

1877.

NEW ZEALAND.

# LOAN NEGOTIATIONS

(FURTHER CORRESPONDENCE RELATING TO).

*Presented to both Houses of the General Assembly by Command of His Excellency.*

## No. 1.

Sir P. G. JULYAN and Mr. SARGEANT to the COLONIAL SECRETARY.

SIR,—

London, 21st September, 1876.

In the further correspondence printed by your Government, relative to the negotiation of the Four Million Loan—a copy of which has casually come to our notice—we observe that the words “as Crown Agents for the Colonies” were inadvertently used in the third line of our letter to you of B.—3, 1876, the 21st September, 1875. This line should have been written as follows:—“and we now beg to No. 10. address you in our individual capacity with regard to,” &c.; and we beg that you will be good enough to make the correction accordingly.

2. As we have acted for New Zealand in the various, and distinct, capacities of

Agents for Loans,  
Agents for the Public Account,  
Agents for Sinking Fund Commissioners, and  
Crown Agents for the Colonies,

it can scarcely be matter of surprise that we should occasionally have misdescribed ourselves. In this instance, it was probably due to the fact that we had just ceased (from the completion of the work) to be special Loan Agents. We have, not indeed unfrequently, been similarly addressed under a wrong designation in official documents emanating from your side.

3. The context of the letter will, however, abundantly show that we were not writing as Crown Agents. The subject with which it dealt was not one with which, as Crown Agents, we had had anything to do. We simply availed ourselves, as individuals, of the opportunity offered by the expiration of one special appointment—which had originally been conferred upon us without solicitation and without any previous consultation with us—to request that we might not, under certain possible contingencies, be again expected to accept a similar appointment.

4. At that time, our further employment on behalf of New Zealand as “Crown Agents” had been practically terminated by engaging other agents to perform those specific services which the Crown Agents had been solicited by the Government of New Zealand to undertake, at a time when your Financial Minister found it impossible to float a loan in this market without the aid of the Crown Agents’ department.

5. There remained, therefore, to us as Crown Agents, no engagement towards New Zealand but that of completing undertakings previously entered into, viz., paying the interest and capital (when due) on loans previously placed in the market by the Crown Agents, under arrangements which appear to us to possess all the force of written contracts, which we believe cannot in good faith be abrogated without the consent of all parties concerned, i.e., the Government of New Zealand, the Crown Agents, and the bondholders, who are all parties to the agreement.

6. From this it will be clear that there was no intention on our part, as Crown Agents, to treat questions arising out of prospective employment of an individual nature “as questions affecting the Crown Agents’ office.”

7. As already stated, your Government had practically terminated the relations which had subsisted between themselves and the Crown Agents, for the sole purpose of dealing with New Zealand loans, and, with regard to future operations, we had nothing to say against such a course.

It is perfectly free to the Government to contract their loans through any channel they may see fit; and we conceive it is as free to us—without being open to the charge of “assuming to control the discretion of the Government in the appointment of agents”—to decline, by anticipation, any new appointment of a personal nature that your Government might again contemplate offering for our acceptance.

8. We abstain from making any observations on the contents of the Executive minute of the 13th June last, until the matter comes officially before us. B.—3, 1876, No. 11.

We have, &amp;c.,

P. G. JULYAN.

W. C. SARGEANT.

The Hon. the Colonial Secretary, Wellington.

## No. 2.

The COLONIAL TREASURER to Sir P. G. JULYAN and Mr. SARGEAUNT.

GENTLEMEN,—

Treasury, Wellington, 14th November, 1876.

I have the honor to acknowledge the receipt of your telegram addressed to the Colonial Secretary, and dated September 25th, requesting that the first paragraph of your letter of September 21st, 1875, should be corrected, by the substitution of "individual capacity" for "capacity as Crown Agents for the Colonies," the latter phrase being a "clerical error."

B.—3A, 1876.

2. The telegram, and the paragraph in its corrected form, were at once laid before the Assembly, and were printed as a Parliamentary Paper, a copy of which is enclosed.

3. I have also to acknowledge the receipt of your letter on the same subject, dated September 21st. Parliament had been prorogued several days before that letter arrived; but it shall be laid before each House, and printed, immediately after the opening of the next session.

Sir P. G. Julian, K.C.M.G.

W. C. Sargeant, Esq, C.M.G.

I have, &amp;c.,

H. A. ATKINSON.

## No. 3.

The COLONIAL TREASURER to Sir J. VOGEL.

SIR,—

Treasury, Wellington, 14th November, 1876.

See No. 1.

I have the honor to enclose, for your information, copy of a letter received from Sir P. G. Julian and Mr. W. C. Sargeant, correcting a previous letter, in which they used, inadvertently as they allege, the term "as Crown Agents for the Colonies," instead of "in our individual capacity;" and of my reply thereto.

Sir J. Vogel, K.C.M.G., &amp;c., London.

I have, &amp;c.,

H. A. ATKINSON.

## No. 4.

Sir J. VOGEL to the COLONIAL TREASURER.

7, Westminster Chambers, Victoria Street, Westminster, S.W.,

SIR,—

9th January, 1877.

I have the honor to acknowledge the receipt of your letter, No. 75, of the 14th November last, enclosing, for my information, copy of letter received from Sir P. G. Julian and Mr. W. C. Sargeant, and that of your reply thereto; and have the honor to thank you for the same.

I have, &amp;c.,

JULIUS VOGEL,

Agent-General.

The Hon. the Colonial Treasurer, Wellington.

## No. 5.

The SECRETARY of STATE for the COLONIES to His EXCELLENCY the GOVERNOR.

MY LORD,—

Downing Street, 30th January, 1877.

With reference to your Lordship's despatch No. 30, of the 26th of June last, forwarding a copy of the minute of your Executive Council, dated the 13th of June last, on the subject of the relations between your Government and the Crown Agents for the Colonies, I have the honor to transmit to you the accompanying copy of a correspondence with those gentlemen on the subject.

I have, &amp;c.,

Governor the Most Hon. the Marquis of Normanby, K.C.M.G., &amp;c.

CARNAVON.

## Enclosure 1.

The CROWN AGENTS to the COLONIAL OFFICE.

SIR,—

Downing Street, 7th December, 1876.

We have the honor to acknowledge the receipt of your letter of the 21st ultimo, forwarding a copy of a despatch from the Governor of New Zealand, to which is annexed printed copy of a minute by the Executive Council, upon our letter to the Colonial Secretary, of the 21st September, 1875, and with reference to which we beg to submit, for the Earl of Carnarvon's information, the following observations:—

The letter in question, though made to appear as part of the correspondence referring to the Four Million Loan, was in reality written after we had rendered our final accounts of that loan, and had ceased to hold the commission in virtue of which we were, for the occasion, associated with the late Agent-General, and the then Treasurer of New Zealand, for the express object of determining how, when, and by whom it should be negotiated in this country.

The loan was placed on the market by Messrs. Rothschild; and, as the minute correctly states, it was as individuals, and not as Crown Agents, that we had anything to do with it.

On the invitation of the Colonial Government, we consented to fill the onerous and responsible position of joint advisers on this occasion, and, having completed the task devolved on us in that position, we simply requested, in our individual capacities (for reasons stated in the letter), that we might not at any future time be asked to perform similar functions in conjunction with a colleague with whom we had found it impossible to agree.

It is difficult to understand why exception should have been taken to our adopting this course, as it was manifestly conceived in the interests of the colony; but owing, it is presumed, to an inadvertence on our part, which is fully explained in a letter and telegram which we addressed to the Colonial Secretary the moment we became aware of it, and of which copies are enclosed, the Executive appear to have attached a meaning to our letter which it was never intended by us to convey, and to have treated our request, which had reference solely to an intermittent employment of an extra-official nature, as a question affecting our duties as Crown Agents; and their minute appears to us to be founded throughout on this misconception.

This fact, we presume, they have since become aware of, for, apart from the circumstance that we subsequently raised in this market a further loan of £1,250,000 for them, as Crown Agents, it was only two days ago we received official notification that we had, in our individual capacity, been associated with the new Agent-General to fill an office created by the Public Revenues Act of 1875, to control the Public Account of New Zealand with their bankers in London; and by the same post received warrants as Crown Agents, for the payment of interest on existing loans, which will not fall due until March, 1877.

There are, however, one or two other questions raised by this minute, which call for some explanation.

In paragraph 3, it is stated that "the Crown Agents' services as Crown Agents were placed at the command of the colony by the Colonial Office." If, by this, it is meant that the colony have a right to command the services of the Crown Agents in all things, we humbly conceive they are mistaken. For general purposes they have a London agency of their own. The services of the Crown Agents were granted to them, at their own request, for one specific object, viz., the negotiation of public loans; and that concession originated in the following manner:—

In 1864, the Colonial Government sent their Finance Minister to this country to endeavour to raise the first large loan which had been attempted by the colony in this country. At that time, the money market was in a most unfavourable condition for such operations, and, after careful inquiry among City financial agencies of good standing, that gentleman was advised that his best chance of success was to endeavour to get the Crown Agents to take the matter in hand, because the public would have greater confidence in a loan raised by comparatively unknown borrowers, if it were found to emanate from a well-known public office.

Impressed with that belief, the Finance Minister appealed to us for assistance, and was told that, with the Secretary of State's permission, we should be prepared to undertake to raise the money.

The Minister then, at our suggestion, addressed himself to the Colonial Office, by whom the Crown Agents were in turn informed that, if they saw no objection to doing so, they were at liberty to comply with the Finance Minister's request.

This they accordingly did, on conditions identical with those laid down for their guidance in dealing with other borrowing colonies.

In a similar manner, successive loans were dealt with, until the Four Million Loan, already referred to, was about to be raised, when the colony, in the exercise of their undoubted right, chose to place it on the market through another channel.

This, we submit, is a very different thing from placing the Crown Agents' services generally at the command of the colony.

The only other point upon which we think it necessary to offer any observation is the idea which seems to be entertained by the Colonial Government, that they have the right to set aside the engagements into which they have from time to time entered with the Crown Agents and with the bondholders, as to the final repayment of capital and the periodical payment of interest on loans already placed on the market.

To give confidence to investors, at the time of borrowing, it was advisedly set forth, in advertisements inviting tenders, that both would be paid at the offices of the Crown Agents, and these conditions took the form of a written promise in every bond and every coupon issued.

In guaranteed loans, the Secretary of Her Majesty's Treasury united with the colony's representatives in signing such undertaking, as will be seen on reference to the sample debenture enclosed; and in unguaranteed loans, the Agent-General of New Zealand signed the same form of bond on behalf of his Government: and whether, in point of law, such written undertakings form binding contracts or not, we can hardly suppose that any colony having a proper regard for its credit would lightly revoke such a promise; and we feel assured that the Treasury would be no party to such a change as far as the guaranteed loans are concerned.

It was, moreover, a part of the consideration to be paid to the Crown Agents' department for placing the loans on the market, that interest and principal should be paid at their offices; and a staff has been maintained for that purpose, on the faith of these agreements, which could now only be abolished at considerable cost.

With regard to future loans, the Crown Agents have no claim whatever to become the negotiators of them, and it is open to the colony to make them payable where they please.

If the proposed conversion of New Zealand debentures into stock, payable at the Bank of England, be carried out, then the management of New Zealand loans will, by a natural process, be gradually transferred to that establishment.

Robert G. W. Herbert, Esq., &c.,  
Colonial Office.

We have, &c.,  
P. G. JULYAN.  
W. C. SARGEANT.

## Enclosure 2.

The COLONIAL OFFICE to the CROWN AGENTS.

GENTLEMEN,—

Downing Street, 30th January, 1877.

With reference to your letter of the 7th ultimo, on the subject of the relations between yourselves and the New Zealand Government, I am directed by the Earl of Carnarvon to inform you that,

after consideration of all the circumstances connected with your employment in a personal capacity independent of your position as Crown Agents, his Lordship has thought it desirable, as already intimated to you, in the letter from this office of the 22nd ultimo, on the occasion of the increase of your staff and the revision of your office arrangements, to decide that you shall not in future act for any colony in any other capacity than as Crown Agents collectively.

2. It has been shown that misapprehensions and complications may arise from your acting in two distinct capacities. His Lordship is, therefore, of opinion that for the future it will be preferable that you should confine yourselves to the discharge of those duties on account of which the establishment of the Crown Agents was originally formed; and accordingly you will do no acts, and receive no remuneration, except strictly as Crown Agents. In view of this decision, Lord Carnarvon has recommended, and the Lords Commissioners of the Treasury have acquiesced in, an increase of your salaries.

3. Lord Carnarvon will, of course, be very willing that you should act for New Zealand, or any other colony under responsible government, on terms not inconsistent with the above conditions; and if the Crown Agents should be appointed in conjunction with one or more other gentlemen, at any time, as loan agents for any particular colony, it would appear possible for one of them to discharge this duty, and to act on behalf of your office, without the necessity for the others taking a prominent part in the business.

4. A copy of this correspondence has been sent to the Governor of New Zealand.

I am, &c.,

The Crown Agents for the Colonies.

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By Authority: GEORGE DIDSBUXY, Government Printer, Wellington.—1877.

Price 3d.]