

A petition has been presented to the New Zealand House of Parliament, fully setting forth the facts of the case, but you will see by the enclosed letter from the Chairman of the Board that the Government disclaim all responsibility.

The real cause of the Board's difficulties arises from the fact that the endowment of lands made by the Government has been rendered practically valueless by an Act regulating the sale of such lands, which was passed subsequently to the issue of the bonds, and deprived the Board of the means of raising the funds necessary for the service of the loan.

The Board and its bondholders have great cause of complaint at the treatment they have received from the Government, and, when they next appeal to the British public for a further loan, all the circumstances connected with this matter will be fully remembered.

I have, &c.,

The Editor of the *Economist*.

WALTER BUSBY.

No. 13.

The CONTROLLER and AUDITOR-GENERAL to the COLONIAL TREASURER.

The Treasury.

I WROTE to the Audit Inspector in London a year ago to say that the coupons of the New Plymouth Harbour Board which the Government paid at that time ought to be handed over to the Government, and that the Government would no doubt instruct the Agent-General on the subject. He replied that no instructions had then been received. Will you be so good as to state if any have since been sent, and where those coupons are at present?

5th February, 1891.

JAMES EDWARD FITZGERALD.

No. 14.

The CONTROLLER and AUDITOR-GENERAL to the COLONIAL TREASURER.

On the Accounts of the New Plymouth Harbour Board with the Government.

It is impossible to read Mr. Farie's letter without feeling that the bondholders of the New Plymouth Harbour Board have a *prima facie* claim on the Government for a guarantee of the loan. The inducement held out to subscribers to the loan was that its security was a large tract of good land, worth so much money, and disposable at a price which would realise so much money. The Government, it is true, did not guarantee that the price would not be altered; but it did not demur to, or take exception to, the statement made by the Harbour Board that land of such a value was to be security, implying that the power of diminishing the security would not be exercised during the currency of the loan. The fact that the Government did come forward upon the first occasion on which the Harbour Board was unable to pay its interest, and supplied the funds which enabled it to do so, cannot fail to be used as an evidence that the Government felt it was not without responsibility in the matter.

JAMES EDWARD FITZGERALD,

Controller and Auditor-General.

6th February, 1891.

LETTERS from NEW PLYMOUTH HARBOUR BOARD BONDHOLDERS, and CHAIRMAN'S reply, referred to in foregoing Memorandum by the Controller and Auditor-General.

At the Harbour Board on Wednesday, the 9th July, the following letters from holders of New Plymouth Harbour bonds were read:—

GENTLEMEN,—

14, Second Avenue, Brighton, 8th May, 1890.

As holder of £3,200 of your Harbour bonds, I was much surprised, as you may imagine, to be paid only at the rate of 10s. 10d. in the pound on account of the coupon due on the 1st May, and to receive your circular of the 20th March. I purchased the bonds on the 23rd and 28th April—more than a month after your Board were aware that the coupon due the 1st May would not be paid in full. To delay announcing this fact by cable to your agents in London for publication can be characterized only as an act of gross dishonesty; and I shall be glad to learn what explanation your Board can give of it. The withholding of this information gives colour to the notion that the Board had some object to serve—viz., to afford those behind the scenes an opportunity of disposing of the bonds they held before the public at large were aware that any default on account of interest would occur. In the prospectus of the loan issued on the 1st July, 1879, by the Bank of New Zealand, it is stated that “the Government recognised the necessity and importance of the harbour-works from a national rather than a local point of view, and endowed the Harbour Board with one-fourth part of the gross revenues arising from the sale or occupation or other disposal of the waste lands of the Crown within the province. The area of waste lands at present held by the Crown consists of about 570,000 acres, representing a value of about £1,400,000. In addition, the Government are in negotiation for the purchase from Natives of 500,000 acres of land, estimated to be worth about £1,000,000”—thereby intimating that this second lot of land will be appropriated for the service of your Board, and security of the loan. It is further stated in the prospectus that “the Taranaki District contains some of the finest land in the colony.” The statements of the prospectus I have quoted and the statements of your circular are at variance, and lead one to the conclusion that the prospectus was a puffing, lying one, or that thoroughly bad management has been displayed in the conduct of all the concerns of the harbour, and “the sale, occupation, and other disposal of the land.” What has become of the 1,070,000 acres of land said “to consist of some of the finest in the colony,” valued at about £2,400,000? Is it possible to believe that with good management that £11,400 per annum for the service of the loan cannot be obtained from that