

Meanwhile, however, an arrangement had been made by Sir William Fitzherbert with the Colonial Office* as regards the claims and counterclaims in respect to the military operations in the colony, by which it was agreed that such claims on both sides should be abandoned, and that the accounts be accordingly closed by a mutual release. The New Zealand Government's acquiescence in this settlement was communicated to the Colonial Office in July, 1868,† and after the Secretary of State's reply of 14th September, 1868,‡ the matter appears to have been dropped.

But it may be noted that in the despatch of the Secretary of State of 1st April, 1868,§ the realisation of the £500,000 debentures is referred to as rendering a re-statement of the "claims" account necessary, as it reduced the claim of the Imperial Government to that extent; and this would seem to indicate that, in the final settlement of the matter, accounts were interchanged, in which the £500,000 was included, and the balances written off; and, if such was the case, the Treasury at Wellington would have, I presume, counterparts of such accounts.

Under the circumstances, which I have thus endeavoured to summarise, it appears to me that it would be difficult to maintain the right of the New Zealand Government to repossess themselves of these debentures (with the Imperial guarantee attached thereto) simply on the payment to the Imperial Treasury of their nominal amount; but, if such a right could be enforced, no doubt the result would prove very advantageous to the financial interests of the colony, inasmuch as in that case the money being raised by the issue of 3½-per-cent. stock, the sinking fund, amounting now to nearly £250,000, would be set free under the provisions of the Consolidated Stock Act of 1884.

If, however, such a right cannot be enforced, it does not at present appear to me that it would be practicable to convert these debentures into stock. The Imperial Government would not on their part transfer their guarantee to a stock having no sinking fund; and the Bank of England, who, I understand, still holds the debentures, could not be expected to exchange them for a stock which would be without the Imperial guarantee, and also without a sinking fund. The records at the Treasury at Wellington may throw some new light on this somewhat complicated matter, and I shall be glad to receive the views of the Treasury on the subject. The letters dated 28th March, 1868, and 30th March, 1868, which passed between Sir Frederick Rogers and Sir William Fitzherbert, seem to me to render it difficult to contend that the colony has a right to redeem these debentures on payment of the sum they represent, as these letters appear to finally close the accounts and be in the nature of a mutual release; and, moreover, these letters were written subsequent to the sale to the Bank of England.

It possibly might lead to desirable results if, under the authority of the Government, I were to place myself in communication with both the Imperial Treasury and the Bank of England, for the purpose of ascertaining whether, in the special circumstances under which these debentures were issued, arrangements might be made by which the debentures might be released on payment of the nominal amount they represent; and, if this could be arranged, I do not think it would be difficult, assuming that there is no great change in the money-market, to raise the money for the purpose, so as to substitute 3½-per-cent. stock in their place, and thus release the accumulated sinking fund.

I attach a copy of one of the debentures referred to in this letter, and which were received by the Bank of England on the 23rd January, 1866||, to be held on deposit in the joint names of the Assistant Secretary to the Treasury and the Crown Agents for the colonies.

The Hon. the Premier, Wellington.

I have, &c.,

W. B. PERCEVAL.

Enclosure in No. 1.

£1,000.	NEW ZEALAND GOVERNMENT DEBENTURE.	£1,000.
	<i>New Zealand Loan Act, 1863.</i>	
No.	£3,000,000.	No.
SECOND issue, £500,000, in Bonds Nos. 1 to 200 of £1,000 each, Nos. 1,001 to 1,300 of £500 each, Nos. 2,251 to 2,625 of £200 each, and Nos. 501 to 1,250 of £100 each (making with previous issue under the same Ordinance £1,500,000).		
FIFTY years from and after the 1st November, 1865, the Government of New Zealand promise to pay the holder of this debenture One Thousand Pounds, value received. They further undertake to pay interest thereon half-yearly throughout the whole period at the rate of Four Pounds sterling per centum per annum. Both principal and interest are charged upon the ordinary revenue of the Colony of New Zealand, by "The New Zealand Loan Act, 1863," and are payable at the offices of the Crown Agents for the Colonies in London.		

[Registered.]

Due 1st November, 1915.

Crown Agents for the Colonies, and Agents for the Loan.

[Indorsed on back with Crown Agents' stamp, "Four per cent. New Zealand Loan."]

No. 2.

The PREMIER to the AGENT-GENERAL.

(No. 35.)

SIR,—

Premier's Office, Wellington, 8th August, 1892.

I have the honour to acknowledge the receipt of your Despatch No. 770, dated the 31st May last, referring to the correspondence which has taken place on the question of the position of the Government in respect of the Guaranteed Half-million Loan of 1863.

I am much obliged by the care you have taken to make yourself acquainted with the point involved—namely, whether the Government are prepared to claim that the debentures, as guaranteed by the Imperial Government, should be returned to them on the payment to the Imperial Treasury of the amount they represent.

* No. 40, page 33, A. No. 1A, Appendix, 1868. † No. 52, page 84, A. No. 1, Appendix, 1868, ‡ No. 7, page 5, A. No. 1A, Appendix, 1869. § No. 40, page 33, A. No. 1A, Appendix, 1868. || Page 7, B. No. 1A, Appendix, 1866.