New Zealand regiments raised, maintained, and clothed by the Colony, solely for the purpose of military defence. This estimate was formed in October of last year, and it was based on the assumption that beyond these regiments of about 5,000 men, the General would not require in men any further aid from the Colony; it was also supposed that these regiments would not be required on active service for more in all than about eighteen months; by the last advices upwards of 1,000 additional volunteers and militia had been, on the General's requisition, placed at his disposal; for what length of

No. 12.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Sir,—

Westminster Palace Hotel, London, April 26, 1864.

I have the honour to report that Mr. Cardwell sent for me yesterday, and was good enough to communicate to me the views of Her Majesty's Government upon the following subjects:

1. The New Zealand Settlements Act.
2. The guarantee to the New Zealand Loan.

1. Mr. Cardwell informed me that the point raised, and referred to by the Attorney-General of the Colony, whether the Act in question be *ultra vires* or not, had been just sent to the law officers of the Crown for their opinion, but that their decision would not in any way affect the views of Her Majesty's Government as to the policy of the Act. He was willing to confirm that policy as he understood it, but he should by this mail forward instructions to Sir George Grey with reference to the manner in which he considered it ought to be carried out. He then entered into very considerable detail as to the nature of the instructions, and the reasons which influenced him in giving them, and there was nothing whatever in the statement which he made to me, that was not in accordance with the views of the Colonial Government. Mr. Cardwell added that he felt fully justified in sending such instructions, for although under the New Zealand system of responsible Government, he fully admitted the control of Native affairs to be in the hands of the Colonial Government, yet as Her Majesty's Government rendered the Colony much assistance by sending the ablest Governor they could find, the ablest General, and a very large number of troops, he considered that no objection could reasonably be made to his instructing the Governor in the manner he proposed. As the instructions themselves will go out by this mail, I need not attempt here to state the substance of them.

2. In reference to the guarantee to the loan, Mr. Cardwell said he should not be able to state his views to Sir George Grey by this mail, but he wished me to understand what they were; he said that he was sure I could not expect him to propose to the House of Commons, a bill to guarantee a larger sum than he felt certain he could carry, but he should be prepared to go into detail with me for the purpose of settling the amount upon the following basis:

- (a) To include all sums payable to Her Majesty's Government.
- (b) The amount voted for the reinstatement of the settlement of Taranaki.
- (c) Such an amount for military defence, as after full discussion with me, he might consider should fairly be charged upon a loan, and ought not to be borne on the ordinary revenue.

Upon such a basis he thought the House of Commons would be willing to grant the guarantee, but it would be given subject to an understanding of this sort: that when the present war was ended, and a final settlement made, and such a nucleus of troops left as in all probability would be stationed there in times of peace, say a single regiment; that then if the Colony so managed affairs that another outbreak took place, it should make to Her Majesty's Government a substantial payment for any excess of troops, (beyond the ordinary garrison) which it might require for the purpose of quelling disturbances. He did not mean £100 a man, or anything of that sort, but a payment of a very much more substantial character than £5 per head. That with this understanding, he said he should be happy to go into the detail of the subject with me. In reply, I stated that I was perfectly aware of the feeling of the House of Commons, and of the difficulties that surrounded the question. I thanked him for the favourable view he had taken of my application, and said that in the present state of the money market, and with the pressing demands on the Colony, their guarantee was of the utmost importance to us. With regard to the conditions of increased payment to troops under the circumstances stated, I myself thought them perfectly fair and unobjectionable; that as far as I knew the feeling of the New Zealand Legislature they would agree with me in that opinion, but that if he meant that this was to be in the nature of a contract between Her Majesty's Government and the Colony, and expected me to ratify it on behalf of the Colony, I could only say that I was not empowered to do so, and that the House of Representatives only could give an authoritative sanction to such an arrangement. All I could promise to do, would be to support it when it came before the House. I added that it appeared to me such a pledge was hardly necessary, as Her Majesty's Government might intimate to the Colony at any time the terms on which only they would send troops, and that no pledge either I or any one else could give, would have half the force of that power which Her Majesty's Government always held in their own hands, that of refusing to send troops except upon their own terms. Mr. Cardwell then intimated to me that he would discuss this subject further when we went into detail to determine the amount of the guarantee.

I have, &c.

The Honorable the Colonial Secretary.

READER WOOD.

No. 13.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Sir,—

Leicester, May 4th, 1864.

I have the honor to report that immediately after the debate on New Zealand affairs on the 26th April, Mr. Cardwell requested me to wait upon him on Saturday, the 30th ult., and to bring with me a written detailed statement showing the cost to the Colony for purposes of military defence purely during the present war. I took with me the memorandum a copy of which I enclose. Nothing definite was arranged during the interview. Mr. Cardwell, however, informed me that he should not introduce any measure for guaranteeing any portion of the Loan until after the Whitsun holidays.

I have, &c.,

The Honorable the Colonial Secretary.

READER WOOD.

Enclosure in No. 13.

MEMORANDUM WITH REFERENCE TO DETERMINING THE AMOUNT TO BE CHARGED AGAINST THE NEW ZEALAND LOAN OF £3,000,000, ON THE FOLLOWING BASIS:—

1. To include all sums payable to Her Majesty's Government.
2. The amount voted for the reinstatement of the settlement of Taranaki.

3. Such an amount for military defence as Her Majesty's Government may consider should fairly be charged upon a Loan, and ought not to be borne on the ordinary revenue.

It is understood that the sum of £500,000, the guarantee to which was offered to Mr. Ward, is referred to under the first two heads.

The object of this Memorandum is to show :—

1 The probable amount for purposes purely of military defence which the present war will cost the Colony.

2. The amount for purposes of defence charged upon the annual estimates.

With respect to the first point, the amount depends mainly upon two circumstances, the duration of the war, and the demands which the General may make upon the New Zealand Government for men.

The object of the Loan Act was to enable the New Zealand Government to raise £3,000,000 for the following purposes :—

	£
For defraying the cost of suppressing the present rebellion	1,000,000
For the introduction into the Northern Island of settlers from Australia, Great Britain, and elsewhere	300,000
For the cost of surveys and other expenses incident to the location of settlers	900,000
For payment of compensation in respect of land taken under the "New Zealand Settlement Act"	100,000
For the purposes specified in the "Loan Act, 1862,"	500,000
For other public purposes	200,000

The Legislature appropriated the sum of one million for defraying the Colonial charge, which will come in course of payment from the 1st day of July, 1863, to the 1st day of April, 1865, for suppressing the present rebellion, that is to say, for defraying the expense which it was estimated the Colony would be put to, purely for the purpose of military defence within that period. The question now is, whether that sum is a reasonable estimate. On reference to Mr. Russell's Memorandum on the measures of defence which had been taken, it will be found that in October last year the Colony had the following permanent forces armed and fully equipped :—

Cavalry	375 men.
Infantry	2761

Since then, at least 2000 men have been added to that list, making a total of at least 5136; it has been calculated that the cost to the Colony per man of the infantry cannot be less than £90 a year, and of the cavalry at least five per cent. more, so that the standing army alone costs at the rate of £479,115 per annum. In addition to the permanent forces, there were 6,453 men enrolled as militia; these men have been called out at various times and for different periods; in October, the whole male population of Auckland, consisting of 3,176 men between the ages of 16 and 55 years, was on actual service, bearing arms and doing duty as regular soldiers; they had been so since the beginning of July, and so continued to the end of December. The whole of the male population of Taranaki were on actual service, in numbers, 819 men; in all the other Provinces the militia had been called out, drilled, and armed; and by the last advices received from New Zealand, dated February 10th, 1864, upwards of 1000 militia and volunteers from Auckland had been called out again, and were doing duty with the regular troops. It is impossible, of course, to state with accuracy the expenses on account of militia, but they can hardly be estimated at less to the Colony during the period of the war than £200,000. It cannot, again, be expected, that let the war take the most favourable turn possible, the New Zealand Government could get rid of paying and maintaining the Colonial regular forces of upwards of 5000 men under one and a-half years in all.

The estimate, therefore, of the cost to the Colony, purely for purposes of military defence, since July 1st, 1863, would stand thus :—

	£
Regular Colonial forces, pay, rations, clothing, and commissariat expenses for 1½ years	718,672
Militia expenses, say	200,000
Arms	100,000
Cavalry horses, including remounts	13,500
Armstrong guns, estimated at	5,000
Five steamers, estimated at	25,000
Military buildings, stabling, barracks, blockhouses, &c.	15,000
Tents, field equipage, &c.	20,000
	<hr/>
	£1,097,172

That the above estimate for purposes of military defence is not an unreasonable one, the fact is adduced, that nearly every member of the House of Representatives was of opinion that the amount voted was too small, and the Government was urged to increase it; but they hored for the best, and felt it better not to ask for a larger loan than under the most favorable circumstances it might prove necessary to raise; that in practice the amount estimated is not too large is clear from the fact, that by the last mail, Mr. Whitaker wrote, saying the expenses were enormously great—that we must economise as much as possible, or the money could not be made to eke out. It will be observed, that in the above estimate nothing is added for those innumerable contingent expenses that necessarily arise in the first establishment of such a force as this.

A LOAN OF £3,000,000 STERLING.

23 B.—No. 2.

	£
On account of these expenses for purely military defence, Her Majesty's Government has advanced to the New Zealand Government since July 1st, 1863, the sum of .	186,000
The New Zealand Government owes for stores, arms, &c., supplied from the military stores in England, an amount estimated at .	80,000
	<u>£266,000</u>

The amount borne on the annual Estimates of the Colony, for purposes of military defence, is as follows:—

	£
Contribution to troops	40,000
Department of Minister for Defence	1,700
Militia, £25,000 for half-a-year, equivalent to £50,000 per annum	50,000
Interest on old War Loan of £150,000,	12,000
Interest on new Loan	40,000
	<u>£143,700</u>

READER WOOD.

London, April 29th, 1864.

No. 14.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

SIR,—

Westminster Palace Hotel, London, May 26th, 1864.

I have the honor to state that at an interview with Mr. Secretary Cardwell on the 24th instant, he agreed to propose a Bill to the House of Commons, giving the Imperial Guarantee to one million of the New Zealand three million loan, on my acceptance of the following proposals:—

1. That after December 31st, 1864, Her Majesty's Government should make no charge for 1000 men, to be stationed in New Zealand as a peace establishment, so long as the Colonial Legislature continued to devote the sum of £50,000 to Native purposes.

2. That no further charges should be made upon the Colony for the cost of the present war, to December 31st, 1864, than are already understood, namely, £5 per head for the troops, and the expenses connected with the Colonial forces.

3. That from January 1st, 1865, to December 31st, 1865, the Colony should contribute at the rate of £20 per head for all troops stationed in New Zealand beyond the peace establishment of 1000 men.

4. That from January 1st, 1866, New Zealand should be placed on the same footing with regard to troops as the Australian Colonies, and pay £40 per head for all soldiers stationed there beyond the peace establishment of 1,000 men.

On behalf of myself and my colleagues, I assented to the two first of these propositions. With reference to the two last, I have pledged myself personally to support them in the House of Representatives, but I have distinctly stated, that in the matters to which they refer I have no power to bind the Colony or my colleagues. With my assent, thus limited, Mr. Cardwell seemed satisfied, but I have not yet received from him any intimation in writing that he will consider it sufficient to justify his proposing to Parliament to guarantee one third of the amount of the Loan.

I have, &c.,

The Honorable the Colonial Secretary,
Auckland, New Zealand.

READER WOOD.

No. 15.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

SIR,—

Westminster Palace Hotel, London, June 9th, 1864.

With reference to the paragraph in Mr. Secretary Cardwell's Despatch to Governor Sir George Grey, dated April 26th, 1864, in which it is stated: "A measure should be at once submitted to the Legislature, limiting the operation of the [New Zealand Settlements] Act." I have the honor to state that I have heard a construction put on those words here which I thought was not intended by the Secretary of State, namely, that immediately on the receipt of the Despatch in question, the New Zealand Parliament should be assembled. Had such been the wish of Her Majesty's Government I felt sure that on some one or other of the occasions on which these matters have been discussed with me, I should have been distinctly told so; no such intimation was however made to me. To satisfy myself on this point I to-day asked Mr. Secretary Cardwell what his meaning was—whether he wished the Parliament to be at once assembled, or that upon the meeting of Parliament in the usual way the measure should be at once submitted. His reply was as follows: "Two years are given, during which time the Crown has the power of disallowing any Act passed by the New Zealand Legislature; if within that time I find that the Parliament will agree to carry out the Act in the manner I have suggested, and to limit its duration to a definite period, the power of disallowance will not be exercised; but if not, it will."

I have, &c.,

The Honorable the Colonial Secretary,
Auckland, New Zealand.

READER WOOD.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Mr. Wood to
Secretary of
State May
24th, 1864.
Sir F. Rogers
& Mr. Wood
May 26th,
1864.
Mr. Wood to
Sir F. Rogers
May 28th,
1864.

SIR,—

Westminster Palace Hotel, London, June 17th, 1864.

I beg to enclose copies of the correspondence set forth in the margin, between the Colonial Office and myself, upon the subject of my application for the guarantee of the Imperial Parliament to the loan of three millions, which the Legislature of New Zealand has authorised to be raised.

On referring to my letter to you on the same subject, of May 23th, you will find that the statement there does not altogether agree with that contained in Sir Frederick Rogers' letter to me of the same date. I was anxious, on the 23th, to send you some official statement of the views of Her Majesty's Government; and I wrote to you before I had received Sir Frederick Rogers' letter, which did not reach me till the evening of the 27th. I, however, stated to you distinctly the arrangement as I understood it to have been agreed to by all parties at the interview on the 24th May.

Within a short time, on the 26th, of my having posted my letters to you, and too late by that mail to enable me to advise you further, Mr. Secretary Cardwell sent for me, and was good enough to give me the copy of the letter to read, which he intended to send to Sir George Grey, as there was not time before the departure of the mail to have a copy prepared for me. I then discovered the discrepancies, which are two:—

1. In Sir F. Rogers' letter to me it is not put quite so plainly as a distinctive proposition as I put it, that no further charges should be made upon the Colony for the cost of this war to December 31st, 1864, than those which it has been already agreed to pay. The same thing, however, is fully implied in the letter to which I am now referring, and expressed in the instructions to Sir George Grey of April 23th, it is clearly understood by Her Majesty's Government, and was explicitly stated to me at the interview on the 24th.

2. The other discrepancy will be found between proposition No. 4 of Sir F. Rogers' letter to me and No. 3 of mine to you. This is accounted for as follows:—At the interview of May 24th, two alternative propositions were stated:—1st. That £20 per head should be paid by the Colony on the number of men that might be stationed in New Zealand during the year 1865. 2nd. That £40 per head should be paid on a number not exceeding 4,000 men. I stated that I thought the former would be the better arrangement of the two. After some little discussion I understood it to be so settled, but when on the 26th Mr. Secretary Cardwell gave me the letter to read, I saw that the other alternative had been adopted by Her Majesty's Government. I pointed this out to Mr. Cardwell, as differing from the one I understood had been accepted at the interview. He said in reply, that the Government had determined afterwards on the charge of £40 for 4,000 men.

I do not mention this as a departure from an arrangement definitely and finally made. Her Majesty's Government had a perfect right to determine whichever course they chose; and I could not consider the arrangement as final until it had been communicated to me in writing. I simply state the circumstance to show how a discrepancy apparently so considerable had occurred. I think, perhaps, the proposal to charge £10 per head for 4,000 men during next year will not be quite so favourable to the Colony as the other would have been had it been adopted.

You will observe also that Her Majesty's Government refuse to propose the guarantee to Parliament, except with a sinking fund of 2 per cent. instead of 1 per cent., as provided for in the Colonial Act; also that the precedent of the Act of 1857 is to be followed so closely as that the Land, as well as the Ordinary Revenue of the Colony, is to be pledged as security; consequently the Act submitted to the House of Commons is an Empowering Act, contingent upon the Legislature of New Zealand appropriating an additional 1 per centum as sinking fund, and agreeing to include the Land Fund as security. I was quite unable to influence Mr. Secretary Cardwell's determination upon these points; the consequence is that no part of the Loan proposed to be guaranteed by Parliament can be negotiated without further reference to the Colony; and if the terms should be agreed to, in the first instance, at least, the relief to the finances of New Zealand by the guarantee will not be so great as was anticipated, though ultimately, as I shall show, it will be very considerable.

It may perhaps be said, Why did I accept or press for the guarantee when surrounded by conditions and proposals which I had no instructions to entertain, or why go so far as to pledge my personal support to them? I felt that if no portion of that Loan were guaranteed, that it could not be placed upon the market so favourably as it probably will be now that a third will receive the guarantee of Parliament, and in the present state of the money market this is a matter of importance.

I also felt that the saving to the Colony was of great moment, and to effect this I ought to lose no means in my power. If no part of that Loan were guaranteed, the principal and interest which the Colony would pay during fifty years would amount to the sum of £9,000,000. If one third were guaranteed at 4 per cent. interest and 1 per cent. sinking fund, the Colony would pay during the fifty years the sum of £4,500,000. If, as is now proposed, one-third be guaranteed at 4 per cent. interest and 2 per cent. sinking fund, which will exhaust a million in thirty years, leaving the payments in respect of the other two millions to extend over fifty years, the total amount payable by the Colony within those periods will be £7,800,000.

I was, however, influenced by other considerations. Speeches have been made in the House of Commons, articles have been written in newspapers, pamphlets and books have been circulated, all accusing the Colony of an eager desire to prolong the present war for its benefit at the cost of the Mother Country.

That such statements were without any foundation I knew, but at the same time I could not fail to see that they were accepted as absolutely true by a large class, and by a still larger as possibly true. In the House of Commons Mr. Cardwell had stated that he would propose a guarantee, though not for the whole, yet for some part of the Loan; but that such a proposal would be made only on the understanding that for the future a substantial and not a nominal payment for troops must be made by the Colony. For me to have refused, on the ground of these increased charges, to meet the Secretary of State as far as I could in the proposals that he made—and without my personal sanction, at least, he refused to apply to Parliament for a guarantee—proposals, too, which, in my judgment, were fair, and should be accepted by New Zealand without reserve, would have been to have strengthened and con-

formed the belief that the people of New Zealand were determined to submit to no equitable adjustment with this country, but would, if they possibly could, compel England to quell all native disturbances without themselves bearing a fair proportion of the cost.

I felt that any act of mine which would produce such a result would place the Colony in a false position with Her Majesty's Government, which has rendered it already a large measure of assistance at a smaller cost than was ever dreamt of; and with the people of England, whose good opinion it should be our ambition to deserve. At the same time that I have pledged myself in this matter, I have, as you will have seen, been especially cautious to guard that pledge from being considered in any way binding either upon the Government as a whole, or upon the Colony. I have endeavoured to secure the double object of, on the one hand, doing nothing myself to prejudice the Colony in the estimation of the Government and people of this country; and on the other, of doing nothing which can place the slightest obstacle in the way of the Colonial Legislature taking whatever course it pleases.

I send you a copy of the Act by this mail, which has been introduced into the House of Commons by Mr. Secretary Cardwell, entitled, "A Further Act to Guarantee a Loan for the Service of New Zealand."

I have, &c.,

READER WOOD.

The Honorable the Colonial Secretary, Auckland, New Zealand.

Enclosure 1 in No. 16.

THE HON. THE COLONIAL TREASURER TO THE RIGHT HON. THE SECRETARY OF STATE FOR THE COLONIES.

Westminster Palace Hotel, London, May 24th, 1864.

SIR, --

In compliance with your request, that I should state to you in writing the nature of the security the Government of New Zealand has to offer for the loan which it is proposed to contract, I beg to lay before you the following statement of the actual ordinary revenue and expenditure of the Colony for the financial year which ended June 30th, 1863. The ordinary revenue is the security offered for the loan.

RECEIPTS.

	£.	s.	d.
Customs - - -	439,150	0	0
Postal - - -	26,861	0	0
Judicial - - -	19,177	0	0
Registration of Deeds - -	6,760	0	0
Miscellaneous - - -	8,005	0	0
	<u>£549,963</u>	<u>0</u>	<u>0</u>

EXPENDITURE.

	£.	s.	d.
Civil list - - -	25,000	0	0
Permanent charges - - -	79,000	0	0
Conduct of government, generally charged - - -	91,912	0	0
Conduct of government, provincially charged - - -	94,755	0	0
Surplus paid to provinces and otherwise appropriated - -	259,296	0	0
	<u>£549,963</u>	<u>0</u>	<u>0</u>

I beg also to lay before you the estimated receipts and expenditure of the current financial year ending June 30, 1864.

RECEIPTS.

	£.	s.	d.
Customs - - -	603,600	0	0
Postal - - -	40,000	0	0
Judicial - - -	25,000	0	0
Registration fees - - -	12,000	0	0
Miscellaneous - - -	11,000	0	0
	<u>£691,600</u>	<u>0</u>	<u>0</u>

EXPENDITURE.

	£.	s.	d.
Civil list - - -	27,500	0	0
Permanent charges - - -	130,490	0	0
Conduct of government, generally charged - - -	167,400	0	0
Conduct of government, provincially charged - - -	151,400	0	0
Surplus for distribution to provinces - - -	214,810	0	0
	<u>£691,600</u>	<u>0</u>	<u>0</u>

From this it will be seen that after the expenses of the General Government have been defrayed, there remains a surplus of upwards of £200,000.

I may state for your information that the revenue for the current year is received at a rate considerably beyond the amount at which it was estimated, and there can be no question that, maintaining the present system of appropriation, and continuing to pay to the Provincial Governments the proportion of the customs revenue which has hitherto been annually set apart for their use, there will be, for future financial years, an ample surplus to cover the interest and sinking fund of the loan.

The rate at which the New Zealand revenue has increased during the last few years is as follows:— Prior to the year 1860-61 the ordinary increase of the revenue varied from 10 to 16 per cent.; the year 1861-62 (the year of the gold discoveries) showed an increase of 65 per cent. over the previous year; 1862-63, of 44 per cent.; and 1863-64 is showing an increase at the rate of 30 per cent.

The general progress and advancement of New Zealand may be shown by the following statistics:—

On December 31, 1860, the population of the Colony was 83,919; on December 31, 1862, it was 133,114, being an increase of nearly 60 per cent.

In the year 1860, 140,276 tons of shipping entered inwards; in the year 1862, 301,000 tons entered inwards, being an increase of 114 per cent.

In 1860 the value of the imports was £1,548,333; in 1862 the value was £4,626,082.

In 1860 the value of the exports amounted to £588,000; and in 1862, to £2,422,734.

The value of the gold exported from the Colony to December 31, 1862, was £4,377,708.

The value of wool exported in 1860 was £444,392; in 1862 it was £674,226.

In 1860 the total amount of deposits in the banks in the Colony was £660,000, and in 1863 on the 30th September the deposits amounted to £2,171,165.

I think these statements exhibit elements of prosperity which afford a perfect security for the loan which it is proposed to raise.

The Right Honourable
the Secretary of State for the Colonies,
&c. &c. &c.

I have, &c.,

READER WOOD.

Enclosure 2 in No. 16.

SIR FREDERICK ROGERS, BART., TO THE HON. THE COLONIAL TREASURER.

Downing Street, May 26, 1864.

SIR,—

I have the honour to inform you that Mr. Secretary Cardwell has considered the application which, as Finance Minister of the New Zealand Government, you have made to him, viz., that he will propose to Parliament that the intended loan of three millions, authorised by the recent Act of the New Zealand Assembly, should be raised with the assistance of an Imperial guarantee.

Mr. Cardwell has desired me to express his regret that he cannot undertake to make to Parliament any such proposal, nor does he think that such a proposal could be made with any prospect of its being approved and adopted by Parliament. He is fully prepared, however, to consider the claims of the Colony to a guarantee of less amount.

In a Despatch addressed to Sir George Grey on the 26th of December last, the Duke of Newcastle expressed his readiness, on the conditions there set forth, to submit again to Parliament the proposal for a guaranteed loan of £500,000, which had been already submitted towards the close of the previous session, but had been withdrawn because Mr. Crosbie Ward, then acting for the Colony, had not determined on accepting the terms offered till the opportunity for legislation had been lost. Since it appears to be the wish of the Colony that this arrangement should proceed, and certainly the altered circumstances do not enable the Colony to dispense with any assistance which it required when that Bill was introduced into the House of Commons, the Secretary of State is still ready to proceed with it, at your request.

The arrangement as then made provided for a payment to the Treasury of a sum of £200,000, which was to cover the amount of debt then due to the Home Government. But the terms on which the Lords of the Treasury were prepared to concur comprised a stipulation that provision should be at once made for repaying all advances from the Treasury Chest, with interest at the rate of four per cent. on such as had remained unliquidated for more than three months. It now appears that advances have been made, either in money or in arms and stores, amounting to somewhat short of £300,000, and thus raising the total debt to the Treasury to a sum approaching £500,000.

If Her Majesty's Government are to submit to Parliament a proposal for aiding the Colony by an Imperial guarantee, the first condition will be that out of the money so borrowed by the Colony the whole debt due to the mother country shall in the first instance be discharged. It is evident, therefore, that if the guarantee be limited to five hundred thousand pounds, so large a portion will be absorbed by the debt to the Treasury that scarcely anything will remain to be applied either to the other purposes contemplated in the original Bill, or to the liquidation of the great subsequent expenses which have been or will be incurred by the Colony. It is estimated by you that those expenses up to the end of the present year will amount to nearly eleven hundred thousand pounds, or, excluding the debt to the Home Government, to nearly eight hundred thousand pounds.

Mr. Cardwell acknowledges the force and weight of many of the considerations which have been urged by you as reasons why the Colony should resort to a loan for expenses which, in the mother country, would be discharged, in part at least, from current revenue, such as the fact that the whole population of the province of Auckland from 16 to 55 has been drawn away by the war from industrial pursuits; that the Southern Island, having a less immediate interest in the suppression of the rebellion, would feel the charge upon the annual revenue as a serious hardship; that the Colony is compelled on the return of peace to make large payments, both for military purposes requiring to be wound up and discharged, and also for prospective measures of improvement consequent upon the return of peace, without being able to apportion that expenditure to its present means, or to wait for the most favourable state of the market to bring out a loan. Mr. Cardwell also feels that the prospect of avoiding future disturbances, with all the accompanying evils and expenses both to the Colony and to the mother country, will much depend upon judicious and comprehensive measures to be taken at the time of the restoration of peace, and that an embarrassment in the finances of the Colony at that juncture would tend to prevent the accomplishment of those measures, and to cloud that prospect. Yet, notwithstanding these considerations, he is not prepared to recommend to Parliament a guaranteed loan to any such amount as that which you have requested of Her Majesty's Government.

Upon the whole, Mr. Cardwell concludes that the guarantee originally promised by the Duke of Newcastle may again be submitted to Parliament, and that the amount may be increased by the sum due, and to be repaid to the Imperial Treasury, and by a further sum of about £200,000 to be applicable to the general purposes of the New Zealand Government. The whole sum, therefore, to be guaranteed will amount to one million, of which, as far as at present appears, somewhat less than half will at once be repaid to the Imperial Exchequer, and somewhat more than half will be applied to purposes of the Colony, for the pacification of the North Island, and liquidating the expenses of the war. This should be raised at a rate of interest not exceeding 4 per cent., and with 2 per cent. for sinking fund.

The actual ordinary revenue of the year 1862-3 amounted to £519,963, which exceeded by £259,296 the necessary expenses of the General Government. The revenue of the Colony has hitherto rapidly increased, and is estimated for the current year at £391,600; and the whole of this revenue, with its prospective increase, is to be the security for the loan.

Mr. Cardwell thinks that this security is sufficient, and excludes the risk that any actual payment will fall to be discharged by the Imperial Treasury. He leaves out of consideration the land pledged by the Act of the Assembly, which he cannot regard as adding anything definite, or certainly and immediately available in the way of security.

I am directed to observe, that Mr. Cardwell makes this offer to you as the Finance Minister of New Zealand, in the confident expectation and belief that the recent successes of the Queen's Forces and of the Colonial Militia and Volunteers will have placed in the Governor's hands the power of securing a just and permanent peace; and that his own disposition, and the instructions which have been addressed to him from this department, will ensure his using that power for the early termination of the war. It is only under this conviction that the Secretary of State can undertake to submit this proposal to Parliament; and if the proposal be accepted by you, your acceptance must be understood as conveying on your part and that of your colleagues in the Government of New Zealand an assurance of their desire cordially to co-operate with the Governor in this just and temperate policy towards the native race.

It only remains that, at Mr. Cardwell's direction, I should state the views of Her Majesty's Government with respect to the future relations between the mother country and the colony in respect of military expenditure. Hitherto the contribution of the Colony has been merely nominal, being £5 per man, which recently has not been paid into the Imperial exchequer, but almost entirely employed for native purposes in New Zealand. Her Majesty's Government feel themselves imperatively called upon to provide, that if, under the New Zealand Government, to whom in ordinary times the management of native affairs now almost exclusively belongs, the Colony shall again be involved in a civil war, the whole expense of the troops engaged in that war shall not fall upon the mother country. They acknowledge that New Zealand differs from the Australian Colonies in this respect, viz., that the presence of a large native population renders necessary the presence of some military force, even in times of peace. This force they propose to fix at one regiment, and for that one regiment they do not propose to charge the Colony of New Zealand with the amount which it is proposed to charge upon the Australian Colonies. They will expect that in consideration of this one regiment being maintained at the charge of the Imperial Treasury, the Colony will continue to devote the sum of £50,000 per annum to native purposes of the nature indicated in Sir George Grey's Despatch of the 6th December, 1861, including the government of native districts, and the moral and material advancement of the native race, but excluding the maintenance of any military or semi-military force for the suppression of disturbance. For every soldier over and above this one regiment Her Majesty's Government will expect the Colony to pay in future the same amount which has been proposed to the Australian Colonies, viz., the sum of £40 for every infantry soldier, and £55 for every artilleryman. These measures they regard as just measures of security against the risk of war being incurred by Colonial policy, while the principal expenses would fall to be discharged, not by the Colonial, but by the Imperial Treasury.

This arrangement should commence at the termination of the present arrangement, viz., at the close of the present year; but as it is not possible that the large army now in New Zealand can be altogether removed from the Island before the 1st January, 1865, they will so far delay the period of its application as to agree that in the year 1865 it shall not be applicable to any force beyond 4,000 men, in addition to the one regiment which is to be maintained at the exclusive cost of the Home Government.

Arrangements of this kind must of course be subject to revision hereafter, especially in a Colony like New Zealand, where a few years may bring with them a very altered state of circumstances.

The whole arrangement, therefore, may be thus summed up:—

1. That the original guarantee be extended from half a million to one million, of which probably rather less than half will be paid into the Imperial Treasury, and the remainder will be applicable to the purposes of the Colony.

2. That after allowing for one regiment, New Zealand shall pay to the Imperial Treasury the same contribution as that which it is proposed that the Australian Colonies shall pay.

3. That inasmuch as the mother country furnishes one regiment, in consideration of the many circumstances connected with the presence in New Zealand of a large native population, the sum now paid out of Colonial funds for the especial benefit of that population, viz., £50,000, shall continue undiminished.

4. That New Zealand shall not pay upon more than 4,000 men in the year 1865.

I am, &c.,
F. ROGERS.

Reader Wood, Esq.
&c., &c.

Enclosure 3 in No. 16.

THE HON. THE COLONIAL TREASURER TO SIR FREDERICK ROGERS.

SIR,—

Westminster Palace Hotel, London, May 28, 1864.

I BEG to acknowledge the receipt of your letter of the 26th instant, in which you state that Mr. Secretary Cardwell will submit to Parliament, at my request, a proposal to guarantee one million of the loan sanctioned by the New Zealand Legislature, upon the following conditions :—

1. That out of the funds borrowed by the colony under the guarantee of the Imperial Parliament all debts due to the mother country shall be discharged.

2. That a proposal to guarantee any portion of this loan can be submitted to Parliament by Mr. Cardwell only under an assurance from me that the Colonial Government desires cordially to co-operate with the Governor of New Zealand in that just and temperate policy towards the native race which is believed to be in accordance with his Excellency's own feelings, and which is embodied in the instructions which have been addressed to him by Mr. Cardwell, under date April 26, 1864.

With regard to the first of these conditions, I agree, immediately upon the funds being raised, to repay to the mother country all debts due, amounting as far as can at present be ascertained, to something less than £500,000.

With reference to the second, I take this opportunity of stating formally and officially that which I have previously had the honour of stating to Mr. Secretary Cardwell verbally, that there is nothing in the Instructions of April 26th to Sir George Grey that does not represent the views of the Colonial Government in practically carrying into effect the policy of confiscation authorized by the Legislature in the New Zealand Settlements Act.

It is quite true that the language of that Act is much wider than that of the Instructions, and the powers given under it are not limited, as they are by the Instructions. It does not follow, however, because powers are given, that therefore they must be exercised. It often happens that an Executive Government is by the Legislature armed with powers which, under certain possible circumstances, may very properly be exercised, and that confidence is felt that under different circumstances those powers will remain unused. This was the case during the last session of the Assembly in New Zealand.

To account for the language of the Settlements Act, and to justify its use, the state of affairs in the Colony at the time that Act was passed must be considered. In consequence of the distance of the various settlements in New Zealand from each other, of the comparative difficulty of locomotion, and the fact that nearly all the members of the Legislature are actually engaged in business, it is only at great personal inconvenience that a session of the Assembly can be held at all, and it is quite impossible, with short notice, to hold a session at which such a number of members can be present as fairly to represent the Colony. During the last session the Government was anxious to be armed with all the powers they felt it necessary to have to enable them to meet any contingency that might arise.

What then was the attitude of the native population? At the time the New Zealand Parliament was in session a very large portion of the Waikato and the whole of the Taranaki and Ngatiruanui tribes were in a state of rebellion, were actually in arms, and fighting against the Queen's authority; a considerable number of the Southern tribes in the province of Wellington were, though not in actual rebellion, in a state of disaffection; large numbers in every part of New Zealand were waiting on events; and there can be no doubt, if we had met with reverses, or if General Cameron had not achieved a success on the Waikato, many who are now peaceable would have joined in the rebellion.

Under these circumstances the Government felt that if they simply specified in the Act the districts then in open rebellion, and confined the powers of confiscating territory to such defined districts only, that soon after the Assembly was prorogued, and members had gone to their homes, it might become necessary and right to exercise the power of confiscation most in districts which had not been included within the defined limits, because the native inhabitants were not in rebellion at the moment the Act passed.

The Government never had any intention whatever of confiscating land in districts about which there could be any doubt as to the native inhabitants being in a state of rebellion. On my own behalf, therefore, and that of my colleagues, I can give to Mr. Cardwell a full assurance that the local policy towards the native race is embodied in the New Zealand Settlements Act, as limited in its operation by his Instructions of April 26.

In the concluding part of your letter you state the views of Her Majesty's Government with respect to the future relations between the mother country and the Colony in respect of military expenditure. On my own part I state, unreservedly, that the proposals which are made have my full concurrence; and that with respect to the charges for the expenses of the present war, they are made by Her Majesty's Government in such a spirit of liberality as cannot fail to command the gratitude of the people of New Zealand.

I cannot, however, disguise from you the fact, that I possess no powers from the General Assembly which will enable me definitely to conclude any arrangement with Her Majesty's Government in reference to military expenditure which will not require confirmation and ratification by the New Zealand Parliament.

I need, however, hardly point out to you, that no assent of mine, under any circumstances, could afford to Her Majesty's Government so good a security as that which they hold in their own hands, namely, the power of refusing to send troops, excepting upon their own terms, or of recalling them if these terms are not satisfactorily complied with.

I have, &c.,

Sir F. Rogers, Bart.,
&c. &c.

READER WOOD.

No. 17.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Westminster Palace Hotel, London, June 25th, 1864.

SIR,—

I have the honour to report that I have requested Messrs. Julian & Sargeant, Crown Agents for the Colonies, to place One Million of the New Zealand Three Million Loan upon the market at once, and that they have received the permission of Her Majesty's Secretary of State for the Colonies to do so.

I beg to enclose a copy of the advertisement which has appeared in the *Times* for the first time to-day; you will see from it that tenders will be received till the 12th proximo.

Though the rate of interest at the present moment is nominally lower than it has been for some time, the Bank rate being Six per Cent., yet the uncertainty that exists as to the course the leading Governments of Europe may adopt in regard to the Danish question, makes it quite impossible for me to advise you now as to the prospects of a favourable negotiation of the first instalment of this Loan.

I understood that if before the date on which the tenders are received a European war seems imminent and unavoidable, it may be quite impossible to get the money at all; but if such should not be the case, there will probably be little difficulty in negotiating this portion of the Loan at such a discount as will place it on a par with the market price of the New Zealand 6 per Cent. Loan, which is now quoted at from 109 to 111.

I have employed Messrs. Julian & Sargeant, instead of the Bank of New Zealand, because from all the information I have been able to obtain, I am decidedly of opinion that the loan will appear on the market in a more favourable manner through the Crown Agents than through the Bank.

The charge for negotiation is half per cent., out of which all brokerage expenses are paid by the Crown Agents, all advertising expenses, &c., to be paid by the Colony.

I have, &c.,

READER WOOD.

The Honourable the Colonial Secretary,
&c. &c. &c.

Enclosure 1 in No. 17.

A BILL TO GUARANTEE THE LIQUIDATION OF A LOAN FOR THE SERVICE OF THE COLONY OF NEW ZEALAND.

WHEREAS by an Act of the General Assembly of New Zealand passed in the twenty-seventh year of Her Majesty, intituled "an Act for raising a Loan of three million pounds sterling for the public service of the Colony of New Zealand," it was enacted, that it should be lawful for the Governor of New Zealand to appoint the agent or agents therein mentioned, with authority to borrow and raise on behalf of the said Colony such sum or sums of money not exceeding in all three million pounds sterling as the said Governor might direct: And whereas it is expedient that the Commissioners of Her Majesty's Treasury should be authorised to guarantee the payment of interest and repayment of the principal of part of the sum so to be borrowed, not exceeding the amount of one million pounds sterling, upon the conditions herein-after mentioned: Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords spiritual and temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

I. The liquidation of all such sums, not exceeding in the whole the sum of one million pounds, as shall be borrowed and raised in Great Britain, with the approbation of the Commissioners of Her Majesty's Treasury, under the said first-recited Act of the General Assembly of New Zealand, or of any Act passed in amendment of the same, together with the interest thereon not exceeding the yearly rate of four pounds for one hundred pounds, shall be guaranteed under this Act; and for giving effect to such guarantee it shall be lawful for the Commissioners of Her Majesty's Treasury to direct and cause to be issued and paid out of the growing produce of the Consolidated Fund of the United Kingdom of Great Britain and Ireland such sums as shall be required to make good any deficiency which shall happen in the regular payment on the part of New Zealand, of the interest accruing due upon such sums as shall be borrowed as aforesaid, or in the liquidation of the principal sums when the same shall become payable.

II. Provided nevertheless, that it shall not be lawful for the Commissioners of Her Majesty's Treasury to approve the borrowing and raising of the herein-before mentioned principal sum of one million pounds, or any part thereof, until provision shall have been made by the General Assembly of New Zealand to the following effect; that is to say,

1. That every part of the said principal sum shall be repayable and repaid at the expiration of Thirty years at the furthest from the day on which such part shall have been borrowed and raised:
2. That for the purpose of providing a sinking fund for the liquidation of the said principal sums, a sum equal at the least to two per cent. per annum on the total of such principal sums shall be paid yearly, and invested and increased by way of accumulation in the manner directed by the said first-recited Act in respect of the sinking fund therein provided for:
3. That the said principal sums and all interest thereon shall be a charge on the general revenue of New Zealand, having priority over all other charges upon the said revenue, except charges created in virtue of an Act passed by the said General Assembly, intituled "The New Zealand Loan Act, 1856," and of an Act of Parliament passed in the twenty first year of Her Majesty, intituled "An Act to guarantee a Loan for the service of New Zealand," or either of them, and that the said general revenue shall for the purposes of this Act be deemed to include all the revenue which shall arise from duties of import and export, from Post-office receipts, and Supreme Court fees, from the disposal of Waste Lands of the Crown, and from all taxes, duties, rates, and imposts levied or to be levied by virtue of any Act of the General Assembly of New Zealand.

Sums borrowed under recited Act of General Assembly of New Zealand, not exceeding £1,000,000 and Interest, guaranteed under this Act.

Treasury not to approve of the borrowing of £1,000,000 until certain Provision is made.

Advances out of Consolidated Fund to be charged on Revenue of New Zealand.

III. All the sums which shall be so issued and paid out of the said Consolidated Fund in respect of the interest of the sums borrowed as aforesaid, or the liquidation of the principal sums, with interest upon the sums so issued after the yearly rate of five pounds for one hundred pounds, to be computed from the several times of issuing the same, shall be charged upon the general revenue of the Colony of New Zealand as herein-before defined.

No Act of New Zealand varying the Security for the Money borrowed and interest to be valid unless confirmed by Her Majesty in Council.

IV. No Act passed by the Legislature of New Zealand in anywise discharging or varying the security to be given in accordance with this Act, upon the revenue arising from the duties of import and export, and from the disposal of waste lands of the Crown, for the repayment of the sums of money borrowed as aforesaid, and the interest thereon, shall be valid, unless such Act contain a clause suspending the operation of the same until Her Majesty's pleasure shall have been taken thereon, and the same shall have been confirmed by Her Majesty, with the advice of Her Privy Council, and a proclamation of such confirmation having been given shall have been made by the Governor or person administering the Government of the said Colony.

Certificate of Amount paid out of Consolidated Fund to be sent to New Zealand.

V. The Commissioners of Her Majesty's Treasury shall from time to time certify to one of Her Majesty's principal Secretaries of State the amount so paid from time to time on account of the interest or principal of the sums borrowed as aforesaid; and such certificate shall be communicated to the Governor or person administering the Government of New Zealand, and shall be by him communicated to the General Assembly of the said Colony; and such certificate shall be conclusive evidence of the amount so paid out of the Consolidated Fund of the said United Kingdom, and of the time when the same was paid on account of the interest or principal of the sum so borrowed.

Accounts to be laid before Parliament.

VI. The Commissioners of Her Majesty's Treasury shall cause to be prepared, and shall lay before both Houses of Parliament within fourteen days next after the beginning of every Session, an account of all sums from time to time issued out of the Consolidated Fund of the said United Kingdom by virtue of this Act towards making good any such deficiency as aforesaid, and also an account of all sums repaid by or recovered from New Zealand by reason of such advance, with the interest paid or recovered thereon.

Nothing in recited Act of New Zealand rendered void on account of any repugnancy to 20 & 21 Vict. c. 51.

VII. And whereas by an Act of the General Assembly of New Zealand passed in the twenty-seventh year of Her Majesty, intituled "an Act to enable the Governor to establish settlements for Colonization in the Northern Island of New Zealand," provision was made for the proclamation of certain districts within the said Colony, and for setting apart within such districts eligible sites for settlements for colonization, and for other matters therein mentioned: And whereas doubts are entertained whether the provisions of the said Act, or some of them, may not be void by reason of their repugnancy to the third section of an Act of Parliament of the twentieth and twenty-first years of Her Majesty, intituled "an Act to guarantee a Loan for the service of New Zealand:" be it enacted as follows:

Nothing in the said Act to enable the Governor to establish Settlements for Colonization in the Northern Island of New Zealand shall be or be deemed to have been void or inoperative on account of any repugnancy to any of the provisions of the last mentioned Act of Parliament.

Enclosure 2 in No. 17.

THE HON. THE COLONIAL TREASURER TO MESSRS JULYAN AND SARGEANT.

Westminster Palace Hotel, London, June 24th, 1864.

GENTLEMEN,—

In pursuance of the powers given to me by the Governor of New Zealand, I have to request you to be good enough to place upon the open market the sum of One Million of the Loan of three Millions which the New Zealand Legislature during the Session of 1863 authorised to be raised.

A copy of the Act of the New Zealand Legislature is enclosed for your information.

The interest to be paid half-yearly at the office of the Crown Agents, and the principal when it falls due to be paid at the same place.

I understand that your charge for transacting this business is half per Cent., out of which you pay all expenses of brokerage, &c., and the Colony pays all expenses of printing, advertising, &c. &c.

I have, &c.,

Messrs. Julian & Sargeant, Crown Agents for the Colonies,
&c. &c. &c.

READER WOOD.

Enclosure 3 in No. 17.

Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street, London, E.C., 25th June, 1864.

SIR,—

On the annexed page I have the honor to transmit extracts taken from the *Times* newspaper of the 24th instant, relative to the Loan, and a letter published in the *Standard* of this day, referring to the Panama Contract and the New Zealand Loan Bill.

I have, &c.,

The Honorable the Colonial Secretary,
Auckland, New Zealand.

JOHN MORRISON.

New Zealand Government Debenture Loan, £3,000,000 sterling. Authorised by an Act of the Legislature of the Colony, passed in the 27th year of Her Majesty, intituled "The New Zealand Loan Act of 1863," for defraying the cost of suppressing the present rebellion, for the introduction of settlers

from Australia and Great Britain, and for other public purposes. A Bill is now before Parliament, which (if passed) will extend the guarantee of the Imperial Government to one-third of the above Loan, The other two-thirds will be offered to the public by instalments, in Debentures transferable by delivery, and bearing interest at the rate of five per cent. per annum.

The undersigned, Crown Agents for the Colonies, acting on behalf of the Government of New Zealand, and with the sanction of Her Majesty's Principal Secretary of State for the Colonies, now offer the first instalment of the above Loan, amounting to £1,000,000 sterling, to public competition by tender.

The Debentures are for sums of £500, £200, and £100 each, with interest Coupons attached, redeemable in 50 years from the 15th July next, and bearing interest from the same date, at the rate of five per cent. per annum, payable half-yearly, on the 15th January and 15th July of each year.

Both principal and interest are made payable at the offices of the Crown Agent for the Colonies in London.

Tenders, in accordance with the annexed form, will be received by the undersigned for the whole or any portion of the Loan, not being less than £100, until 1 p.m. on Tuesday, the 12th July next. Every tender should be enclosed in a sealed envelope, addressed to "The Crown Agents for the Colonies, Spring-Gardens, London," with the words "Tender for New Zealand Loan" written on the outside.

All the tenders received will be opened in the presence of the Finance Minister of New Zealand, and of such persons interested therein as may attend at the offices of the undersigned precisely at 1 o'clock on the 12th proximo.

The Debentures will then be allotted to the highest bidders, provided the rates offered are not below the minimum which will be fixed before the opening takes place, in the usual manner.

Tenders at a price including a fraction of a shilling, other than sixpence, will not be accepted; and in the event of an equality of tenders beyond the amount to be issued, a pro rata distribution on such tenders will be made.

Five per cent. of the purchase-money must be paid into the Bank of England as soon as the allotment is made, and the balance in two equal portions, with intervals of 14 days between each. The Debentures will be delivered at the offices of the undersigned in exchange for the Bank receipts.

This Loan is secured on the general revenue of the Colony of New Zealand, which, as will be seen by the following statement, is far more than sufficient, after providing for all existing liabilities of the General Government, to defray such a charge.

The Act, moreover, provides for the annual payment out of the revenue of the Colony of a sum of money equal to one per cent. on the amount borrowed, for the formation, under proper trustees, of a Sinking Fund for the final liquidation of the debt.

Ordinary Revenue and Expenditure for the last four years, ending on the 30th June in each year:—

	Revenue.	Expenditure.	Surplus.
1860-61	£229,790	£140,020	£89,770
1861-62	385,020	202,170	182,850
1862-63	549,963	290,667	259,296
1863-64	*691,600	476,790	214,810 estimated.

* Up to the period of the last advices received from the Colony, this estimate of revenue had been considerably exceeded.

The only existing loans of the General Government of New Zealand are £500,000, issued under the guarantee of the Imperial Government in 1857, and £150,000, issued under the sole guarantee of the Colonial Government in 1861.

The annual charges in respect of both these loans are included in the amount of expenditure above stated.

The surplus revenue (which in future will be applicable to the loan now offered) has hitherto been disposed of annually among the several Provincial Councils of the Colony.

Further information with regard to the financial condition of the Colony may be had on application to the undersigned, from whom forms of tender may also be procured.

PENROSE G. JULYAN, } Crown Agents for
W. C. SARGEANT, } the Colonies.

Offices of the Crown Agents for the Colonies,
Spring-Gardens, London, 25th June, 1864.

Form of Tender.

To the Crown Agents for the Colonies, Spring-Gardens, London.

Gentlemen,—I hereby tender for the following portion of the New Zealand Government Five per Cent. Loan, authorised by "The New Zealand Loan Act, 1863," subject to the conditions contained in your advertisement of the 25th June, 1864, viz:—Debentures to the extent of £—, for which I undertake to pay at the rate of £— for every £100 in Debentures.

Name
Address
Date

Extract from the *Times* of 24th June, 1864.

It is understood that New Zealand Government debentures for £1,000,000 are about to be offered to the public by the Crown Agents for the Colonies. This sum forms the first instalment of a loan of £3,000,000, authorised to be raised by the Colonial Legislature for defraying the cost of the present rebellion, for the introduction of settlers, and for other public purposes. A Bill is now before Parliament by which it is proposed to extend the guarantee of the Imperial Government to one-third of the whole loan, or £1,000,000 sterling, and this portion is to be applied exclusively to military defence. The other two-thirds are secured on the general revenues of the colony, and it is a million of this latter portion which is now about to be offered to public competition. The debentures bear interest at 5 per cent., and are redeemable in 50 years by the operation of a sinking fund of 1 per cent., the principal and interest being payable by the Crown Agents in London.

THE PANAMA CONTRACT AND THE NEW ZEALAND LOAN BILL.

To the Editor of the *Standard*.

SIR,—Mr. Crosby Ward, the Postmaster-General, and at that time a member of the government of New Zealand, was sent home instructed to negotiate for the conveyance of the mails from England to New Zealand and Australia via Panama. With the legal aid, and under the wing of the Postmaster-General of Great Britain, he made an agreement, exact and well considered, in which no legal formality seems to have been omitted. The Panama Steamship Company, with which Mr. Ward contracted, invited and received applications for shares, and entered into arrangements (which must be fulfilled) to build fitting steamers to carry the contract out efficiently. I subscribed £1000 to the capital, not for a moment doubting the good faith of the New Zealand Government; but, to my surprise, I learn that Mr. Ward and his contract are repudiated by his employers, and that the ministry of which he was a member, has been outvoted and turned out. British Colonial Governments, above all others, must keep good faith, if they wish for credit. In my judgment it will be well to defer passing till next session the New Zealand Loan Bill, by which our Government is to guarantee interest on £1,000,000, and in the meanwhile colonial integrity may find its level. I for one am not content to pay out of imperial taxes the interest on this loan, nor hold my tongue, while the public is invited to subscribe for £3,000,000, and become hereafter, as I am now,

A DISAPPOINTED SUBSCRIBER.

P.S.—I enclose my card.
June, 1864.

No. 18.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Westminster Palace Hotel, London, July 13th, 1864.

SIR,—

I have the honour to report that yesterday the tenders for the first instalment of £1,000,000 of the New Zealand Loan were opened at the offices of Messrs. Julian & Sargeant. The amount tendered for was £6,100, the amount at and above the minimum of 90 was £3,600.

In fixing the minimum we were guided by the state of the money market on Saturday the 9th instant, which was as follows:—

India 5 per cents.	104	5	0
New South Wales ditto	97	10	0
Canada 5 per cents.	88	10	0
New Zealand 6 per cents.	106	0	0

The ruling rates of interest for money were:—

Short paper (best)	5	$\frac{7}{8}$
Six months Bank Bills	6	$\frac{1}{4}$
Ditto Trade Bills	7	
Joint Stock Banks give 4 $\frac{1}{2}$ per cent. on deposit.		

The fact also was taken into consideration that notwithstanding the comparatively favourable state of the market, money was not flowing towards Colonial Investments; a few days ago the Union Bank of Australia endeavoured to negotiate a 6 per cent. Loan of £100,000 for the Queensland Government, at £103 12s. 0d. Not more than one third of the amount was subscribed and under £30,000 was placed. We thought if we fixed the minimum lower than 90 that probably the Loan would fill up no better, whilst it would at a future time be difficult if not impossible to sell at a higher price should the market become suddenly more favourable for colonial securities.

The number of companies of all kinds and descriptions constantly being brought forward absorb all the available capital, and the inducements offered by them of high interest have had the effect, for the present at least, of shutting colonial securities almost altogether out of the market.

It happened too, most inopportunistically for this Loan, that a few days ago a telegram was received at the War Office, and published in every English paper, of a sad reverse to our troops at Tauranga, accompanied with very serious loss of life. This news has had a most depressing effect. The telegram stated the disaster in its worst form, unaccompanied with any explanation of its cause or its probable effect; the public begin to consider that the New Zealand war is interminable, and no doubt the impatience shown in consequence of the state of things in New Zealand affects the credit of the Colony.

Under these circumstances I have thought it better to instruct Messrs. Julian and Sargeant to ascertain upon what terms advances can be had upon the Debentures, than to reduce the minimum and so tempt speculators to buy at a price which would be a great pecuniary sacrifice to the Colony. I have also instructed them up to the 25th instant to offer the Debentures at the minimum fixed in the first

instance. If no considerable portion of this first instalment is taken up before that date, I intend to authorise them to sell as opportunities offer at a price equivalent to a Six per Cent. Loan at par, or at 83. I shall also be obliged before I return to leave them unfettered by any minimum, as before the middle of September one half of the first instalment must be had.

I append a statement of the equivalents from 83 to 90 and the amount of interest payable at each price:—

5 per cent. Stock at 83	= 6	per cent. at par	= 6	per cent. per ann.
" " 85	= 6	" " 102	= 5	17 7
" " 87½	= 6	" " 105	= 5	14 3
" " 90	= 6	" " 108	= 5	11 1

The Honorable the Colonial Secretary,
Auckland, New Zealand.

I have, &c.,
READER WOOD.

No. 19.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Westminster Palace Hotel, London, July 19th, 1864.

SIR,—

I have the honour to report that on Thursday evening, the 14th instant, the second reading of the New Zealand Loan Guarantee Bill was carried in the House of Commons by 92 to 55. I have instructed Mr. Morrison to forward to you some copies of the *Times* containing a report of the debate.

You will see from that report how strong an opposition was offered to the guarantee of any sum whatever for New Zealand, and that the majority was only obtained on the distinct understanding that as a condition the Colony should agree to the proposals made by Her Majesty's Government with reference to the future payment for troops; a clause to this effect is to be added to the Bill.

You will have seen, I have no doubt, with as much pain as I have, the attacks that have been made on the Colonial Government and on the Colonists generally in the *Times*, accusing them of closing all avenues to peace, and of employing the British troops to fight—not in a war of defence—but in a war of aggrandizement and for the purpose of wresting land from the natives by force. I felt my own position here, under these circumstances, to be one of peculiar difficulty. I could not shut my eyes to the fact that statements of the kind I refer to produced a very considerable effect, and accompanied as they were by the story of military disaster after disaster, they commanded a degree of attention which otherwise perhaps would not have been the case.

For me to have rushed into a newspaper correspondence and to have denied the allegations, could not have produced the effect I desired; I should have at once laid myself open to the retort that I was one of those accused, and that my denial should be regarded as the plea of not guilty from an accused person, rather than as the impartial testimony of a disinterested witness.

I frequently had opportunities of discussing this subject with Mr. Secretary Cardwell and Mr. C. Fortescue, and from both I had received assurances of their confidence that the Colonial Government had no other motive in prosecuting this war than Her Majesty's Government—that of securing a permanent peace. I felt if a statement of that kind came from these gentlemen in the House of Commons that the answer to the attack I have referred to would be complete. I drew the attention of Mr. Secretary Cardwell and Mr. C. Fortescue to these attacks on the day on which the debate was to take place. I brought under their notice the mischief that I thought these attacks were doing, and my own powerlessness to offer such an answer as is alone worth making. I said that they would be doing the Colony a great service if in the House of Commons they would state publicly that which they had stated to me personally, and thus afford the best evidence that could be given from unprejudiced and disinterested parties that those attacks were without foundation.

I received an assurance from both those gentlemen that if an opportunity offered they would do as I had asked, and I think after reading their speeches you will agree with me that a complete answer has been given to the allegations respecting the origin of the war, and the purposes for which it is being conducted, which have been latterly so frequently made in the English press.

The Honorable the Colonial Secretary,
Auckland, New Zealand.

I have, &c.,
READER WOOD.

No. 20.

THE HON. THE COLONIAL TREASURER TO THE HON. THE COLONIAL SECRETARY.

Treasury, Auckland, 13th October, 1864.

SIR,—

I have the honour to forward for your information, copies of the correspondence between Messrs. Julyan and Sargeaunt, Mr. Lurworthy, and myself, with reference to financial arrangements to meet the debt due to the Bank of New Zealand, in consequence of the failure of the Loan.

The Hon. the Colonial Secretary, Auckland.

I have, &c.
READER WOOD.

Enclosure 1 in No. 20.

MESSRS. JULYAN AND SERGEAUNT TO THE HON. THE COLONIAL TREASURER.

Offices of the Crown Agents for the Colonies, Spring Gardens, London, s.w., June 26, 1864.

SIR,—

I have the honour to acknowledge the receipt of your letter of the 24th instant, in which you request the Crown Agents for the Colonies to undertake the negotiation of the first instalment of £1,000,000, out of the Three millions of the Loan authorised to be raised by the New Zealand Loan Act of 1863.

In reply I beg to inform you that the Crown Agents will lose no time in making the necessary preliminary arrangements for offering this Loan to public competition by tender in the usual manner, and they will be glad, when the proper time arrives, to confer with you as to the minimum price to be accepted.

The present moment is by no means a favourable one for the negotiation, but as it appears that the necessities of the New Zealand Government will not admit of further delay, the Crown Agents will at once do everything in their power to place the debentures on the market.

The charges which the Crown Agents are directed by the Secretary of State for the Colonies, with the sanction of the Lords Commissioners of Her Majesty's Treasury, to make on behalf of their Department, for such services, are as follows:

$\frac{1}{2}$ per cent. on the amount of debentures disposed of, out of which the Crown Agents pay all brokerage.

$\frac{1}{2}$ per cent on the periodical payment of interest, and

$\frac{1}{2}$ per cent. on the final paying off of the Loan.

The Colony to pay the duty, and the cost of printing and advertising, &c.

I have, &c.

PENROSE G. JULYAN.

Enclosure 2 in No. 20.

THE HON. THE COLONIAL TREASURER TO MESSRS. JULYAN AND SERGEAUNT.

Westminster Palace Hotel, London, July 21st, 1864.

GENTLEMEN,—

As the first instalment of the New Zealand Loan of £1,000,000 has not filled up, I have to request that you will be good enough to effect the following financial arrangements.

I presume as during the last ten days upwards of £30,000 has been sold, that small sales of this kind will go on, and that in a month you will probably have sold about £100,000 of debentures at a minimum of 90. The proceeds of these sales I wish you to pay into the New Zealand Bank, 50, Old Broad Street, London, as they accrue.

It is also indispensable that the sum of £500,000 should be paid into the Bank of New Zealand, London, by the 14th day of September next at latest; to ensure the punctual payment of this sum, you have full power to raise that amount on the security of the unsold debentures upon the best terms you can get. The balance of the million to be paid into the Bank of New Zealand as sales are effected.

I have stated to you verbally, precisely the position of the New Zealand Government in reference to financial matters, and as I am now leaving England for the Colony, I unfetter you entirely from the restriction of any minimum whatever; at the same time it should be only under circumstances of great pressure, if you dispose of any of the 5 per cent. debentures I have left in your hands for sale, at a price below that which would be equivalent to a 6 per cent. debenture at par.

Should the first instalment be disposed of and the market be favourable for colonial securities by November next, or at any time in case of necessity, you can dispose of an additional instalment of £250,000; the debentures to be signed and issued by yourselves. The first half-year's interest to be paid out of funds arising from the sale of any of the debentures; for which purpose you will of course retain in your own hands such sums at such times as you may deem expedient.

You will be good enough to report monthly to the Colonial Secretary, Auckland, New Zealand, the extent of sales made, and the prospects of future sales, together with the details of any arrangements you may make for advances.

I have, &c.,

READER WOOD.

Enclosure 3 in No. 20.

MESSRS. JULYAN AND SARGEAUNT TO THE HON. THE COLONIAL TREASURER.

Offices of the Crown Agents for the Colonies, Spring Gardens, London, s.w. July 23, 1864.

SIR,—

I beg to acknowledge the receipt of your letter of the 21st instant, containing instructions for the guidance of the Crown Agents for the Colonies, in disposing of the unallotted portion of the first instalment of £1,000,000 of the debenture loan authorised by the New Zealand Loan Act of 1863, and directing the early payment to the New Zealand Bank of certain sums to be raised by the sale or otherwise of the debentures in question.

These instructions shall receive the early and most earnest attention of the Crown Agents, and they hope by the mail of next month to be able to advise you of the completion of such arrangements as will enable them to meet all the liabilities referred to in your letter.

Enclosed herewith I send you a statement showing the number and amount of the tenders received on the 12th instant, and the amount since disposed of by private treaty at the minimum rate.

I also enclose copy of the Loan Act, of the advertisement inviting tenders; and of the information relative to the state of your finances, furnished to all enquirers.

The Crown Agents regret exceedingly that notwithstanding their most strenuous efforts, by extended advertisement and otherwise, to bring this loan favourably before the public, they have not succeeded in placing any considerable amount on the market.

A combination of unfortunate circumstances tended to produce this result.

1. The state of the money market was most unfavourable, the bank rate of discount being at the time 6 per cent. on short loans

2. The unfavourable and unjust strictures which have been so repeatedly expressed of late by the press, and repeated in Parliament, with regard to New Zealand affairs.

3. The arrival by the last mail, and at the most critical moment, of the news of the disaster which recently befel Her Majesty's Forces in an encounter with the natives of New Zealand, and the strong belief thereby created, that the war would be prolonged for an indefinite period.

4. The unfortunate manner in which some of the Provincial Loans have been dealt with in this market, and from their having been brought into competition to some extent with the loan now under consideration.

And lastly, the prevailing attraction of capital to the numerous banking, financial, and other great "Limited Liability Companies," now daily brought before the public, and to which investors are tempted, in preference to Colonial securities, by the high rates of interest which have been paid by some of the older establishments.

All these circumstances combined have led to the depreciation of Colonial Government securities generally, but more especially to those of New Zealand, and even at the reduced rates of present quotations, sales to any considerable amount cannot possibly be effected.

The Crown Agents hope however that at no distant date these influences will have subsided, and that they may then be enabled to report to the New Zealand Government a greater measure of success than has hitherto attended their exertions.

I have, &c.,

PENROSE G. JULYAN.

P.S. A specimen of the debenture bond, with coupons annexed, is herewith enclosed for your information.

Enclosure 4 in No. 20.

THE HON. THE COLONIAL TREASURER TO MR. LARKWORTHY.

Westminster Palace Hotel, London, July 22, 1864.

SIR,—

The first instalment of the New Zealand loan of one million, which was tendered for on the 12th instant, has not filled up. About £5,000 only was placed on the first day at the low minimum of 90; subsequently an amount of upwards of £27,000 in addition has been allotted at that price, and there is every reason to suppose that in a short time these occasional subscriptions will reach £100,000 at least.

The arrangements which, under these circumstances, I propose to make are as follows:—

To instruct Messrs. Julyan and Sargeant to pay into your Bank the proceeds of these occasional sales as received up to £100,000.

To pay into your Bank in addition, on or before the 14th September next, the sum of £500,000; and I leave full powers to enable Messrs. Julyan and Sargeant to raise money upon the debentures to ensure the punctual payment of this sum, if so much should not be disposed of in the regular way by that date.

To pay the balance into your Bank as sales take place.

I beg that you will arrange that the New Zealand Government Emigration Board should have at their disposal in all a sum of £30,000, and Mr. A. Clark a sum of £20,000 for Emigration purposes.

That Mr. Morrison should have at his disposal the sum of £16,000, and that you will liquidate the debt at present due by the New Zealand Government on account of advances made to Mr. Morrison out of the payments from time to time made to your Bank by Messrs. Julyan and Sargeant.

For all advances here the New Zealand Government will pay interest at 1 per cent. above the Bank rate of discount.

As I am unable to conjecture what arrangements for further temporary advances may have been made with your Bank in New Zealand, I refer you to Messrs. Julyan and Sargeant, who have in their hands debentures to the amount of £1,000,000 for sale, with power to make and sell £250,000 more, in case of necessity, to whom you will be good enough to communicate the particulars of such arrangements in case funds are required to carry them out. I am sure you will not put such a pressure upon those gentlemen, if it can possibly be avoided, as to compel them to sell the securities in their hands at a great sacrifice.

Upon the payment of £500,000 on the 14th September next, you will be good enough to hand over to Messrs. Julyan and Sargeant, for transmission to Auckland, the authority given by the Government to your Directors to make and sell £500,000 worth of debentures, unless the power in question has been extended by the Governor of New Zealand beyond the period first contemplated.

I have, &c.,

READER WOOD.

F. Larkworthy, Esq.,
Bank of New Zealand, Old Broad Street, London.

PAPERS RELATIVE TO

Enclosure 5 in No. 20.

MR. LARKWORTHY TO THE HON. THE COLONIAL TREASURER.

Bank of New Zealand,
London, 23rd July, 1864.

SIR,—

I am in receipt of your letter of the 22nd instant, informing me of the financial arrangements you propose should be carried out by the Crown Agents for the Colonies and this Bank, on behalf of the New Zealand Government, which are as follows:—

The Crown Agents shall pay into this Bank from time to time, say in sums of £10,000 or £20,000 as may be received, the proceeds of the first £100,000 of the General Government debentures sold by them, and you expect this sum will be sold in the course of one month from the present date. The Crown Agents, in addition to the sum of £100,000, shall pay into this Bank on the first of September, and not later than the fourteenth idem, the sum of £500,000; and to ensure the punctual payment of this sum you state you have given Messrs. Julyan and Sargeaunt full powers to obtain advances upon these debentures. The Crown Agents shall pay into this Bank the balance of the first million of the debentures, without, in the first instance, providing for any sums which may have been raised by way of loan.

The Bank of New Zealand is expected, out of monies to be received, to place to the credit of the New Zealand Government Emigration Board the sum of £30,000, and £20,000 to the credit of Archibald Clark, Esq., of Glasgow, these two amounts to include all payments already made to account.

That the Bank of New Zealand will liquidate, out of monies to be received, the debt at present due by the New Zealand Government, on account of advances made to Mr. Morrison, and that a further sum of £16,000 is expected to be placed at the disposal of Mr. Morrison.

That in the absence of any information as to the arrangements which may have been made by the Government with the Bank of New Zealand for further advances, you have placed a further sum of £250,000 in Debentures, in the hands of Messrs. Julyan and Sargeaunt, to enable them to provide funds to carry out these arrangements, and you request me to give due notice to Messrs. Julyan and Sargeaunt when such arrangements shall have been made.

Your request that, on payment of the £500,000 on or before the 14th of September next, the authority given by the Government to our Directors to make and to sell, under certain conditions, debentures value £500,000, is to be handed over to Messrs. Julyan and Sargeaunt is duly noted.

Your proposal that the New Zealand Government should pay interest at 1 per cent. above the Bank rate of discount, for all advances made by this Bank, does not meet the approval of the London Board, and we should prefer that this matter should be arranged by the Auckland Board.

In conclusion, I may state that every effort shall be made by this Bank to assist the Government in their present difficulties; but inasmuch as our resources here depends upon the arrangements made by our Head Office in Auckland, over which we have no control, we may be deprived of the means of assisting to the extent we should desire.

I am, &c.,

F. LARKWORTHY,
Managing Director.Hon. Reader Wood,
Westminster Palace Hotel.

Enclosure 6 in No. 20.

THE HON. THE COLONIAL TREASURER TO MR. LARKWORTHY.

Westminster Palace Hotel, London, July 23, 1864.

SIR,—

In reply to your letter of this day's date, I beg to inform you that I have brought the two points to which you refer under the notice of the Crown Agents, with a request that they will comply with your request.

I have, &c.,
READER WOOD.

F. Larkworthy, Esq.

Enclosure 7 in No. 20.

THE HON. THE COLONIAL TREASURER TO MESSRS. JULYAN AND SARGEAUNT.

Westminster Palace Hotel, London, July 23, 1864.

GENTLEMEN,—

The financial arrangements which I have requested you to make will be generally satisfactory to the Bank of New Zealand, but they wish modifications in the two following particulars:

1. It would be more convenient for the Bank if the £500,000 were paid on the 1st September; it must, however, as you are aware, not be delayed beyond the 14th under any circumstances.

2. With reference to the payment of the balance of the million, the Bank would be obliged if in the first instance, after the hypothecation of the £500,000, you could continue to pay in the proceeds of the sales of the Debentures left in your hands to enable the Bank to meet the drafts it is anticipated will be drawn monthly by the New Zealand Government till they hear of the extreme difficulty of obtaining money in London for the service of New Zealand.

I have, &c.,

READER WOOD.

Messrs. Julyan and Sargeaunt.

A LOAN OF £3,000,000 STERLING.

37 B.—No. 2.

No. 21.

MR. D. L. MURDOCH TO THE HON. THE COLONIAL TREASURER.

Bank of New Zealand, Auckland, 28th September, 1864.

SIR,—

I have the honor to transmit herewith for your signature, memorandum of terms on which further advances to the amount of Eighty Thousand Pounds, will be granted by this Bank to the General Government, as arranged in correspondence of yesterday's date. Duplicate memorandum signed by me on behalf of this Bank is also transmitted herewith.

I have, &c.,

D. L. MURDOCH,
Inspector.

The Hon. the Colonial Treasurer, Auckland.

Enclosure in No. 21.

MEMORANDUM OF TERMS ON WHICH FURTHER ADVANCES TO THE EXTENT OF EIGHTY THOUSAND POUNDS WILL BE MADE TO THE GOVERNMENT BY THE BANK OF NEW ZEALAND.

1. That on all advances granted in anticipation of the three million loan being negotiated in London, interest shall be allowed the Bank of New Zealand at the rate of five per cent. till receipt of advice here that such advances have been repaid in London.

2. That in the event of the Crown Agents not paying the amount agreed upon to the Bank by 14th of Sept., that any expense thereby incurred by the Bank, in excess of the five per cent. interest allowed on the over-draft, shall be paid by the Government, as also on any loans which it may be needful for the Bank to raise, to meet drafts which have been given by the Government for any further advances.

3. As it does not appear from the Government (Mr. Wood's) letter to Mr. Larkworthy that provision has been made for meeting drafts given for such advances beyond £400,000, that unqualified instructions be transmitted by this mail, directing the Crown Agents to raise money to meet such drafts.

4. That as provision has been made by the Government, that the power to make the half million debentures given under the original agreement to the Bank in London, shall in the event of the Crown Agents paying £500,000 to the Bank before the 14th September, be handed to Messrs. Julian and Sargeant; and as no security would then be held by the Bank for any advances made here beyond the £400,000, that debentures for half a million sterling be now deposited with the Bank in Auckland, with authority to the Bank, should all advances made or to be made to the Government, not be repaid before 31st December next, to hypothecate or if necessary to sell such debentures to the extent of such advances, at whatever price they will fetch, the debentures to be placed upon the open market in London only, for sale, after all the usual means by advertising and otherwise shall have been taken to ensure the best price: and that prior to any sale of the debentures being effected in London, the Agents for the negotiation of the loan there shall have power to redeem them by paying to the Bank in London the amount due from the New Zealand Government. If hypothecated, the Government to pay any extra charge which may be made beyond the five per cent. allowed the Bank.

5. That in alteration of clause VIII. of memorandum of agreement as to the three million loan, it be now agreed that the whole of the loan as negotiated be paid into the Bank of New Zealand in London; that for any payments to be made to the Government here, thirty days' notice shall be given to the Bank for all sums in excess of thirty thousand pounds per month, and that no demand beyond eighty thousand pounds shall be made in any one month without previous special arrangement.

6. That the Bank of New Zealand shall receive twelve months' notice before any change be made in the present Banking arrangements of the General Government.

D. L. MURDOCH,
Inspector.

Bank of New Zealand,
Auckland, 27th September, 1864.

No. 22.

MR. MURDOCH TO THE HON. THE COLONIAL TREASURER.

Bank of New Zealand,
Auckland, 29th September, 1864.

SIR,

I have the honor to acknowledge receipt of your letter of this date, in which you forward me Deed duly signed by you, empowering Mr. Kennedy and myself to sign and issue Bonds or Debentures for the sum of Five Hundred Thousand Pounds in terms of the financial arrangement between this Bank and the General Government.

I have, &c.,
D. L. MURDOCH,
Inspector.

The Hon. the Colonial Treasurer, Auckland.

MESSRS. JULYAN AND SARGEANT TO THE HON. THE COLONIAL TREASURER.

Offices of the Crown Agent for the Colonies,
Spring Gardens, London, S.W., August 26th, 1864.

SIR,—

I have the honor to inform you, for the information of His Excellency Sir George Grey, that in compliance with instructions left with them by Mr. Reader Wood, copy of which are enclosed, the Crown Agents for the Colonies have disposed of five per cent. Debentures, representing £1,000,000, on the terms stated on the enclosed Return.

Mr. Wood will doubtless have informed the Governor of the difficulties with which the Crown Agents were beset before he left, in their attempts to negotiate this loan. The unfavourable comments which had then been made on New Zealand affairs, both in and out of Parliament, manifesting as they did a strong desire for alterations in our Colonial policy, seriously depreciated all Colonial Government securities, but more especially those of New Zealand; and, taken in conjunction with the high price of money at the time, most effectually prevented the negotiation of any considerable amount on any terms whatever.

These influences have been kept alive up to the present date by the appearance from time to time of articles in the daily press of anything but an encouraging nature, and indeed they have been exaggerated by a further rise in the value of money, until the Bank rate has reached eight per cent., with little hopes of amendment.

This state of things so completely put a stop to all sales that, notwithstanding repeated advertisements, only £35,900 in Debentures had been disposed of three days ago.

The attempt to raise a temporary Loan on these securities met with no better success. All the influence which the Crown Agents could bring to bear upon the leading Banks was ineffectual; they declined to make advances on any terms.

One of the Financial Companies consented to find £250,000 for a very short period at twelve per cent., and a very broad margin to cover all risks; but irrespective of the fact that the sum was altogether insufficient to meet your more pressing liabilities, the transaction would have been liable to other contingencies which might, a short time hence, unless an unexpected improvement takes place in the money market, have forced us to yield to much worse terms.

In view of these circumstances, and of the pressure placed upon them by the New Zealand Bank, to whom the payment of their debt was of vital consequence, the Crown Agents considered that they should best consult the interests of the New Zealand Government by an immediate and absolute sale, even at what may appear at first a considerable sacrifice; and, acting under this feeling, they entered into an agreement with the "Credit Mobilier" for the whole of the Debentures remaining, on terms by which the New Zealand Government will have to pay an average rate of £6 4s. 5d. per cent. for their money. All interest accrued, or to accrue, on the Debentures up to the periods at which it has been arranged that the several instalments shall be paid will go to the credit of the New Zealand Government, so that a saving of £14,449 will be effected in respect of the interest falling due on the 15th of January next. Taking this saving into account, the average cost of the Loan will be £6 2s. 2d. per cent. per annum.

Considering all things, this is not a high rate for the New Zealand Government to pay for money just now; and although it may fall short of public expectation in the Colony, the terms are better than the Crown Agents had any hopes of realizing but a few days ago, and are such as they trust will, under the circumstances, be deemed satisfactory by the Colonial Government.

The fact that the bulk of the Loan has gone into the hands of a large speculative Company is no small advantage, as, of course, their object is to run the price up; and as the securities, now that they are sold, will be quoted in the Lists of the Stock Exchange, they will eventually under the manipulations of the holders attain to a better price, and thus enhance the value of the next instalment offered to the public on behalf of the Government.

The Crown Agents most strongly advise, however, that the million guaranteed by the Imperial Government should be the next brought out, or that at all events that it should be offered conjointly with the remainder of the unguaranteed portion of the amount authorised by the Loan Act of 1863.

It is usual for the Home Government, when they guarantee a Colonial Loan, to carry out the negotiations themselves; but the advantages which would result to the unguaranteed portion in this instance by treating all your Loans in a manner perfectly identical, so far as the negotiation and payment of interest are concerned, are so manifest that the Treasury and Colonial Office, as will be seen by the enclosed correspondence, will offer no opposition to such a course being adopted, provided Sir George Grey signifies his approval of the same, which the Crown Agents trust he will do, as it would materially lessen their difficulties in future operations, and ensure in the aggregate more satisfactory results to the Colony.

The proceeds of the Debentures now sold will be disposed of in the manner directed by Mr. Reader Wood, in the several letters herewith sent; and although not instructed with regard to the power vested in the Bank of New Zealand to create and dispose of (under certain contingencies) Debentures to the extent of half a million, the Crown Agents propose, when the debt is cancelled, to receive back from the Bank, on account of the New Zealand Government, the instrument by which the Bank were empowered so to act, and to retain it until they hear from you on the subject, the Bank, it is understood, being quite ready to relinquish it.

The negotiations with the "Credit Mobilier" have so recently been brought to a close that there has not yet been time to get a formal contract executed by the Board, but a preliminary agreement embodying the conditions of sale has been drawn up and initialed by the Crown Agents and the Manager of the Company, and it is believed that the first instalment of £100,000, with interest, will be paid on Monday next.

There will not be time to send you by to-day's post full particulars of the manner in which the proceeds will be appropriated, but I hope to do so by the mail of next month.

In conclusion, the Crown Agents cannot impress too earnestly upon the New Zealand Government the importance of abstaining as long as possible from further negotiations, as the general belief in the best informed circles here, is that something like a financial crisis will overtake this country before the end of the year, or at all events that money will become so much dearer that it may be found impossible to deal with Colonial Securities on any terms during the pressure.

A recent attempt on the part of one of the Banks to place a small Loan for Queensland on the market ended in utter failure, and it is now re-advertised at a reduced minimum with little better chance of success.

The Crown Agents are also keeping back Loans of two Colonies, enjoying excellent credit, from a conviction that capital cannot now be fairly induced to flow towards Colonial Securities.

Whilst this state of things continues, they would be sorry that you should be forced to realise any further portion of your Debentures.

I have, &c.,

PENROSE G. JULYAN.

The Honorable the Colonial Secretary, New Zealand.

New Zealand 5 per cent. Debentures issued under Act 27 Vict., 11.
First instalment, £1,000,000.

STATEMENT SHOWING THE RATES AT WHICH THE CROWN AGENTS FOR THE COLONIES HAVE DISPOSED
OF THE LOAN.

	Net Purchase money.	Interest to be paid by Purchaser.	Total Amount.
	£	£ s. d.	£
£35,900 at prices including accrued interest from 88 to 93½	32,337		32,337
£4000 " " " " 81	3,240		3,240
£125,000 at 80, ex interest payable on 29th August, 1864	100,000	753 8 5	100,753
£375,000 " " " 15th September, 1864	300,000	3,133 11 1	303,134
£253,800 " " " 20th November, 1864	203,040	4,415 8 1	207,455
£206,300 " " " 20th February, 1865	165,040	6,146 12 0	171,187
£	803,657	14,448 19 7	818,106

Average annual cost of the money to the Government, calculated on the net purchase money, £6 4s. 5d.

Average annual cost of the money to the Government, calculated on the gross sum realised, £6 2s. 2d.

PENROSE G. JULYAN.

No. 24.

THE HON. THE COLONIAL SECRETARY TO THE CROWN AGENTS FOR THE COLONIES.

Colonial Secretary's Office,
Auckland, November 2nd, 1864.

GENTLEMEN,—

I am in receipt of your letter of the 26th August, 32-294, detailing the difficulties under which you negotiated the remainder of the £1,000,000 of Debentures left in your hands for sale by Mr. Reader Wood, and reporting the state of the money market generally, together with the position occupied by Colonial Securities. You state that under all the circumstances you considered that you would "best consult the interests of the New Zealand Government by an immediate and absolute sale, even at what may appear at first sight a considerable sacrifice;" and then you inform me that the average cost of the Loan will be £6 2s. 2d. per cent. per annum.

In all previous transactions of this kind, the New Zealand Government has never succeeded in negotiating a Loan under a cost to itself of less than six per cent. per annum. In November, 1863, when the Loan Act was passed by the New Zealand Parliament, the money market in England appeared to be so favourable, Colonial Securities generally were quoted at so high a rate, that it was felt there would be little or no difficulty in negotiating a five per cent. Loan, if not at par, at any rate at a small discount, and it appeared more advantageous to do so than to sell a six per cent. Loan at a premium. Since that date, however, the money market has materially changed. The difficulties in the way of negotiating all Colonial Loans, and the New Zealand Loan especially, have been fully stated by you and by Mr. Wood. The New Zealand Government is fully sensible of those difficulties. This Colony has been unfortunately placed in the position of being forced into the market at the present time. The pressure of circumstances was such as to admit of no delay. There were two alternatives before you—one was to raise money on the Bonds for a short period, so as to postpone the sale, if possible, to a time when the money market might be easier, the other to sell on the best terms you could get. The former appears to have failed, and indeed had you succeeded in that way temporarily to obtain money at a present high rate of interest, you

might, as you say, have been forced to yield to much worse terms unless an improvement, which is not expected, speedily took place in the money market. In adopting the latter alternative, selling this Loan as you have, practically at a price little inferior to that at which this Colony has negotiated its two former Loans, at a time too when the money market was unprecedentedly high, and Colonial Securities were generally depreciated, you have, I think, used a wise discretion, and I have the pleasure of conveying to you the approval of this Government, and its thanks for the great trouble you have evidently taken in transacting this business.

With reference to that portion of your letter which relates to the negotiation of the million proposed to be guaranteed by the Imperial Government, you are aware that before any step can be taken in the matter, certain conditions imposed by the Imperial Act have to be considered by the General Assembly of New Zealand. That body meets on the 21st instant, and your instructions will depend altogether upon the action it may take.

I have, &c.,

WILLIAM FOX.

Messrs. Julyan and Sargeant, Crown Agent for the Colonies,
Spring Gardens, London, S.W.

P.S.—Will you be good enough to return to me the Governor's authority to the Bank of New Zealand to make and sell £500,000 of Debentures, which the Bank has been instructed to hand over to you upon your paying them £500,000, on or before September 14th, 1864.

W. F.

No. 25.

MR. MURDOCH TO THE HON. THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Auckland, September 27th, 1864.

The unfortunate result of the attempt to place in London the first instalment of the three million loan, as communicated by you, necessitates the reconsideration of the terms on which only, further advances can be made by this Bank to the General Government of New Zealand. The exceedingly liberal manner in which large advances have hitherto been made by this Bank, must, I am sure, commend the proposal now to be made to your most favorable consideration. The terms proposed, while in accordance with the same liberal policy, only tend to place the relations of the Bank to the General Government on a more secure footing, and to afford to the Bank some little extra benefit, for the great drain which has been made on its resources by the action of the Government.

I have therefore the honor to propose as follows:—

1. That on all advances granted in anticipation of the three million loan being negotiated in London, interest shall be allowed the Bank of New Zealand at the rate of five per cent., till receipt of advice here that such advances have been repaid in London.

2. That in the event of the Crown Agents not paying the amount agreed upon, to the Bank by 14th September, that any expense thereby incurred by the Bank, in excess of the 5 per cent. interest allowed on the overdraft, shall be paid by the Government; as also on any loans which it may be needful for the Bank to raise, to meet drafts which have been given by the Government for any further advances.

3. As it does not appear from your letter to Mr. Larkworthy, that provision has been made for meeting drafts given for such advances beyond £400,000, that unqualified instructions be transmitted by this mail, directing the Crown Agents to raise money to meet such drafts.

4. That as provision has been made by you, that the power to make the half-million debentures, given under the original agreement to the Bank in London, shall, in the event of the Crown Agents paying £500,000 to the Bank before 14th September, be handed to Messrs. Julyan and Sargeant; and as no security would then be held by the Bank for any advances made here beyond the £400,000, that debentures for half a million sterling be now deposited with the Bank in Auckland, with authority to the Bank, should all advances made or to be made to the Government, not be repaid before 31st December next, to hypothecate, or if necessary, to sell such debentures to the extent of such advances, at whatever price they will fetch. If hypothecated, the Government to pay any extra charge which may be made beyond the five per cent. allowed the Bank.

5. That in alteration of clause VIII of Memorandum of Agreement as to the three million loan, it be now agreed: that the whole of the loan, as negotiated, be paid into the Bank of New Zealand in London; that for any payments to be made to the Government here, thirty days' notice shall be given to the Bank for all sums in excess of thirty thousand pounds per month; and that no demand beyond eighty thousand pounds shall be made in any one month, without previous special arrangement.

6. That the Bank of New Zealand shall receive twelve months' notice before any change be made in the present banking arrangements of the General Government.

In urging upon you the propriety of giving a distinct pledge, that the General Government account shall not be removed from the Bank without twelve months' previous notice, I would quote as a precedent the arrangements under which the Bank of New Zealand are bankers for the Provincial Governments of Canterbury and Marlborough; and would also justify the application on the ground, that an earlier withdrawal of the account might, and very probably would, leave the Bank a heavy loser by the operations of the Government, to support which, the Bank has incurred a responsibility which I feel assured no other institution in the Colonies would have undertaken.

In consideration of the Government granting the foregoing terms, the Directors authorise me to state that further advances to the extent of eighty thousand pounds, will, if required, be made to the Government during the ensuing month.

I have, &c.,

The Honorable the Colonial Treasurer,
&c. &c.

D. L. MURDOCH,
Inspector.

No. 26.

THE HON. THE COLONIAL TREASURER TO MR. MURDOCH.

SIR,—

Treasury, September 27th, 1864.

I beg to acknowledge the receipt of your letter of this day's date, proposing terms on which only further advances can be made by the Bank to the General Government of New Zealand.

The terms that you propose are generally satisfactory to the Colonial Government; but in the 4th clause an alteration is necessary. In that clause you propose that "Debentures for half a million sterling be now deposited with the Bank in Auckland, with authority to the Bank should all advances made or to be made to the Government not be repaid before 31st December next, to hypothecate, or if necessary to sell such debentures to the extent of such advances, at whatever price they will fetch." The Bank should have power to hypothecate only in the Australian Colonies; and if a necessity to sell should arise, the debentures should be placed upon the open market in London only, for sale, after all the usual means by advertising and otherwise shall have been taken to ensure the best price; and that prior to any sale of the debentures being effected in London, the Agents for the negotiation of the loan there shall have power to redeem them, by paying to the Bank in London the amount due from the New Zealand Government.

With this alteration, the Government will be prepared to comply with the terms proposed.

I have, &c.,

READER WOOD.

D. L. Murdoch, Esquire,
Inspector Bank of New Zealand.

No. 27.

MR. MURDOCH TO THE HON. THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Auckland, September 27th, 1864.

I beg to acknowledge receipt of your letter of this date, intimating that the Government will be prepared to comply with the terms proposed by me for further advances to be granted by this Bank on an alteration of clause 4 being acceded to, restricting the Bank to hypothecating the Debentures only in the Australian Colonies, and if a necessity to sell should arise, the debentures to be placed upon the open market in London only, for sale, after all the usual means by advertising and otherwise shall have been taken to ensure the best price; and that prior to any sale of the debentures being effected in London, the Agents for the negotiation of the loan there shall have power to redeem them, by paying to the Bank in London the amount due from the New Zealand Government.

I readily concede the amendment you propose as to the sale of the debentures, but the power to hypothecate must be left quite unfettered, as the necessity for so doing might arise either in the Australian Colonies or London.

Be good enough to let me know if this will meet the views of the Government.

I have, &c.

The Honourable the Colonial Treasurer,
&c., &c.

D. L. MURDOCH,
Inspector.

No. 28.

THE HON. THE COLONIAL TREASURER TO MR. MURDOCH.

SIR,—

In reply to your letter of this day's date upon the subject of the possible hypothecation of the debentures, the Government have no desire to fetter the Bank's power of hypothecation, the expression "to hypothecate only in the Australian Colonies," was simply intended by me to exclude the possibility of sale on the part of the Bank—the Government fully acknowledges the right of the Bank to hypothecate in these Colonies or elsewhere.

I have, &c.,

D. L. Murdoch, Esquire.

READER WOOD.

No. 29.

AN ACT TO GUARANTEE THE LIQUIDATION OF A LOAN FOR THE SERVICE OF THE COLONY OF NEW ZEALAND.

WHEREAS by an Act of the General Assembly of New Zealand, passed in the twenty-seventh year of the reign of Her Majesty, intituled "An Act for raising a Loan of Three million Pounds Sterling for the public service of the Colony of New Zealand," it was enacted, that it should be lawful for the Governor of New Zealand to appoint the agent or agents therein mentioned, with authority to borrow and raise on behalf of the said Colony such sum or sums of money, not exceeding in all Three million Pounds sterling as the said Governor might direct: And whereas it is expedient that the Commissioners of Her Majesty's Treasury should be authorized to guarantee the payment of interest and repayment of the principal of part of the sum so to be borrowed, not exceeding the amount of One million Pounds sterling, upon the conditions herein-after mentioned: Be it therefore enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows.

Sums borrowed under recited Act of General Assembly of New Zealand, not exceeding £1,000,000 Interest, guaranteed under this Act.

Treasury not to approve of the borrowing of £1,000,000 until Provisions are made by General Assembly of New Zealand as herein named.

Advances out of Consolidated Fund to be charged on Revenues of New Zealand.

No Act of New Zealand varying the Security for the Money borrowed and Interest to be valid unless confirmed by Her Majesty in Council.

Certificate of Amount paid out of Consolidated Fund to be sent to New Zealand.

Accounts to be laid before Parliament.

Nothing in recited Act of New Zealand rendered void on account of any Repugnancy to 20 & 21 Vict. c. 51.

1. The liquidation of all such sums, not exceeding in the whole the sum of One million Pounds, as shall be borrowed and raised in Great Britain, with the approbation of the Commissioners of Her Majesty's Treasury, under the said first recited Act of the General Assembly of New Zealand, or of any Act passed in amendment of the same, together with the Interest thereon not exceeding the yearly rate of four pounds for One hundred Pounds, shall be guaranteed under this Act; and for giving effect to such guarantee it shall be lawful for the Commissioners of Her Majesty's Treasury to direct and cause to be issued and paid out of the growing produce of the Consolidated Fund of the United Kingdom of Great Britain and Ireland such sums as shall be required to make good any deficiency which shall happen in the regular payment, on the part of New Zealand, of the Interest accruing due upon such sums as shall be borrowed as aforesaid, or in the liquidation of the principal sums when the same shall become payable.

2. Provided nevertheless, that it shall not be lawful for the Commissioners of Her Majesty's Treasury to approve the borrowing and raising of the herein-before mentioned principal sum of One million Pounds, or any part thereof, until provision shall have been made by the General Assembly of New Zealand to the following effect; that is to say,

1. That every part of the said principal sum shall be repayable and repaid at the expiration of thirty years at the furthest from the day on which such part shall have been borrowed and raised.
2. That for the purpose of providing a sinking fund for the liquidation of the said principal sums, a sum equal at the least to Two per Cent. per Annum on the total of such principal sums shall be paid yearly, and invested and increased by way of accumulation in the manner directed by the said first-recited Act in respect of the sinking fund therein provided for.
3. That the said principal sums and all interest thereon, and the said annual sum of not less than two per cent. for sinking fund, shall be a charge on the general revenue of New Zealand, having priority over all other charges upon the said revenue, except charges created in virtue of an Act passed by the said General Assembly, intituled "The New Zealand Loan Act, 1856," and of an Act of Parliament passed in the twenty-first year of Her Majesty, intituled "An Act to Guarantee a Loan for the Service of New Zealand," or either of them, and that the said general revenue shall for the purposes of this Act be deemed to include all the revenue which shall arise from duties of import and export, from post office receipts, and Supreme Court fees, from the disposal of Waste Lands of the Crown, and from all taxes, duties, rates, and imposts levied or to be levied by virtue of any Act of the General Assembly of New Zealand, and all revenues whatsoever which may be lawfully expended or disposed of by the authority of the said Assembly:

nor until the said Commissioners shall be satisfied by certificate under the hand of the officer administering the Government of New Zealand, or otherwise, that the said General Assembly have adopted such proposals as shall have been made to them by authority of any of Her Majesty's Principal Secretaries of State respecting the repayment of any monies due to the Imperial Treasury from the Treasury of the Colony, and for the payments to be made from the Colonial Revenue as well for the support of Her Majesty's troops employed in the said Colony as for the benefit of the native inhabitants thereof.

3. All the sums which shall be so issued and paid out of the said Consolidated Fund in respect of the interest of the sums borrowed as aforesaid, or the liquidation of the principal sums, with interest upon the sums so issued after the yearly rate of five pounds for one hundred pounds, to be computed from the several times of issuing the same, shall be charged upon the general revenue of the Colony of New Zealand as hereinbefore defined.

4. No Act passed by the Legislature of New Zealand in anywise discharging or varying the security to be given in accordance with this Act, upon the Revenue arising from the Duties of Import and Export and from the disposal of Waste Lands of the Crown, for the repayment of the sums of money borrowed as aforesaid, and the interest thereon, shall be valid, unless such Act contain a clause suspending the operation of the same until Her Majesty's pleasure shall have been taken thereon, and the same shall have been confirmed by Her Majesty, with the advice of Her Privy Council, and a Proclamation of such confirmation having been given shall have been made by the Governor or person administering the government of the said Colony.

5. The Commissioners of Her Majesty's Treasury shall from time to time certify to one of Her Majesty's Principal Secretaries of State the amount so paid from time to time on account of the interest or principal of the sums borrowed as aforesaid; and such certificate shall be communicated to the Governor or person administering the government of New Zealand, and shall be by him communicated to the General Assembly of the said Colony; and such certificate shall be conclusive evidence of the amount so paid out of the Consolidated Fund of the said United Kingdom, and of the time when the same was paid on account of the interest or principal of the sum so borrowed.

6. The Commissioners of Her Majesty's Treasury shall cause to be prepared, and shall lay before both Houses of Parliament within fourteen days next after the beginning of every Session, an account of all sums from time to time issued out of the Consolidated Fund of the said United Kingdom by virtue of this Act towards making good any such deficiency as aforesaid, and also an account of all sums repaid by or recovered from New Zealand by reason of such advance, with interest paid or recovered thereon.

7. And whereas by an Act of the General Assembly of New Zealand passed in the twenty-seventh year of Her Majesty, intituled "An Act to enable the Governor to establish Settlements for Colonization in the Northern Island of New Zealand," provision was made for the proclamation of certain districts within the said Colony, and for setting apart within such districts eligible sites for settlements for colonization, and for other matters therein mentioned: and whereas doubts are entertained whether the provisions of the said Act, or some of them, may not be void by reason of their repugnancy to the third section of an Act of Parliament of the twentieth and twenty-first years of Her Majesty, intituled An Act to guarantee a Loan for the service of New Zealand: be it enacted as follows:

Nothing in the said Act to enable the Governor to establish settlements for colonisation in the Northern Island of New Zealand shall be or be deemed to have been void or inoperative on account of any repugnancy to any of the provisions of the last-mentioned Act of Parliament or of this Act.