

wilfully committed by the Government to benefit itself at the expense of the public creditors we consider constitutes a just claim against the Government on the part of every New Plymouth bondholder who purchased bonds between the 24th October and the 1st May last, and who was thereby deceived into the belief that he was investing in a solvent security. Further than this, the New Zealand Government have, in an equally unauthorised manner, commenced repaying themselves for the cash they advanced to suit their own purposes, and the May payments to the bondholders were additionally reduced in consequence. All through this business the New Zealand Government have shown an absence of care for those rigid lines of financial rectitude which is really lamentable. The interest on these bonds was in part secured by land-sales in the neighbourhood of New Plymouth, but, without compensation to the Board, the Government established a system of perpetual leases, which obviates the payment of cash by the purchaser of land. Then, when the New Plymouth Board announce that they cannot go on, the New Zealand Government, without informing the bondholders, step in and to suit themselves pay a half-year's interest, and after that, equally to suit their own convenience, not only wash their hands of all further liability, but seize the moneys which should rightly belong to the bondholders. Naturally, the New Zealand Government did not tell the bondholders last November that they were finding the money, because it would have created a precedent. But the precedent has been created, since Mr. Mitchelson, in his innocence, has divulged the secret.

### No. 12.

The AGENT-GENERAL to the Hon. the COLONIAL TREASURER.

(Memorandum.)

Westminster Chambers, 13, Victoria Street, London, S.W., 14th November, 1890.

NEW PLYMOUTH HARBOUR BOARD.—I beg to enclose a letter which appeared in the *Economist* of 8th November, and also extracts from the *Daily News*, the *Financial Times*, and the *Standard*, of the 10th, 12th, and 13th November respectively, relating to the New Plymouth Harbour Board default.

In my memorandum of the 5th September, No. 1274, transmitting an article which had appeared in the *Economist* on the same subject, I said that, whatever might be the report of the Select Committee of the House of Representatives then sitting, it would be difficult to make any official statement in this country after what had passed in the debates on the subject. What was a difficulty then has become an impossibility, so far as the Agent-General is concerned. I could not make any statement in answer to such letters as are enclosed, without expressing opinions which are well known to the Government, yet, as Agent-General, such opinions ought not to be expressed without the authority of the Government. So far as the opinion of Parliament can be gathered from the debates, it seems clear that the differentiation of the New Plymouth Harbour Board from other Harbour Boards in the colony is not admitted to constitute any claim, while the circumstances under which the Government determined to advance the money for the coupon of November, 1889, and the conflicting opinions expressed thereon in the course of the debates, would make any answer to accusations here both difficult and hazardous.

At the same time, it is my duty to state that, since the adverse decision has become known here of the Select Committee against the petition of firms of high standing in the City, very strong opinions have been expressed in financial circles against the refusal to grant any redress, and it will be seen from the letter which appeared in the *Economist* that threats are not wanting of boycotting any new loan or financial operation. The risk of a combination of this kind must not be left out of consideration when the Government are deciding whether a conversion of the "sixes" of 1891 is to be made next year, though I do not myself think much of such threats.

F. D. BELL.

### Enclosure in No. 12.

[Extract from the *Economist*, 8th November, 1890.]

NEW PLYMOUTH HARBOUR BOARD.

SIR,—

24, Throgmorton Street, E.C., 5th November, 1890.

In your edition dated the 23rd August last, you justly drew attention to the extraordinary course pursued by the New Zealand Government in hiding the default of this Board, because they found it convenient for their own purposes to deceive the British public.

On two occasions, in order to bolster up the credit of the colony, did the Government voluntarily provide the requisite funds for the service of the loan, and purposely suppress letters from the Chairman of the Harbour Board stating the inability of the Board to meet its engagements. When, however, the Government had effectually carried out the scheme of conversion they were engaged upon, and had nothing more to gain by further misrepresentation, they let the Board disclose to the bondholders the exact position of its affairs.

The deception practised by the Government is distinctly reprehensible, and entails very serious consequences upon many investors here, who, upon the national importance of the harbour to the colony, and the known fact that the Government were directly interested in it, were led to invest trust funds in the bonds, and now find themselves called upon to make good the loss that has arisen. I purchased several amounts of these bonds for trustees, after making careful inquiries on the Stock Exchange, and being informed that the interest had always been punctually paid, and that the Government would not let the Board default.

Upon my clients the loss is especially hard, as they only bought as late as April last, and if the Government had not suppressed the two previous notices of default issued by the Chairman of the Board, they would, of course, have been spared their loss.