

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.

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