

stated that the loan had been negotiated on what was said to be a promise that no further loan should be placed on the market for a period of probably three but of at least two years. I took exception to the term "promise," and my friend said those were not the exact words used by Mr. Rothschild. The exact words were, "the strongest assurance that no fresh loan should be brought out for a period of at least two years." He said that Mr. Rothschild regarded that statement as being of the nature of a promise. I was somewhat astonished at this circumstance, because I was sufficiently acquainted with the finances of the colony to know that an actual necessity for a fresh loan would arise before that period of time had elapsed. On the next day I had an opportunity of seeing Sir Penrose Julyan, to whom I repeated the conversation, and I asked him whether the statement was correct. He said that there had been no written promise made to Mr. Rothschild, but that undoubtedly an assurance (which he would probably regard in the nature of a promise) had been made to him that no fresh loan should be brought out. I then saw Dr. Featherston, with whom in my communication I was extremely guarded, as I did not wish to put him in a false position, and in those communications I confined myself to stating what I had heard, giving him the opportunity of confirming or correcting those statements. However, in this case I went a little further, and asked him directly whether the statement was correct that something amounting to a promise had been given to Rothschild that no fresh loan should be brought out for a period of at least two years. He stated, as Sir Penrose Julyan had done, that no written promise had been given to Mr. Rothschild, but that an assurance had been held out that no fresh loan should be brought forward for at least two years. To complete the statement, I may add that the matter created in my mind a considerable amount of disquietude, for I felt satisfied it would involve the credit of the colony to an unpleasant extent, and perhaps complicate future attempts to raise a loan. In looking into the matter, it occurred to me that there had probably been a misapprehension, and that what Sir Julius Vogel wished to convey to Mr. Rothschild was, that no fresh loan to be authorized by Parliament would be brought into the market within that time.

680. You mean no new loan?—Yes. I stated this to Mr. Clarke, telling him that, doubtless, there had been that reservation, and that Sir Julius Vogel did not intend to preclude the Government from borrowing on the loans already authorized to be raised. That was communicated to Mr. Rothschild; and shortly afterwards Mr. Clarke informed me that Sir Julius Vogel had told Mr. Rothschild that he had exhausted his powers of borrowing. I was somewhat taken aback by this statement, and I said it was something I could scarcely credit, and that Mr. Rothschild need only refer to Sir Julius Vogel's Financial Statement of the previous year, and he would see it distinctly stated there that Sir Julius Vogel had an unexpended power of borrowing to the extent of two millions. I added that I was aware that he had been attempting to raise a loan in the Australian colonies, and that a portion of that loan had probably been raised, and that the amount had thereby been reduced. This conversation and this reference to the Financial Statement of 1874 were repeated to Mr. Rothschild, and I received from Mr. Clarke a note of a private character, the first paragraph of which I will read:—"The unexhausted powers are, I understand, limited to those of the guaranteed loan, and some £300,000 or £400,000 unplaced balances of former loans." I saw Mr. Clarke on this subject, and he repeated to me what he said in the note. With feelings of dismay for the future, I saw the Treasurer's Financial Statement here, in which my original statement of the two millions still in existence was thoroughly confirmed. I may further state that Mr. Clarke told me (within a fortnight of my leaving England) that Sir Julius Vogel still assured Mr. Rothschild that there would be no necessity for bringing out a fresh loan until the end of 1877, adding that he had telegraphed to the colony to draw in the expenditure, and that he calculated that the expenditure would not exceed more than £150,000 a month.

681. The difference, according to the statement conveyed in that private note, would be somewhere between £500,000 and £600,000?—Between £800,000 and £900,000.

682. Was the final conclusion left in your mind that Mr. Vogel's assurance referred to the balances of the loans already authorized, or that there should be no fresh loan?—The words, as far as I can remember, were, "Sir Julius Vogel still assures Mr. Rothschild that there will be no necessity for a fresh loan until the end of 1877."

683. But Mr. Rothschild became aware, by the communication to which you have referred, that there were still unraised balances of existing loans?—Yes.

684. And what was the final conclusion in your mind after you knew that he was aware of those unexpended balances—whatever the amount would be?—I concluded that he believed there would be no necessity for borrowing any fresh money in the English market until the end of 1877.

685. Not even the unexpended balances?—No.

686. *Hon. W. Fitzherbert.*] Are you aware whether there was a final disclosure made to the Contractors for the Four Million Loan, before closing their contract, to the effect that the Government of New Zealand held authority at that date to negotiate and issue nearly two millions of debentures over and above the four millions then under offer?—I can state distinctly that, so far as Mr. Rothschild was concerned, he appears to have been ignorant of that circumstance, although it came to his knowledge through this communication to myself.

687. Was he made acquainted with it before closing the contract?—He could not have been. The contract was closed before I arrived in England. I arrived in England on the 5th April, and the contract was entered into in March.

688. *Hon. Major Atkinson.*] But you expressed your astonishment that he did not know it, as it had been publicly stated by Sir Julius Vogel last year?—I did not express astonishment at his not knowing it, but at the statement made. When I was told that Sir Julius Vogel had denied the existence of this, I referred Mr. Rothschild directly to Sir Julius Vogel's own Financial Statement.

689. And then, I understand, an explanation took place, by which it appeared that between £1,100,000 and £1,200,000, including debentures, was all that could come into the market?—Yes.

690. *Sir F. D. Bell.*] Did you have any conversation with any one else on the subject in England, which has led you to understand that that was the impression generally prevailing?—I only saw Mr. Westgarth and Mr. Donald Larnach, the latter of whom may be known to the Committee as the Managing

*Hon. Mr. Waterhouse.*  
13th Oct., 1875.