

1893.
NEW ZEALAND.

IMPERIAL GUARANTEED HALF-MILLION LOAN OF 1863
(CORRESPONDENCE RELATING TO CONVERSION OF THE).

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The AGENT-GENERAL to the PREMIER.

(No. 770.)
Sir,—
Westminster Chambers, 13, Victoria Street, London, S.W.,
31st May, 1892.

Adverting to Sir F. D. Bell's letters, numbered and dated as per margin,* in which he refers to the question of the Guaranteed Half-million Debentures of 1863, I deem it right to again bring the matter under your notice.

In examining the papers which are at this office relating to these debentures, it appears to me that the principal point involved is the question whether the Government are prepared to claim that the debentures as guaranteed by the Imperial Government be returned to them on the payment to the Imperial Treasury of the amount they represent.

Sir F. D. Bell, in his letter of the 14th November, 1890, states the conditions under which in 1865 these debentures were placed in the hands of the Commissioners of Her Majesty's Treasury—namely, that they were to be held as collateral security for the repayment of certain sums of money due from the Government of New Zealand to Her Majesty's Exchequer; and, later on, in his letter of the 8th January, 1891, in referring to the statement made in Lord Carnarvon's despatch of the 20th November, 1866, to the effect that the Treasury had entered into an arrangement with the Bank of England for the purchase of the debentures at par, he expresses his opinion that it might be fairly contended that the colony was free at any time to pay off the half-million and get back the debentures.

In considering whether there is sufficient ground for such a contention, it will, I think, be necessary to briefly refer to the circumstances under which these debentures were issued and afterwards dealt with.

The Imperial Government had claimed that a large sum of money was due from the colony on account of the Native War expenditure, and the Colonial Government had made a counterclaim; and up to the end of 1865 the only definite action taken in the direction of the settlement of these claims appears to have been the issuing of these debentures, and placing them in the hands of the Imperial Treasury as collateral security for a portion of the debt assumed to be due to Her Majesty's Government.†

In November, 1866, the Imperial Treasury intimated to the Colonial Office‡ that an arrangement had been made with the Bank of England for the purchase of these debentures at par, and that the signature of the Assistant Secretary to the Treasury had been affixed to each of them, thus signifying the guarantee of Her Majesty's Treasury for the payment of the principal and interest. On this transaction being reported to the colony, the New Zealand Government took exception to the action taken§—not on the ground, however, that the Imperial Treasury had no right to sell, but because the sale had been made privately, instead of in the open market; and a claim was therefore made that the additional amount which the debentures would have sold for in the open market be placed to the credit of the colony. The Imperial Treasury, however, declined to admit any such claim, and, in doing so, transmitted a letter from the Crown Agents in which, *inter alia*, they pointedly stated|| that they were not prepared to hear that the debentures had been sold, as they were accepted by the Imperial Treasury only as a collateral security, and were, therefore, after the payment of the debt, returnable to the Colonial Government for disposal. The New Zealand Government, however, again pressed their claim against the Imperial Treasury, and a memorandum, dated the 7th March, 1868, to that effect was forwarded from the colony to the Colonial Office.¶

* No. 1595, 14th November, 1890; No. 50, 8th January, 1891 (see B.—14, 1891, No 4). † Crown Agents' letter, 26th October, 1865, B.—1A, page 4, Appendix, 1866. ‡ No. 13, page 8, A.—1, Appendix, 1867. § No. 24, page 46, A.—1A, Appendix, 1867. || Page 5, No. 9, A. No. 1A, Appendix, 1868. ¶ Page 57, A. No. 1, Appendix, 1868.