

part of the Three Million Loan authorised to be raised under "The Loan Act, 1863," the interest to be at 4 per cent.

The arrangement contemplated by the late Colonial Treasurer (Mr. Reader Wood) was founded on a supposed guarantee, to be given by the Imperial Government, for a loan of one million sterling, at 4 per cent, out of which a sum somewhat less than £500,000 was to be retained by the Imperial Government to liquidate the claims on the Colony. For reasons already sufficiently made known, that proposal failed.

Adverting to the various negotiations which from time to time have been entered into respecting the liquidation of the debt due from the Colony to the Imperial Government, and to the fact that the promises relative thereto, whether expressed or implied, still remain unfulfilled, Ministers are of opinion that the good faith of the Colony absolutely requires that it should no longer delay making definite provision for the discharge of this debt.

It now remains for the Colony to do its part towards carrying out an arrangement for satisfying the Imperial claim, which it is considered will practically be effected in the manner stated. The Colony having transferred to the Imperial Government £500,000 4 per cent debentures, it will rest with the Imperial Government either to hold such securities, or to cover them with a guarantee, and realize them in the English money market. The Colony will account annually for the interest and sinking fund provided for in the Act of 1863.

In taking this step, Ministers have been anxious to avoid the dilemma of an indefinite postponement into which the increasing liabilities of the Colony might have unavoidably placed it. On that point they observe, that on the one hand the Colonial Parliament would not (in their opinion) sanction, nor indeed could the Colony bear the burthen of any additional unguaranteed loan; and on the other, that, after deducting the present large payment, the most sanguine calculations, based upon an assumption that hostilities will almost immediately cease, only show a possible remainder of the Three Million Loan barely adequate to meet such an expenditure as may enable the Colonial Government to carry out the outline of those precautionary measures of defence which prudence will demand on the conclusion of five years' warfare in a country of mixed races.

His Excellency is aware of the extreme financial embarrassment under which Ministers have had to conduct his Government during the last few months; and will at the same time, they believe, readily admit that they have never proposed to recoup war expenditure by hasty and indiscriminate sale of confiscated land, whilst they have endeavoured cordially to co-operate with him in a firm but just and temperate policy towards the native race.

Under all the circumstances of the case, at a time when the Colony, instead of clinging to a Commissariat expenditure, is proposing to rely on the energy and manhood of the settlers, and the loyalty of both races, in order to secure the future peace of these Islands, and is thus adopting a policy one of the main features and immediate results of which will be to relieve the Imperial Exchequer of an annual expenditure of at least one million,—an expenditure which for some years past has entailed a sacrifice on the British tax-payer which the Colony recognises with gratitude; at a time when capitalists decline the Colonial securities because New Zealand has been involved in a protracted and disastrous war, for which the Colony cannot certainly be deemed wholly if at all chargeable; and at a time when the Colony is parting with a considerable portion of its remaining securities to repay arrears to the Imperial Government; Ministers submit that, at such a time, the Colony has a reasonable and just claim on the Mother Country for some pecuniary aid towards enabling it to bear the heavy responsibilities it is about to undertake.

They trust, therefore, that the Home Government will extend its aid to the Colony, either by covering the remainder of the Three Million Loan by the Imperial guarantee, or by making to the Colony an annual grant in aid of extraordinary expenditure for the next four or five years.

Ministers respectfully request that His Excellency will be pleased to transmit this Memorandum to Her Majesty's Secretary of State.

WILLIAM FITZHERBERT.

23rd March, 1865.

No. 20.

The Hon. the COLONIAL TREASURER to the INSPECTOR, Bank of New Zealand.

SIR,—

Treasury, Wellington, 15th March, 1865.

I have the honor to acknowledge the receipt of your letter of the 24th ultimo, in which you inform me of the little success you had met with in your attempts to dispose of the debentures of this Government in Australia. It is quite unnecessary for me to say that I have read your letter with great regret, and that I am much disappointed by the results of your mission.

Your claim for a commission of $2\frac{1}{2}$ per cent. on the debentures advanced upon by the Bank of Victoria shall be submitted to my colleagues, but I shall be obliged if you will inform me more fully of the reasons for making such a claim. I beg to know whether I am to regard it strictly as a guarantee commission, and if so, whether the Bank of New Zealand will be prepared to pay the amount advanced at the period named (six months after the 10th of February) supposing the Government not to be in a position to do so.

I have also to add that I made an application on the 2nd instant, through the Manager of the branch of your Bank here, to be allowed to overdraw my account for an additional sum of £60,000 during the present month, pending further arrangements. May I request a reply to this without delay.

I have, &c.,

WILLIAM FITZHERBERT.

D. L. Murdoch, Esq.,
Inspector Bank of New Zealand, Auckland.

D.