

they were able to announce to the Treasury that the Bank of England had agreed to bring out the two loans together upon receiving advice that the flaw in the Act of 1887 had been amended.

The position of affairs on the 7th January, 1888, when the Agent-General was informed of the discovery of the flaw in the Loan Act, may thus be summarised: The colony had liabilities to meet in London to the end of April to the amount of £814,900 for interest and miscellaneous services. In addition to which there was the repayment to the Bank of New Zealand of £200,000 advanced in October in excess of the amount—£400,000—which under its contract the bank is bound to advance. Cash had also to be provided, in London if possible, to meet the balance of the deficit of the Consolidated Fund not yet provided for, then estimated as probably £500,000 or over—say, £300,000—making a total of £1,314,900. This was exclusive of the advances of £795,000 obtained upon the security of the guaranteed debentures, which were repayable at short dates. They, no doubt, could have been renewed, as indeed they partially were; but it would have been very poor finance to have allowed the whole of them to remain outstanding on the eve of issuing a new loan. Any such evidence of financial weakness would have had a most prejudicial effect on our credit. It was, therefore, necessary that an effort should be made to redeem as large an amount of these debentures as practicable, and otherwise to make our position in London as strong as it was possible to make it with the resources at our command.

Position of affairs
7th January,
1888.

£1,314,900 re-
quired in London
by about 30th
April, 1888.

The means available to meet these large liabilities were—cash at credit of the Government Account at the bank in London, £2,569; cash in the Public Account in the colony, £142,409; Imperial-guaranteed debentures unpledged, £5,000; bank drafts transmitted in December, £350,000; sinking funds to be released, &c., £155,600; and such revenue as might accrue in excess of requirements in time for transmission by cable, say, about £180,000: making a total of £835,578, being about £479,322 short of the liabilities to be met, and without making provision for redeeming any of the pledged £795,000 Imperial-guaranteed debentures, or paying off £400,000 of the amount owing to the Bank of New Zealand. Such, then, was the position: never before had the colony been so critically situated. It was absolutely necessary, as I have shown above, to obtain money to meet our engagements pending the issue of our loans; our credit was at the lowest ebb in London; we were under obligations to our bankers for advances of half as much again as we were entitled to under our contract. The whole of the guaranteed debentures, except £5,000, had been pledged, one of our largest financial institutions had passed its dividend, and great anxiety and distrust existed in money circles in consequence. There was a large deficit in our consolidated fund, and our revenue was still falling or stationary. In these circumstances the Treasury had to rely upon its own resources and such other help as could be obtained in the colony to strengthen its very precarious position. It became, therefore, my duty to obtain, if possible, the necessary assistance locally. This I succeeded in doing as follows:—

Means available
in London by
about 30th April,
£835,578.

Treasury had to
make best pro-
vision it could to
meet require-
ments.

In January the Auckland Savings-bank, being in want of an investment, offered the Government £50,000, which was advanced on deficiency bills; and in the beginning of February the Government entered into an agreement with the Colonial Bank for advances to the amount of £700,000, which were paid into the London account on the following dates: 4th February, £150,000; 31st March, £350,000; 18th April, £150,000; 30th May, £25,000; 5th July, £25,000. These sums, together with remittances from the colony, &c., were applied by the Agent-General as follows: 7th to 31st January, interest and other charges, £90,652; February—interest and other charges, £82,182; redemption of Imperial-guaranteed debentures, £95,000: total, £177,182. March—interest and other charges, £31,018; redemption of Imperial-guaranteed debentures, £150,000: total, £181,018. April—interest and other charges, £611,048; redemption of Imperial-guaranteed debentures, £150,000: total, £761,048. And on the 30th April there was left in the Bank of New Zealand in London, £3,043.

Provision made
by Treasury.

It is interesting to note the effect upon our credit in London of these operations, as gauged by the price of New Zealand Inscribed Four-per-cents. In

Effect of such
provision in
London on credit
of colony.