

CORRESPONDENCE

BETWEEN

THE GOVERNMENT OF NEW ZEALAND,

AND

THE HON. W. FITZHERBERT.

PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF
HIS EXCELLENCY.

WELLINGTON.

—
1868.

CORRESPONDENCE BETWEEN THE GOVERNMENT OF NEW
ZEALAND AND THE HON. W. FITZHERBERT.

No. 1.

The Hon. W. FITZHERBERT to the Hon. E. W. STAFFORD.

Oxford and Cambridge Club,
Pall Mall, S.W., 18th February, 1868.

SIR,—

Since my last communication I have had two lengthened interviews with His Grace the Duke of Buckingham. Mr. Adderley, Mr. Hunt, and other gentlemen connected with the Treasury and Colonial Office, were present. The Imperial claims and Colonial counter-claims were discussed very fully.

I have to-day had a private interview with His Grace, and he has appointed Friday next, at half-past ten o'clock, for a further conversation on the subject. It would be premature in me to anticipate the result; but should I be able to report effectively I will address you *via* Marseilles.

The Hon. E. W. Stafford, Colonial Secretary.

I have, &c.,
WILLIAM FITZHERBERT.

No. 2.

The Hon. W. FITZHERBERT to the Hon. E. W. STAFFORD.

Oxford and Cambridge Club,
29th February, 1868.

SIR,—

You will have been informed by my Despatch of the 18th instant, *via* Suez, that the question of the Imperial claims and Colonial counter-claims had been opened at that date, and that His Grace the Duke of Buckingham had granted me interviews relative thereto.

Since then I have held frequent communication with the Colonial Office on the same subject.

Although I am unable at present to state that any definite result has been secured by the explanations which I have been enabled to offer on the part of the Colony, yet I have reason to believe that, so far as regards these claims, a more favourable impression towards the Colony than hitherto existed has been produced on the mind of the Colonial Office.

The Hon. E. W. Stafford, Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
WILLIAM FITZHERBERT.

No. 3.

The Hon. W. FITZHERBERT to the Hon. E. W. STAFFORD.

Oxford and Cambridge Club,
Pall Mall, London, 1st April, 1868.

SIR,—

It is gratifying to me to be able to report to you, for the information of your Government, the result of the negotiations which has been arrived at with His Grace the Duke of Buckingham and Chandos, relative to the Imperial claim and Colonial counter-claims, as indicated in the enclosed copies of correspondence.

It is unnecessary for me to particularize the various phases which from time to time the negotiation assumed. I confine myself to the observation that the conclusion was not arrived at until after numerous long interviews, during which the arguments on both sides were exhausted.

I deem it, however, incumbent on me to record my opinion, as representing the Colony in the

conduct of this business, that the gracious manner in which the concessions have at last been made is due to the recognition by Her Majesty's Government of the respect which the Colony has commanded by its past policy.

The Hon. E. W. Stafford, Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
WILLIAM FITZHERBERT.

Enclosure 1 in No. 3.

Sir F. ROGERS, Bart., to the Hon. W. FITZHERBERT.

Downing Street, 28th March, 1868.

SIR,—

I am directed by the Duke of Buckingham and Chandos to inform you that Her Majesty's Government have had under their consideration the claims advanced on behalf of the British Treasury against the Government of New Zealand, and the counter-claims put forward by Major Richardson in respect to the cost of military operations in that Colony.

It appears to them that a careful scrutiny of these claims would result in establishing a considerable balance as due to the British Treasury. But they are aware that this scrutiny could not be effected without protracted correspondence between this country and New Zealand; and at a time when the Colony has adopted the entire responsibility for its own military protection, and is endeavouring to contract a loan of unusual magnitude, they are unwilling to defer a settlement which may assist you materially in negotiating that loan.

Having reference, therefore, to Mr. Stafford's Memorandum of the 7th November last, by which the Duke of Buckingham and Chandos was informed that you were proceeding to England with a view to "the settlement of all claims between the Imperial Government and the Colonial Government," His Grace desires me to ask whether you are prepared, on behalf of the Government of New Zealand, to abandon all claims on the Home Government, in respect of any expenditure arising out of military operations or connected with military defence, and particularly all claims included in or resulting from either of the Statements of Account put forward by Mr. Commissary-General Jones and Major Richardson, on condition of a similar abandonment on the part of the Imperial Government.

If this should be the case, Her Majesty's Government are prepared to agree to a settlement on these terms. But it must be understood that if a prompt settlement cannot be thus effected, Her Majesty's Government retain the right to pursue the investigation which has been commenced, and to claim the balance which on that investigation shall be found to be justly due.

W. Fitzherbert, Esq.

I am, &c.,
FREDERIC ROGERS.

Enclosure 2 in No. 3.

The Hon. W. FITZHERBERT to Sir F. ROGERS, Bart.

Oxford and Cambridge Club,
Pall Mall, 30th March, 1868.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 28th instant, in which I am informed that the Duke of Buckingham and Chandos desires you to ask whether, having reference to my mission to England with a view to "the settlement of all claims between the Imperial Government and the Colonial Government," I am prepared, on behalf of the Government of New Zealand, to abandon all claims on the Home Government in respect to any expenditure arising out of military operations or connected with military defence, and particularly all claims included in or resulting from either of the Statements of Account put forward by Mr. Commissary-General Jones and Major Richardson, on condition of a similar abandonment on the part of the Imperial Government.

Upon a review of the whole circumstances of the case, having regard to the various points at issue which have been urged on either side at the several interviews which I have had with His Grace on the subject, and recognizing the advantage which a prompt and conclusive settlement of these long outstanding claims is calculated to confer on the Colony just now, when it is about to enter upon large financial operations, I am of opinion that I shall be consulting the best interests of the Colony by acceding to the terms suggested in your letter.

I therefore request you to be good enough to convey to His Grace my definite acceptance, on behalf of the Government of New Zealand, of the proposal of Her Majesty's Government, as expressed in your letter.

Sir F. Rogers, Bart., Colonial Office.

I am, &c.,
WILLIAM FITZHERBERT.

No. 4.

The Hon. E. W. STAFFORD to the Hon. W. FITZHERBERT.

Colonial Secretary's Office,
Wellington, 6th June, 1868.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 1st April last, and to express the satisfaction with which the Government of New Zealand has learned the result of your negotiations with the Imperial Government on the subject of the claims made by it against the Colony.

Those claims had extended over so long a period, were so large in amount, and were a source of such constant disagreement between the Imperial and Colonial Governments, as to render it most

desirable that a final settlement should be arrived at in respect of them without any further delay. It is accordingly a matter of great gratification that the ability and firmness with which you have conducted the negotiation on the part of the Colonial Government has resulted in terminating the contentions which had so long existed on the subject.

The Hon. William Fitzherbert, London.

I have, &c.,
E. W. STAFFORD.

No. 5.

The Hon. W. FITZHERBERT to the Hon. E. W. STAFFORD.

21, Cockspur Street, Trafalgar Square,
London, 30th April, 1868.

SIR,—

I have the honor to transmit to you a proof of a printed statement, which I propose to have circulated, relative to the consolidation and conversion of the Loans of New Zealand. Also, a proof of a Prospectus showing the terms fixed for the conversion of the existing loans of the Colony,—and the terms for the subscription to the proposed loan for £1,114,000, with the blanks filled in in ink.

I may state that I have just returned from a conference with the Crown Agents and the Brokers, at which these blanks have been definitely settled; and that, with reference to the price fixed for the Colonial Sixes, it is identical with that fixed for the Canada Bonds in 1860,—which corresponded in character and currency to our Sixes; and that the conversion of the Canada Bonds was an operation more nearly resembling the proposed one than any other of which I am aware. These prospectuses will be advertised in the *Times* of Saturday, and in the other leading journals of this country.

You will gather from the enclosures the general character of the proposals which I have, after mature deliberation, finally decided upon. It would be unprofitable now to speculate upon a result which must be so speedily brought to the test of experience; but I can assure the Government that, whether it prove a success or a failure, I have omitted no opportunity of seeking all available information to guide me to a correct decision in this difficult affair.

I frankly admit that I do not anticipate a sudden conversion. The interests of the Colony have been sufficiently guarded to tempt some bondholders to hold out and try the effect of an appeal. I shall not yield; and if the Government of New Zealand does not yield, the bondholders will come in in due course, for the terms have been adjusted in a fair and equitable spirit, and as such they will find it to their interest to come in.

You will perceive that I have omitted from the present proposal all reference to the Four per Cents. carrying the Imperial guarantee, and to the seven, eight, and ten per cent. Provincial Bonds. I have considered that these Bonds must necessarily be dealt with separately if at all.

Should, however, the whole of the proposals be accepted, an annual saving to the Colony of nearly £40,000 will be effected. The estimated saving however will be reduced (for say the first year) by the amount of charges. On the other hand, a very considerable sum in the shape of accumulated sinking funds will be liberated for the use of the Colony; and this must be added to the estimated annual saving as above stated, in order to exhibit fairly the total profit to the Colony of the transaction, should it be carried to completion.

I will only further observe at present that I believe I have acted in the best interests of the Colony by confiding this business to the Crown Agents. There can I think be no doubt that an operation, accredited by the name of the Crown Agents for the Colonies, associated as it is with that of the eminent Brokers, Messrs. Mullens, Marshall, Daniell and Co., and with that of J. and A. Scrimgeour, appears before the public under very favourable auspices.

The Hon. E. W. Stafford, Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
WILLIAM FITZHERBERT.

Enclosure 1 in No. 5.

CONSOLIDATION of the PUBLIC DEBTS of NEW ZEALAND.

THE Governor of New Zealand has been authorized by the General Assembly of that Colony by an Act passed 10th October, 1867 (33 Vict. c. 90) to raise a Loan not exceeding in amount Seven Millions sterling, to be applied towards the conversion, redemption, and payment of former loans raised under Acts of the General Assembly and of loans raised by Provincial Governments of the several Provinces of New Zealand.

The Governor is empowered by the Act to appoint an agent for the purpose of raising and managing such Loan, and such agent is empowered to borrow such money in Great Britain, or elsewhere, by bonds, debentures, or otherwise, for such period of time, and subject to such terms and conditions as such agent may think expedient. The agent is also empowered to prescribe the mode and condition of repayment of such Loan, and the time of such repayment, and the rate of interest, and the time and place where such principal and interest shall be made payable.

The Governor has, by warrant under his hand, dated the 8th November, 1867, appointed the Honorable William Fitzherbert, a member of Her Majesty's Executive Council of New Zealand, to be the agent under and for the purposes of this Act, with all the powers which may be exercised by such agent.

The money so borrowed and the interest are charged by the Act upon the consolidated revenue of the Colony. The Act provides that the annual charge imposed upon the consolidated revenue shall not exceed, for interest and sinking fund, if any, the sum of £6 for every £100 expressed to be borrowed.

CORRESPONDENCE BETWEEN THE GOVERNMENT OF

At present there exists in the market a great variety of New Zealand bonds of different denominations, owing to which they have suffered depreciation. The object contemplated by the Act is to remedy this state of things so far as may be found practicable, and to consolidate all the existing debts of New Zealand into one uniform security. And for the future the system under which the Provinces of New Zealand have heretofore been enabled to borrow money upon security of their provincial revenues without the direct sanction of the General Assembly has been put an end to.

The whole existing external debts of New Zealand, direct and indirect, are as follows, viz:—

General Government Loans.

Imperial Guaranteed Loan of 1857	£500,000
Loan of 1861, 6 per cent., redeemable July, 1891	150,000

War Loan, of 1863.

1st Instalment, 5 per cent., redeemable 15th July, 1914	£1,000,000	} 3,000,000
2nd Instalment, 4 per cent., guaranteed by Imperial Government, redeemable 1st November, 1915	500,000	
3rd Instalment, 6 per cent., redeemable 15th March, 1891	500,000	
4th Instalment, 6 per cent., redeemable 15th June, 1891	100,000	
5th Instalment, 6 per cent., redeemable 15th June, 1891	250,000	
6th Instalment, 6 per cent., redeemable 15th June, 1891	144,600	
7th Instalment, 6 per cent., redeemable 15th Decr., 1891	505,400	
	<u>£3,650,000</u>	

Provincial Government Loans.

By what Government.	Total Amount Authorised.	Rates of Interest.	
Auckland	£500,000	6 per cent.	
Taranaki	25,000	8 "	
Do.	50,000	7 "	
Wellington	50,000	8 "	
Do.	25,000	8 "	
Do.	50,000	8 "	
Do.	30,000	10 "	
Hawke's Bay	60,000	6 "	
Nelson	29,000	8 and 10 per cent.	
Do.	5,000		
Do.	20,000	8 per cent.	
Canterbury	30,000	8 "	
Do.	300,000	6 "	
Do.	500,000	6 "	
Otago	35,000	10 "	
Do.	50,000	8 "	
Do.	500,000	6 "	
Do.	50,000	8 "	
Do.	50,000	8 "	
	<u>£2,359,000</u>		
	Less 400,000	Not issued	1,959,000
		Total	<u>£5,609,000</u>

In addition to the foregoing amount, it is proposed to raise—

For payments under "The Southland Provincial Debt Act, 1865," and "The Southland Provincial Debt Act, 1866"	£380,000
For liabilities of the Provinces of Otago and Southland, under "The Surplus Revenue Adjustment Act, 1867"	32,000
For further liability of the Province of Southland	42,000
For Telegraph Extension, Lighthouses, Colonial Defence, Redemption of Taranaki Debentures, and Marine Survey	260,000
For taking up the total unraised and unissued Debentures, authorised by various Acts	400,000
	<u>£1,114,000</u>

Power has been taken to convert the whole of the Loans of the Colony and different Provinces of New Zealand, as above specified:—

but the portion of the Colonial Debt which has been guaranteed by the Imperial Government, amounting to	£1,000,000
and the 7, 8, and 10 per cent. Provincial Loans, amounting to	499,000
are not included in any present proposal; they must be dealt with, if at all, separately.	

It is proposed to issue a five per cent. Loan with one per cent. Sinking Fund, to be invested in annual drawings, and the conduct of the entire operation has been placed in the hands of Messrs. Julian and Sargeant, the Crown Agents for the Colonies.

It is highly satisfactory to be able to state that the Imperial claims which have been for a long time outstanding against New Zealand, on account of the late war in that Colony, have been withdrawn.

The growth of the Imports, Exports, and the Consolidated and Territorial Revenues of New Zealand, may be thus stated officially, viz. :—

IMPORTS.

1853-4.	1854-5.	1855-6.	1856-7.	1857-8.	1858-9.	1859-60.	1860-1.	1861-2.	1862-3.	1863-4.	1864-5.	1865-6.	1866-7.
£744,513	852,330	761,309	850,862	1,066,153	1,345,387	1,549,682	2,021,072	3,559,946	5,825,325	6,762,352	6,047,501	5,744,754	5,864,609

EXPORTS.

1853-4.	1854-5.	1855-6.	1856-7.	1857-8.	1858-9.	1859-60.	1860-1.	1861-2.	1862-3.	1863-4.	1864-5.	1865-6.	1866-7.
£312,071	343,365	339,516	340,663	411,133	502,794	570,219	979,600	1,896,490	2,954,054	3,443,184	3,557,055	4,116,462	5,254,129

DETAILS OF GOLD EXPORT.

1856-7.		1857-8.		1858-9.		1859-60.		1860-1.		1861-2.		1862-3.		1863-4.	
Ozs.	Value.	Ozs.	Value.	Ozs.	Value.	Ozs.	Value.	Ozs.	Value.	Ozs.	Value.	Ozs.	Value.	Ozs.	Value.
976	£3,784	17,220	£66,730	9,482	£36,747	6,147	£23,818	6,341	£24,568	449,279	£1,740,956	504,896	£1,963,354	559,727	£2,165,672

1864-5.		1865-6.		1866-7.	
Ozs.	Value.	Ozs.	Value.	Ozs.	Value.
420,598	£1,631,179	738,816	£2,858,078	674,545	£2,605,789

CONSOLIDATED AND TERRITORIAL REVENUE.

	1853-4.	1854-5.	1855-6.	1856-7.	1857-8.	1858-9.	1859-60.	1860-1.	1861-2.	1862-3.	1863-4.	1864-5.	1865-6.	1866-7.
Consolidated	£95,345	110,913	109,415	130,923	166,646	193,734	220,736	278,585	416,140	625,259	778,929	876,174	1,011,499	1,108,362
Territorial	£123,787	121,564	69,238	83,685	126,496	201,341	228,821	281,557	472,091	560,618	619,588	607,408	638,237	614,467
TOTAL ...	£219,132	232,477	178,653	214,608	293,142	395,075	449,557	560,142	888,231	1,185,877	1,398,515	1,483,582	1,649,736	*1,722,829

* It is right to state that the accounts which have been recently received from the Colony indicate a falling off in the Revenue for the two first quarters of the current financial year 1867-8.

21, Cockspur Street, London, 25th April, 1868.

WILLIAM FITZHERBERT.

Enclosure 2 in No. 5.

CONVERSION of the PUBLIC DEBTS of NEW ZEALAND under the authority of "The Consolidated Loan Act," No. 90 of 1867.

In order to remedy the frequent complaints which have been made by holders of the Provincial Government Debentures, in consequence of the difficulty of negotiating these securities in the London market at their full value, as compared with those of the General Government of New Zealand, and in order further to increase the market value, and to remove the inconvenience arising from the want of uniformity in the securities of the General Government now in circulation, it has been determined, if possible, to convert the whole of the public loans of the Colony, General and Provincial, into one loan, to be called "The New Zealand Consolidated Loan."

In furtherance of these objects, it is proposed by the Government of New Zealand, under the powers granted by the Act above cited, to issue in exchange for the various securities now in circulation, new Debentures of uniform character, charged on the Consolidated Revenue of New Zealand.

These new Debentures will bear interest at the rate of five per cent. per annum payable quarterly, and the principal will be repaid *at par* by a one per cent. cumulative sinking fund, applied by annual drawings to the extinction of the debt. By this process the whole amount will be paid off in about thirty-six years.

The Crown Agents for the Colonies, acting on behalf of the Government of New Zealand, are now prepared to receive applications from the holders of the various Debentures herein referred to on the following terms, viz. :—

For every £100 General Government five per cents. payable in 1914, holders may receive £99 10s. New Five Per Cents. as above described.

For every £100 General Government six per cents. payable in 1891, the holders may receive £113 10s. in the New Five Per Cents.

For every £100 six per cents. of the Provincial Governments of Auckland, Canterbury, Otago, and Hawke's Bay, payable from 1879 to 1914, the holders may receive £109 in the New Five Per Cents.

Interest on the New Five Per Cents. will commence from the 15th April, 1868, and all interest accrued prior to that date on such of the old Debentures as may be converted, will be paid to the respective holders in addition to the foregoing rates of exchange.

The Bonds will be made to represent sums of £1,000, £500, £200, and £100 respectively, and fractions of the latter amount which may be unavoidable in the conversion, will be adjusted either by the issue of one bond, more or less, and by the payment of the difference in money.

The annual drawings will take place in the month of March, commencing in 1869, and will be conducted in the presence of the Crown Agents for the Colonies, of any debenture holders who may be pleased to attend, and of a Notary Public. The Debentures drawn will be paid off at par on the 15th April following, together with the interest due thereon.

The days on which such drawings will take place, and the numbers and values of the Debentures drawn will be duly notified by advertisement in the *London Gazette* and the *Times*.

Applications for conversion on the foregoing terms will be received by the undersigned at any time not later than the 15th June next, after which they reserve to themselves the right of offering less favourable rates, or of altogether closing the operation.

Scrip certificates will at first be issued in exchange for the Bonds withdrawn, and these will afterwards be replaced by Debentures of the new issue.

Forms of application and further particulars with regard to the public debt and resources of the Colony, prepared by the Honorable William Fitzherbert, a member of Her Majesty's Executive Council of New Zealand, may be had on application to the Crown Agents, or to the Brokers, Messrs. Mullens, Marshall, Daniell and Co., 3, Lombard Street, and Messrs. J. and A. Scrimgeour, 18, Old Broad Street, London, where copies of the Acts authorising the conversion and consolidation of the New Zealand Loans may also be seen.

PENROSE G. JULYAN, }
W. C. SARGEAUNT, } Crown Agents for the Colonies.

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, 1st May, 1868.

New Zealand Government Loan for £1,114,000, authorised by "The Consolidated Loan Act, 1867."

To be issued in five per cent. Debentures, identical in all respects with those described in the foregoing advertisement.

The Crown Agents for the Colonies, acting on behalf of the Government of New Zealand, hereby invite subscriptions for the above Loan.

The price of issue will be £97 in money for every £100 in Debentures, payable at the Bank of England, as follows:—

£10 on allotment.	} Per £100 Debenture.
£25 on 1st June.	
£25 on 15th June.	
£25 on 1st July. on 15th July.	

The interest will be made payable by coupon at the offices of the Crown Agents for the Colonies, on the 15th July, 15th October, 15th January, and 15th of April each year, and the principal by annual drawings at the same place.

Scrip Certificates, bearing interest at five per cent. from the 15th April, 1868, will be issued to subscribers on allotment, and exchanged for Debenture Bonds on payment of the final instalment.

Applications made in accordance with the form annexed will be received by the undersigned from ten a.m. on Monday, the 4th instant, until the whole amount be subscribed, but not beyond the 14th instant, and allotments will be made strictly in the order in which such applications shall have been received.

Forms of Tender may be had on application to the undersigned, or to the Brokers, Messrs. Mullens, Marshall, Daniell and Co., Lombard Street, and Messrs. J. and A. Scrimgeour, Old Broad Street, City.

With the exception of about £300,000 to be applied to Telegraph Extension, Lighthouses, and Colonial Defence, the money is required to take up existing but unissued Debentures authorised by Provincial Acts still in force, and to meet certain Provincial liabilities assumed by the General Government.

PENROSE G. JULYAN,
W. C. SARGEAUNT,
Crown Agents for the Colonies.

Offices of the Crown Agents for the Colonies,
London, 1st May, 1868.

FORM OF TENDER.

New Zealand Government five per cent. Debentures for £1,114,000, issued at

GENTLEMEN,—Be good enough to allot me Debentures of the above Loan to the extent of £ _____, and I hereby agree to accept the same, or any less amount, subject to the conditions contained in your advertisement, dated 1st May, 1868.

Name
Address
Date

To the Crown Agents for the Colonies, London.