

regard to the importance attached to the undertaking from a national point of view, confirmed as they were by the fact of the grant of public revenues stated to be of ample value to cover the whole amount of the loan.

The interest on the debentures was duly met up to November, 1889, the Harbour Board, as well as the debenture-holders, relying for this purpose mainly on the land revenue; and the debenture-holders as a body were wholly unaware that, in the interval, the Legislative Assembly which had made the assignment of the revenues, on the faith of which the loan had been issued, had subsequently made such changes in their collection as practically had deprived the debenture-holders of the benefit of a source of revenue which constituted the principal security upon which the money had been advanced. The debenture-holders were entitled to expect that no change would or could, without their consent or cognisance, be made to their prejudice in the mode of collection of the specific public revenues which the Government had "endowed" the Harbour Board with a view to the service of the loan and consequent success of the harbour scheme. Had this change not been made, there is every reason to believe that the land revenues appropriated to the loan would have each year sufficed for its service.

At the time the loan was issued, and for some years afterwards, the mode of selling waste lands was for cash, or on deferred payments spread over ten years, the price being in that case enhanced by 50 per cent. Subsequently this enhanced price was reduced to 25 per cent., and afterwards altogether waived; and buyers on deferred payment were, after a single payment, allowed to capitalise unpaid instalments for a series of years, paying 5 per cent. interest on the capitalised amount. In 1887 the system of letting lands on perpetual leases, which up to that time had been limited to one-third in area of rural lands, was extended to all waste lands. The object of these alterations, and it has been largely successful, was to attract to the Crown lands permanent settlers, whose productive industry has largely augmented the exportation of produce, whereby the colony at large has been benefited. The alterations in the law have increased the amount of land disposed of, but on lower terms than those at which adjoining lands in private hands are saleable, showing conclusively that their effect, on a question of value only, has been to diminish the value of the security pledged to the debenture-holders. It may have been anticipated that the increase in the total quantity of land disposed of would keep up the annual revenue available for the debenture-holders; but, if so, the anticipation has not been realised, and, in fact, sales of a very much smaller proportion on the original cash basis would have yielded a larger amount of annual revenue, whilst a much larger quantity of land would still remain for sale. Now it has been parted with to such an extent that in future the land fund can never rise to its former level per annum.

It is clear, therefore, that these successive alterations have been to the prejudice of the Board and of the debenture-holders, and have been made solely in the interest of the colony at large, as a matter of public policy. The direct effect of these alterations has been to deprive the debenture-holders for present purposes of the main source of revenue on which they relied, and practically the only one from which the service of the loan can be provided, seeing that the other sources of revenue of the Harbour Board are insufficient to meet the current working-expenses. The debenture-holders had no notice of these Acts, nor any opportunity of being heard, or even of bringing the question before Her Majesty on the Royal assent—a course which has been adopted with success in the case of another colony, where the position of bondholders would have been prejudiced by proposed legislation. They were entitled to expect that when changes were made which were calculated to promote the general welfare of the colony, but which affected their security, arrangements would at the same time have been made for safeguarding their interests or compensating them for any injury sustained.

The debenture-holders have no desire to question the general policy of the colony with regard to its land-laws; but, as a matter of public law, I submit that individuals pecuniarily damaged by the operation of any general or special law have the right to look for compensation at the hands of the State, and in the present case the debenture-holders have a direct claim to have such compensation provided out of the general land revenues of the colony, seeing that the periods of payment of those specially pledged to them have been indefinitely postponed for reasons of public utility. In the existing circumstances it cannot be urged, on behalf of the New Zealand Government, that the indorsement upon the bonds of a statement that the colony would not in any way be responsible for default indemnifies the colony against the bondholders' present claim. That, no doubt, would be a good answer to any claim so long as the colony had not interfered, to the prejudice of the bondholders, with the revenues assigned in their interest to the service of the loan. In other words, it was an implied term in the contract of loan that the mode of collecting the gross revenues from the waste lands should be left by the Government of the colony *in statu quo*; and the reservation of the liability of the colony only means a reservation of liability so long as the original conditions of the grant made by the colony for the purposes of the loan are adhered to. But, having so interfered, the colony has, I submit, rendered herself responsible to make good the loss which has been occasioned thereby. Were this not so, the colony, to carry the argument to its logical conclusion, might have withdrawn the whole of these lands from sale, and have made free grants of them to settlers, and have thus absolutely confiscated the rights of the bondholders to whom they were pledged without making compensation.

In 1887 a Committee of your Government inquired into the position of the New Plymouth Harbour Board, and the evidence then tendered proves that, had the land revenues been administered in the mode in force when the loan was obtained, the Board would have been able to meet its engagements, and that the difficulties in which the Board is placed arise mainly, if not solely, from the alterations made in the mode of collection of this revenue.

In 1889 the Harbour Board, being unable to meet the coupons, had prepared communications to the bondholders explaining the position of affairs; but these, at the instance of the Government, were withdrawn, the Government finding the funds, or the major part of them, to pay the coupons in May and November of that year. The reply given by the Hon. E. Mitchelson to questions put in the House of Representatives on this subject on the 27th of June last shows clearly that the national credit was so much bound up in this loan that a default on it at that time would have jeopardized the success of the conversion of the direct loans then being proceeded with in London.