

them, is most unbecoming, and detrimental to the interests of the public service; and I have the honor formally to make complaint upon the subject.

5. Information I have received from the colony leads me to suppose that, owing to the letter in question, and particularly its sixth paragraph, a wide-spread misunderstanding exists as to my action in London. That information causes me to conclude that the impression prevails in New Zealand that it was my personal action that led to the proceeds of the Four Million Loan being deposited with the Bank of New Zealand, and that the arrangement with the Bank for increasing the rate of interest determined the deposit of the money with the Bank.

6. I believe that sufficient importance has not been given to paragraph 2 of my letter to you, B.—5, 1875. dated 4th May, as follows:—"I may observe that it was not until I had informed the Agent-General No. 7. of the terms I had made with the Bank, that any intimation was given to me of its being deemed desirable to remove part of the account."

7. The determination to deposit the money with the Bank of New Zealand was arrived at by the Agents at the time of the negotiation with Messrs. Rothschild and Sons. Sir P. G. Julian was absent; but the other three Agents agreed upon the point. There was some discussion between us as to whether or not the money should be first paid into the London and Westminster Bank, and afterwards be transferred to the Bank of New Zealand, as had been done on previous occasions. I objected to this course, because it would involve loss of interest between the dates of receiving and paying over the money, and that no possible object could be gained by first paying the money into one Bank, and then handing it over to another. It was then determined that, if the Bank of New Zealand were willing to sign for the deposits and to hand over the scrip, the payments should be made to that Bank. Of course without the consent of the Bank to perform the duties mentioned, its name could not be inserted in the contract as that of the Bank to receive payments; and I was asked to merely see Mr. Russell, and obtain the consent of the Bank.

8. No intimation of a desire to change the account having been made to me, and the money having been, by agreement, deposited with the Bank of New Zealand, I felt it to be my duty to obtain the largest interest possible for the balances. You will have observed that the opinion of Counsel obtained by the other Agents fully bears out my action. I am not at all now dealing with the question what course I might have adopted if, at the time of the negotiation of the loan, the other Agents had objected to payment into the Bank of New Zealand. There cannot, I think, be any doubt that that Bank is, by our agreement (which cannot be broken without six months' notice), the Bank of the Government. At the same time, the management has always shown readiness to consider modifications of the agreement rendered necessary by peculiar circumstances; and, had it been desired by the other Agents to limit the amount to be deposited with the Bank, I feel sure there would not have been the slightest difficulty in arranging it, so far as the Bank was concerned. I considered at the time—and I cannot now see any reason for coming to another conclusion—that the idea of interfering with the account only occurred to the other Agents after I had arranged with the Bank for a better rate of interest, and had informed the Agent-General of the fact.

B.—5, 1875.
Enclosure 5, in
No. 7.

9. I am of opinion that, should it be desired, in future, to limit the amount deposited with the Government Bank, it would be advisable the balance should be invested in Consols, which are always saleable, and the fluctuations in the price of which are not large, and would, except very rarely, be covered by accretions of interest. In the absence of disturbing causes, Consols could be sold at the price at which they had been purchased, and there would be the interest that had accrued between purchase and sale.

10. As so much publicity has been given to previous correspondence on this subject, I have the honor to suggest that this letter and the enclosures should also be published.

Hon. D. Pollen, Wellington

I have, &c.,

JULIUS VOGEL.

No. 6.

Sir P. G. JULIAN, &c., to the Hon. Sir J. VOGEL.

SIR,—

London, 16th December, 1875.

Referring to the letter addressed to you by two of us on the 16th October last, we have now to reply to your letter of the 15th of that month.

2. You state that in your opinion it was an unjustifiable proceeding on our part to address to the Government of New Zealand our letter of the 13th May last, without supplying you—the member of the New Zealand Government to whom belonged the charge of the matter under consideration—with a copy of it; and that the withholding from you the important legal opinion we had obtained relative to the Bank of New Zealand, appears to you to be entirely without justification.

3. The circumstances of the case were these:—By the 16th section of "The Public Revenues Act, 1872," the Governor of New Zealand, or any person or persons duly authorized by him by Warrant, was empowered to direct into what bank or banks all moneys, the property of the Government of New Zealand in any place beyond the colony, shall be paid; and by Warrant under the hand of the Governor, dated Wellington, the 18th day of January, 1873, in pursuance of the above powers, we—viz., Isaac Earl Featherston, Esq., Penrose Goodchild Julian, Esq., C.B., and William Charles Sargeant, Esq.—were empowered to direct and appoint into what bank or banks, in the City of London, moneys the property of the Government of New Zealand should be paid.

4. On the 20th April last, we informed you that the amount standing to the credit of the New Zealand Public Account at the Bank of New Zealand was £2,228,482; that we had considered the propriety of keeping so large an amount at any one bank; and that, acting on the powers vested in us by the Warrant referred to above, we proposed to divide the amount by placing portions of it on deposit with some of the large joint-stock banks, such as the London and Westminster and the London Joint-Stock Bank.