

By inducing the withdrawal of these communications, the Government prevented the debenture-holders from taking prompt and efficient action for their protection until the opportunity of successfully doing so had passed; and further, this action of the Government has been the direct cause of loss to such of the present holders as have, since that date, purchased debentures for investment, under a belief in the soundness of the securities for the loan, whilst those responsible were aware that, in consequence of the changes which had taken place, they were wholly insufficient to provide for the current interest. I submit, on behalf of the debenture-holders, that this withholding of the information was a grave breach of duty on the part of the Harbour Commissioners, unless they were acting in the well-founded belief that the Government would undertake in the future to provide any deficiency in the amount of the revenues.

The building of the harbour has opened up a large extent of back country, and has thus brought into the market Crown lands which otherwise would not have been available, and has reduced the landing charges on goods from 16s. a ton to 2s.—benefits to the colony which have been brought about by means of the expenditure of the money provided by the debenture-holders, on whose shoulders, as matters at present stand, the whole burden of such expenditure is thrown, without prospect of payment of a fair interest, much less of even a gradual repayment of the principal. I understand also that Crown and Native lands in the district which formerly contributed a large proportion of the rate for harbour purposes have recently been exempted from payment of such rate, thus further reducing the revenue available for security of the debenture-holders.

The above facts show, as I submit, that the credit of the colony is involved in this question, and that the debenture-holders have a right, on grounds of public law, to compensation for the injury sustained by the action of the Legislature of the colony. On behalf of the debenture-holders, therefore, I crave the favourable consideration of your Government, that steps may be taken which may lead to an arrangement satisfactory to all parties.

As a matter of national and colonial importance, the Government might very well directly assume the burden of the expenditure on the harbour provided by means of this loan by an exchange of direct bonds for those of the Harbour Board. Such an issue might be taken to represent the capital value of the fourth of the Crown lands hypothecated to the debenture-holders, who would doubtless be prepared to meet your Government by accepting a modification of the rate of interest, and possibly of the duration of the sinking fund. In adopting this course the Government would receive the interest on the purchase price of the land sold at an equivalent or probably higher rate, and would be able to recoup the expenditure out of the land revenues, the administration of which is in their own hands. This is, practically, the course recommended in 1881 by the New Plymouth Harbour Inquiry Committee, and which, I submit, the justice of the case demands. The capital amount of the harbour debentures now outstanding is, I am informed, £184,600.

The present claim does not rest on any ground involving the recognition by the Government of an obligation to assume the responsibilities of local authorities, or creating a precedent which the Government might find it difficult to refuse to follow in other cases, but on the broad principle of the right of citizens of the Empire to compensation at the hands of the State for damage sustained by the interference by the State, for purposes of public utility, with the private rights possessed by the citizen. The position of these debenture-holders is fortified by the fact that, in their case, such right to compensation arises in connection with public works, which have always been recognised as of a national and not merely of a local character.

In conclusion, I may add, for your information, that the Council of Foreign Bondholders, of which I am the Chairman, is an organization of recognised standing in the City of London, formed for the object of watching over and protecting the rights of the holders of bonds of foreign and colonial States, whether the direct issues of Governments or of public bodies; and not for the purposes of profit on any financial operation. The Council have within the last twenty years been instrumental in effecting arrangements between foreign States and the holders of bonds representing an aggregate of upwards of £856,000,000 sterling. Their desire in all these cases is to look at the question intrusted to them from an independent point of view, with the object of bringing about arrangements which may be satisfactory alike to the State and to those having claims on the State.

In the present case, their intervention has been sought on behalf of the whole body of debenture-holders of the New Plymouth Harbour Board by a requisition signed by a majority of the whole issue, and the adhesion of the whole body can confidently be counted on to any reasonable arrangement arrived at.

I have, &c.,

The Hon. J. Ballance,

JOHN LUBBOCK, Chairman.

Colonial Treasurer and Minister of Native Affairs, New Zealand.

Enclosure 2 in No. 17.

The AGENT-GENERAL to Sir JOHN LUBBOCK.

DEAR SIR JOHN LUBBOCK,—

13, Victoria Street, London, S.W., 10th April, 1891.

I have to acknowledge the receipt of your letter of the 3rd instant, covering one addressed to the New Zealand Government on the case of the New Plymouth Harbour Board debenture-holders, and I shall be glad to forward that letter by the next mail.

With regard to the various statements contained in the letter, there are some which are new to me, and others which I am unable to verify. Permit me, however, to assure you that the questions you raise will receive the careful consideration of my Government.

I am, &c.,

The Right Hon. Sir John Lubbock, Bart, M.P.

F. D. BELL, Agent-General.

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