

"DEAR SIR,—

"Sydney, New South Wales, 17th January, 1872.

"I think that a very good opportunity offers for the profitable investment of a moderate amount of English capital; and I have to suggest to you to interest yourself and your friends in the matter.

"You are no doubt aware that, for some years past, great efforts have been made in the direction of developing the resources of the Islands of the Pacific Ocean.

"The Hawaiian group has an established Government, under a joint Protectorate, and is, on the whole, very prosperous. The Society group, of which Tahiti is the centre, has also a very well-established Government, and is, to a certain extent, a prosperous French Colony. New Caledonia, another French Colony, is likely to be more or less progressive. To the Fiji Islands, there has been a 'rush' such as we are accustomed to see only in the case of gold-mining districts. A very large amount of European capital has been employed there, especially in Cotton Plantations. The Navigator Islands, which are only about six days' steaming from New Zealand, and in the direct track from San Francisco to New Zealand, have been quietly but steadily progressing, since the investment of a considerable amount of outside capital. One of these islands is to be made the Coaling Depôt for the line of steamers lately established between San Francisco and New Zealand. The group occupies a central position relatively to the other groups in the Pacific; and will, I think, become most important.

"Of the whole of the islands mentioned, it may be said that the mercantile facilities they possess are scanty, and that Banking facilities are almost, if not quite, unknown in them. I do not speak positively, but I am under the impression that, with the exception of a sort of private agency of the Bank of California which exists at Honolulu (in the Hawaiian group), there is nothing in the shape of a Bank in any of the islands. I may be wrong in this conclusion, so far as Tahiti and New Caledonia are concerned; for it is possible that in one or both of them some French Bank may be represented.

"But, be that as it may, I am convinced that a splendid opening for a Banking business exists in the Pacific Islands generally. In connection with the Bank there should be a Mercantile Association, such as is nearly associated with some of the Colonial Banks. The Association should take up business not strictly of a Banking character, but should take it in connection with the Bank, so as, by its operations, to aid the Bank as well as itself. There is some such an institution in connection with the Bank of New Zealand; with the Union Bank of Australia; and with the Bank of Otago. I am under the impression that other Banks have similar allied institutions.

"In the present case, you might think it desirable not to keep the two apart, but rather to make the Banking and the Mercantile Association one affair: though I am under the belief that it is desirable they should be kept apart.

"I would suggest that an Association should be formed in London, with a sufficient amount of capital: that a number of the shares should be reserved for sale in the colony: that Auckland, New Zealand, should be made the head-quarters of the Local Board: but that the Bank itself should not do any business either in New Zealand or Australia. I strongly advise the latter course; since I am sure that if the Bank does not come into competition, in Australia or New Zealand, with other Banks, the latter would be able to throw in the way of the former a very great deal of business in and connected with the Islands.

"I am under the impression that if you entertain the idea I have now put forth, you could find persons connected with Australian or New Zealand Banks who would be willing to join you.

"I feel satisfied, also, that it would be well worth your while to start the Associations—or an Association, should you prefer that course—at once; to send out, without delay, authority for the establishment of a Local Board, for the sale of shares in the colony, &c.; also, either to send out some one representing the promoters at Home, whose duty it should be to make arrangements in different islands or groups, or else to authorize the appointment in the colony of such a representative. I am under the impression that a person of good tact, and possessing a knowledge of Banking, might proceed to the different groups and obtain large and valuable concessions in many of them, as regards the Government business, as well as the right, under certain conditions, to issue paper money: in short, that concessions might be secured, such as would enable the Bank to be at once started under favourable circumstances.

"I would suggest that the name should be 'The Pacific Islands Bank,' and that if you have an affiliated institution, you should call it 'The Pacific Islands Mercantile Association.' If you think that the Bank and the Association should be one, I would advise the joint name, 'The Pacific Islands Bank and Mercantile Association.'

"With respect to statistics of the trade and prospects of the various islands, they can be obtained much more elaborately at Home than in the Colonies. The Foreign Office has extensive information upon the subject generally. There are also pamphlets and books published, from which you would be able to obtain any information you require.

"As to the nature of the Banking business, I have to say that the islands mostly produce a valuable description of cotton; and that they all, more or less, produce other tropical articles of commerce, such as coffee, sugar, &c. The planters are at present under great disadvantages as to financing. The Association connected with the Bank would have no difficulty in doing a very large business in the nature of making advances upon produce consigned to England or to America. Small steamers plying between the Islands might collect produce at a central station, say, the Navigator Islands. To that group large ships will have to proceed with coal, and those ships would be able to load with cotton and other produce, for England or America. These remarks apply only to the small groups: at the larger groups, such as the Fijian and Hawaiian, the business would be of an established character, and would admit of direct communication.

That was on the 17th January, 1872; and my friends wrote me in reply. I will read an extract from their letter, dated April 4, 1873, which will show you why the thing afterward slumbered in my mind for some time:—