

this market for money—supposing, of course, that her resources continue to increase in a ratio at least equal to that of her debt.

It only remains for us to add that, in carrying out these measures, we have been guided by the strictest sense of economy compatible with a thorough execution of the work. Among the accounts which will be delivered to you will be found one embracing all charges incidental to the various transactions which have taken place under your directions. From this account you will perceive how small has been the percentage of expenses on the various operations; and that no charge whatever is made 15s. per £100. in respect of debentures and certificates representing £1,289,263, which were withdrawn and cancelled, but for which no new bonds were issued in exchange. Nor has any charge been made for creating half Sub-Enclosure I. a million of temporary debentures, and negotiating a loan of £450,000 thereon, and afterwards withdrawing and cancelling the bonds. In short, with the exception of  $\frac{1}{2}$  per cent. on £380,000 of the new loan, contracted under the Public Debts Act (out of which we had to pay the brokerage), nothing whatever has been charged for the services of this department.

Yours is only the second instance of the consolidation of the debts of a Colony in London, and the labour and responsibility attached to such an operation were very imperfectly understood by us at the outset, otherwise we certainly should not have felt justified in undertaking to carry it out on the terms stated in our letter to you of the 24th April last. Those terms were—as fully explained therein—very different from such as are commonly required by financial establishments working for a profit; still a bargain is a bargain, and we willingly abide by it, though we could not undertake another transaction of the kind on like conditions.

The time occupied in carrying out the conversion scheme may at first sight appear to have been unnecessarily long, but it was thought better not to run the risk of failure by any undue haste. It was absolutely necessary to give the most extended publicity to your proposals, and to allow ample time for holders to consider whether it was to their advantage to accept them or not. This process had to be repeated three times; and after the bonds of the first series had been thrown on the market (which they were from being chiefly held by speculators), prices became depressed, and there was for a time less desire to exchange the old stock for the new than had first been manifested. Under these circumstances, it was thought desirable to give time for the market to revive before proceeding with the second attempt; and in consenting to the delays which this state of things called for, we think you acted wisely, and that the object you had in view was thereby favourably influenced.

We cannot conclude this report without expressing to you the very great satisfaction we have derived from the patient and courteous manner in which you have invariably discussed with us the numberless and important points growing out of the foregoing transactions, and we believe that the success of our united efforts has been largely promoted by this hearty and enlightened co-operation on your part.

We have, &c.,

P. G. JULYAN,  
W. C. SARGEANT.

The Hon. W. Fitzherbert.

#### Sub-Enclosure A.

MR. PENROSE G. JULYAN to the Hon. E. W. STAFFORD.

Offices of the Crown Agents for the Colonies,  
12, Spring Gardens, London, 30th March, 1867.

SIR,—

In compliance with the request contained in the last paragraph of your letter of the 6th December last, I have now the honor to submit for the consideration of your Government a scheme for the consolidation of the public debts of the Colony.

2. In dealing with this important subject, it will be necessary to bear in mind that no scheme, however good in theory, can be successful unless it holds out the promise of advantages sufficient to induce the holders of the existing securities to come freely into it.

3. On the other hand, unless the change be attended with some considerable advantage to the Colony, present or prospective, it would cease to be desirable.

4. In the present state of affairs, the independent action of the Provincial Governments in this market, where their respective securities are offered to the public as “New Zealand Debentures,” has a constant tendency to depreciate the value of those issued by the General Government, while at the same time direct competition is thus produced between the Provinces themselves, and prices generally are prejudicially and unnecessarily influenced.

5. In a still greater degree the Provincial securities are depreciated by being excluded from the official list of the London Stock Exchange, and as a consequence it frequently happens that sales, to any considerable extent, cannot be effected, except at very great sacrifice; and temporary advances on Provincial debentures cannot be obtained, in times of pressure, at any price whatever.

6. These are the principal objections to the various Provincial loans as they now stand.

7. The securities of the General Government are differently circumstanced, still they would also be benefited by consolidation; and although it would be quite possible, and to some extent profitable, to confine the proposed operation to the Provincial loans, still, having regard to the probable necessity hereafter of contracting further debts of this kind, it would appear highly desirable that all New Zealand loans should be consolidated into one general stock, and it is believed that the results would tell strongly in favour of future negotiations, by enabling the Government to borrow on better terms.

8. After much consideration, the Crown Agents have come to the conclusion that the objects in view will best be attained by the conversion of the various securities now in existence into debentures bearing interest at one uniform rate of 5 per cent., with a cumulative sinking fund of 1 per cent., to be applied by annual drawings to the gradual extinction of the debt.

9. The enclosed statement will show in what manner and at what rates it is thought this conversion could at the present moment be successfully carried out; and although the markets may in all probability have somewhat advanced before the scheme could possibly be brought before the public, yet it is believed that the relative prices of the General and Provincial stocks, upon which the rates of