

1. An Act of the General Assembly ("Rate of Interest Act, 1864") authorising the rate of interest on the unraised portion of the Three-million Loan to be increased from 5 to 6 per cent.

2. A copy of an Order in Council (see *Gazette* No. 51, of 1864, page 465) dated the 28th December ultimo, raising the rate of interest accordingly from 5 to 6 per cent.

3. An Act of the General Assembly ("Debenture Act, 1864,") authorising the issue of one million 8 per cent. debentures at short dates, in anticipation of the permanent loan, and to be replaced out of the proceeds thereof when disposed of.

4. I also transmit for your information copies of Orders in Council (see *Gazette* No. 1, of 1865<sup>1</sup> page 2) dated the 2nd January instant, authorising the directors of the New Zealand Bank to issue in England £500,000, and in the colonies £250,000 respectively, part of such last-mentioned one million debentures.

5. The new Customs Act ("The New Customs Duties Act, 1864,") whereby the Tariff has been increased so as to produce according to calculations an additional revenue of about £190,000 a year.

6. Also, with the view to elucidate the state of the Colonial finances and the measures adopted by the present Government in reference thereto (see Appendix to Journals), I send you copies of the Financial Statement made by Mr. Fitzherbert, the Colonial Treasurer, in the House of Representatives, in the late Session of the Assembly.

7. I also send you a copy of an instrument executed by Mr. Reader Wood, the late Colonial Treasurer, authorising Messrs. Kennedy and Murdoch (of the Bank of New Zealand) to raise £500,000, part of the Three-million Loan;

8. And a copy of the opinion (enclosed) of the Attorney-General in reference thereto.

I am unable to inform you whether the last-mentioned power has been acted on. I have to request you to be good enough to ascertain this from the directors of the New Zealand Bank in London.

You will observe that the Attorney-General considers that Mr. Wood's power did not enable him to delegate his authority for raising money under "The Loan Act, 1863" to another person.

The same remark applies to the authority which I understood Mr. Wood left with yourselves as to the disposal of £250,000, part of the Three-million Loan.

I shall feel obliged by your informing me whether the latter has been acted on, and if so, to what extent, and by your furnishing me with particulars in detail as to all issues of securities under such last-mentioned authority or otherwise, on account of the Three-million Loan up to the present time, with a statement of dates and amounts, forms of debentures and coupons, and where payable. Subject to whatever transactions may have actually taken place founded on Mr. Wood's delegation of authority and without interfering with the completion thereof, so far as the Colony is in good faith bound thereby, the Colonial Government desires that no further disposal of the 5 per cent loan shall take place, but that in accordance with "The Rate of Interest Act, 1864," and the Order in Council in pursuance thereof, so much of the Three-million Loan as remains unraised shall be raised at the increased rate of 6 per cent. You will observe that by a provision in the Act, securities issued at such increased rate cannot be disposed of below par.

You will observe the provision made by the Legislature, authorising the issue of one million 8 per cent debentures, payable in not less than one nor more than three years; also the authority given to the New Zealand Bank to raise in England £500,000, and in the Australian colonies, £250,000, on account thereof.

It may be useful to you to be acquainted with the instructions given to the New Zealand Bank in reference to the issue of such last-mentioned securities. I transmit a copy of such instructions accordingly.

I have now to convey to you the instructions of the New Zealand Government in reference to the disposal of the Three-million Loan under the authority now transmitted.

The Government is in the first place anxious to fulfil all engagements made on its behalf with the New Zealand Bank, and to cover the balance if any due from it to the Bank. It is believed that the securities now placed in the hands of the Bank for disposal will more than suffice for this purpose; but the Government desires you in concert with the Bank to take all such steps as may appear to you requisite as far as possible to ensure the object in view, and therefore if it should be found necessary or expedient by reason of the failure of funds from the sources indicated, you will consider yourselves authorised to sell or hypothecate a sufficient portion of the 6 per cent. loan so as to command the necessary funds to cover the balance due to the Bank. The New Zealand Government undertakes in case of temporary hypothecation to pay all interest and charges which may be incurred incidental to any such transaction.

You will not however have recourse to any such temporary hypothecation, except in case of extreme need and failing other resources.

I have already pointed out that no part of the Three-million Loan must hereafter be disposed of at a lower rate than par.

Subject to these remarks the Government desires, if a favorable opportunity should occur, to realize the 6 per cent securities, say to the extent of £500,000, but not to press them upon the market. They rely in fact on the issue of 8 per cent debentures for covering their present wants until the money market shall improve and better terms may be obtained for the permanent loan. As the first application of the proceeds of the loan will be to pay off the debentures, you will be careful so to arrange that there may be as little loss of interest in the transaction as possible.

The proceeds should be paid from time to time as they accrue to the New Zealand Bank to the credit of the Colonial Government.

In order that the securities now to be placed on the money market may be favorably received, the measures to which I have drawn your attention for improving the revenue and securing the credit of the Colony, should be generally made known.

It will be desirable that you should place yourselves in communication with the New Zealand Bank, and as far as possible, act in concert with them.

Messrs. Julyan and Sargeant,

Crown Agents for the Colonies, Spring Gardens, London.

I have, &c.,

WALTER MANTELL,  
(for the Colonial Secretary.)