

market simultaneously with the issue of the loan; and that if there was to be any default, the sooner it was known here the better. But I went on to say that it would be unwise to run the risk of reducing the issue price of the loan by even $\frac{1}{4}$ per cent., and I advised that the next dividend should be tided over, as a pure matter of expediency, until the real question should be decided by Parliament.

I did not know till long afterwards that this advice of mine had not only been confidentially laid before the Public Accounts Committee, but that the leaders of both parties in the House had agreed in Committee to take it. But this having been done, it was impossible for any one who took my advice to disclaim it afterwards with any fairness to me. And it certainly was most unfortunate that the decision of the Committee was not made known at the time, for the Government was accused of intentional concealment, and it was this accusation and no other that did the colony so much harm in this country.

When reporting an interview in May, 1890, with a deputation of New Plymouth Harbour bondholders, I informed the Government that I had plainly told the deputation of my personal concurrence in the evidence given by Sir Harry Atkinson before the Select Committee of 1887. I was bound to warn the deputation that I had no authority to express, and did not pretend to express, the views of the Legislature or of the Government; but I did not choose that my own view should be concealed, and neither the late nor the present Government could ever have had any doubt of what it was. But the debates in the House gave a colour to the transaction from first to last which has been most injurious to the good name of the colony, and it is evident from Sir John Lubbock's letter how much depends upon the decision that may now be taken.

The Hon. the Premier, Wellington.

I have, &c.,
F. D. BELL.

Enclosure 1 in No. 17.

Sir JOHN LUBBOCK to the AGENT-GENERAL.

Council of Foreign Bondholders,

DEAR SIR DILLON BELL,— 17, Moorgate Street, London, E.C., 3rd April, 1891.

I enclose herewith, under flying seal, for your perusal, a letter which I have addressed to the Hon. J. Ballance, Colonial Treasurer of New Zealand, on the subject of the claims of the New Plymouth Harbour Board debenture-holders, and request that you will be so kind as to forward it to its destination. I shall be glad to hear that you will support the suggestions which it contains.

I have, &c.,

Sir Francis Dillon Bell, K.C.M.G., C.B., &c.

JOHN LUBBOCK, Chairman.

Sub-enclosure to Enclosure 1 in No. 17.

Council of Foreign Bondholders,

SIR,— 17, Moorgate Street, London, E.C., 2nd April, 1891.

As Chairman of the Council of Foreign Bondholders, I have the honour to address to you this communication on behalf of the debenture-holders of the New Plymouth Harbour Board, and to ask in their name the favourable consideration of your Government of the position in which they are placed.

The Bank of New Zealand, in the year 1879, as financial agents of the New Plymouth Harbour Board, offered on this market, for public subscription, 6 per cent. debentures of that Board for £200,000. This loan was authorised by Acts of the Legislative Assembly of the colony for the purposes of harbour-works at New Plymouth, the only harbour of importance on the west coast of the North Island from Kawhia to Wellington, a distance of about three hundred miles. The necessity and importance of this work from a national point of view had been recognised and the undertaking initiated by the colonial Government. The surveys and design of the works were made by the engineers and surveyors of the colony, and in 1876 the Government undertook the construction of the works by means of prison-labour. Subsequently, however, the Government withdrew from the scheme, and the Legislative Assembly passed an Act authorising the New Plymouth Harbour Board to raise a loan of £200,000 to build the harbour, and, as the prospectus stated, in view of the national importance of the work, endowed the Harbour Board with one-fourth of the gross revenues arising from the sale, occupation, or other disposal of the waste lands of the Crown in the Provincial District of Taranaki, and enacted that the revenue to be derived from this source should be set aside in order to provide, in the first instance, for the interest and sinking fund of these debentures in accordance with section 19 of the Harbour Companies Act of 1877, and for no other purpose. The words "in the first instance" indicate that the New Zealand Government anticipated that the revenue from this source would amply suffice for the future service of the debenture loan.

The prospectus represented that the area of waste lands then held by the Crown within the provincial district was about 758,000 acres, representing a value of about £1,400,000, one-fourth of which—viz., £350,000—is nearly double the amount of the loan in question, which might therefore be considered to be amply secured thereby. The Premier, on the 12th December, 1887, stated before a Committee of the House of Representatives that the object of this grant was to give to the Board, for the purposes of the loan, one-fourth of the selling-value of the lands in question (not merely the interest on the selling-value postponed for a long period or the rental of the lands), and he estimated that the proceeds of such one-fourth would cover the charge for interest and sinking fund in respect of the debentures for a period of twenty-six years without resort to any other sources of revenue.

The service of the loan was further secured by the rating-power vested in the Board on property within the rating district; but, as the land revenue was estimated to be more than sufficient, it was not expected that any such rate would be required.

The prospectus invited subscription, by tender, at a minimum price of 95 per cent., and the amount offered was duly subscribed, more especially on the faith of the representations made with