

eight per cent. Debentures falling due in London on the thirty-first of March next, and to meet other charges which will come in course of payment in the early part of next year. It is estimated that the aggregate amount of these liabilities will require a sum of from four hundred and fifty thousand pounds (£450,000) to half a million (£500,000.) If, therefore, you believe that such a sum could be placed on as favourable terms as a lesser sum, you will invite tenders for, say, half a million (£500,000.) But, as it is especially desirable that the first six per cent. Bonds sold should be placed at a fair average rate, as compared with other Colonial securities, you are authorized, if you are of opinion that a lesser amount would sell at a higher rate than the amount I have named, to call for tenders for such lesser amount, which should not, however, be less than two hundred and fifty thousand pounds (£250,000.) The proceeds of all sales are to be paid in, as they may be received, to the New Zealand Bank to the credit of the New Zealand Government.

The second Act, No. 58, extends the time during which the eight per cent. Debentures can be issued, from December, 1867, to December, 1868, and also authorizes a reissue of Debentures of the same amount as that represented by any Debentures previously in circulation, but which have been taken up, provided that the total amount secured shall not exceed £1,000,000.

The present Government does not however wish to use this power unless absolutely necessary, as it concurs in the opinions you have expressed on this subject, and which have been borne out by the result of the sales of these eight per cent. Debentures, to the effect—that the confidence of the money market in the securities of the Colony is diminished when so high a rate of interest is offered. This Government therefore proposes not only to abstain from disposing of any more eight per cent. Debentures, but also to take up as fast as possible those now in circulation. You will accordingly observe that one reason for promoting the sale of the six per cent. Bonds, is to enable the eight per cent. Debentures heretofore issued, to be taken up at an early date, and to avoid the necessity of issuing any more of them. The knowledge of this intention on the part of the New Zealand Government will necessarily enhance the value of the six per cent. securities of the Colony, as they will not for the future be brought into competition with the eight per cent. Debentures, and their value will further be increased by the raising of the Sinking Fund from one to two per cent., so as to secure that they will be paid off in a much shorter time than was previously proposed.

There are also other reasons to which I desire to direct your attention, which should predispose the London market towards the securities of the Government of New Zealand favorably, as compared with the estimation in which these securities have for some time been held. One of these reasons is to be found in the fact that the Native war, which has for some years entailed large extraordinary expenses on the Colony, is at its close. With the last month alone, many hundred Natives previously in arms have surrendered themselves, laid down their arms, and taken the oath of allegiance, while many others have been taken prisoners. And in many places where the Hau Hau fanaticism had existed, Natives friendly to the Government have eagerly turned out to aid in suppressing the fanatics and in establishing order. Obviously the result of this state of things will be to relieve the Colony from the large expenditure which it has for some time incurred, and which has for the time weighed so heavily on its resources. The present Government has openly avowed its intention to reduce the expenditure, and has already taken steps to do so. Concurrently the discovery of new and extensive Gold Fields on the West Coast of the Middle Island, is fast augmenting and will still further increase the population, the revenue, and general commerce of the Colony, and enable it to bear its burdens with ease.

The Act No. 68, now enclosed, cannot fail also to be attended with beneficial results, as it provides a means of discharging the liabilities of the Province of Southland, which owing to the numerous hands into which the obligations of that Province had passed, and the way in which they had been forced into the market, had a most prejudicial effect on New Zealand securities generally. The nineteenth section too of that Act, will have a most salutary effect in restricting the further accumulation of the public debts of the Colony, as it prevents any more Provincial Loans from being raised unless authorized by the General Assembly, which is not likely for the present to give its sanction to any such loans.

The circumstances I have just referred to, which will speedily become known, cannot but impart a healthy tone to the market in respect of existing New Zealand securities.

The Agents-General for Crown Colonies,
Spring Gardens, London.

I have, &c.,
E. W. STAFFORD.

No. 5.

Copy of a Letter from the Hon. E. W. STAFFORD to the CROWN AGENTS for the Colonies.

(No. 265.)

Colonial Secretary's Office,

GENTLEMEN,—

Wellington, 15th December, 1865.

In my letter No. 239, of the 14th November, you were informed that a portion of the proceeds of the sale of the 6 per cent. Bonds was to be applied to pay £100,000 of 8 per cent. Debentures, falling due on the 31st March, 1866.

The New Zealand Government has every reason to expect that, by that date, you will have been able to dispose of sufficient 6 per cent. Bonds to provide funds for the payment in question, at or above the minimum selling price of 90 per cent. Should, however, this expectation not be realized, the Government is not prepared to submit to these Bonds being sold for a price lower than that at which you are already authorized to issue them, and will prefer to re-issue, temporarily sufficient Debentures at 8 per cent. to retire those falling due on the 31st March next.

To meet such a contingency, you will accordingly receive, by next mail, a warrant authorizing you to make and issue Debentures at 8 per cent., under the Debentures' Act of last session (No. 58). You will thus be enabled to take such steps in the meantime to ensure your obtaining the amount required on the 31st March next, by the sale or hypothecation of securities bearing interest, either at 6 or 8 per