

Hon. Mr. Waterhouse.
18th Oct., 1875.

Director of the Bank of New South Wales. I had conversations with both of those gentlemen, and they laboured under the impression (I do not know how they had arrived at it) that no fresh loan would be required for two years; and, indeed, they went so far as to say that if a fresh loan were brought out within two years it would be an utter and absolute failure. Upon that point I may say that I was informed by Sir Penrose Julyan that Mr. Rothschild himself had assured Sir Julius Vogel, at the conclusion of the negotiations, that if a fresh loan were brought out within two years the credit of the colony would be "damned." This expression I can distinctly remember as having been used by Sir Penrose Julyan.

691. *Hon. W. Fitzherbert.*] What did those gentlemen understand the meaning of the term "fresh loan" to be?—A fresh loan brought out in the English market.

692. Debentures floated, whether authority was given subsequent to that date or not. Then I understand that "fresh loans" meant any debentures floated in the market beyond those already quoted?—Yes, I understand so.

693. *Sir F. D. Bell.*] Is the Committee to understand that your own impression, from the conversations to which you have been referring, was that those persons who had been invited to subscribe to that loan under Rothschild's contract would have been led to believe that no further loan would be placed on the market within that time?—I can say nothing with regard to those parties. When Rothschild brings forward a loan, parties take it up in the hope or belief that it will be a profitable investment, because it is brought forward by Messrs. Rothschild. The loan was still in the hands of the dealers, and I was informed in two different quarters that, as regards Messrs. Rothschild, they had sent over to Paris £250,000 of the two millions of the loan, which they reserved in their own hands for sale there, but that they were entirely unsuccessful in negotiating the bonds there.

694. *Hon. W. Fitzherbert.*] Is it your opinion that supposing a holder or purchaser of any portion of these four million bonds contracted for by Rothschild were to have it brought to his knowledge that additional debentures—other than those issued—were put on the market, he would have any right to complain?—The statement has not been made to the public at all. It was made to Mr. Rothschild, and he would have only a right to complain so far as he was influenced by a repetition of the statement by Mr. Rothschild.

695. I want to know whether, in your opinion, brokers when they sell to customers are not in the habit of stating reasons in favour of the purchase of their bonds, and whether they are likely to be kept in the dark as to any promise given by the agent in England, or any fact which would make them more negotiable?—Undoubtedly.

696. *Sir F. D. Bell.*] Are we to understand, then, that your own impression is that Mr. Rothschild would consider that something like a breach of honorable understanding would occur if the Government were now to carry out the course which the Treasurer has announced in the House of Representatives, that the remaining £1,200,000 unguaranteed would be placed in the market on the first favourable opportunity?—I am quite sure of it. I may state that I have, with the parties to whom I have referred, Messrs. Westgarth and Donald Larnach, discussed what the effect would be of bringing forward a fresh loan in the face of the distinct understanding entered into, and we were of opinion that the effect would be that we should have Rothschild's influence brought distinctly to bear adversely upon the colony, and that of itself would be sufficient to damage most seriously the credit of the colony.

697. Are we to understand, then, that your own impression of the meaning of that phrase which you repeated as having been used by Mr. Rothschild, that the credit of the colony would be damned, is, that that would be the feeling that would be entertained by those persons to whom you have been referring if this transaction were to be made?—Undoubtedly. Mr. Westgarth is intimately associated with colonial loans, and he went so far as to say that if we brought out a loan in less than two years, he believed there would not be a single tender for it. I then said it would be simply a question of price, and he said it would, and that if bonds reached a speculative price, buyers would of course be found.

698. *The Chairman.*] Then is the Committee to understand that Messrs. Westgarth and Mr. Larnach were aware of this understanding, or assurance as it has been termed, given by Sir Julius Vogel to Mr. Rothschild?—I do not know to what extent they were aware of it. They knew of it from me, but I cannot say to what extent they were aware of it prior to their getting some distinct knowledge from myself.

699. You referred to it in conversation with them?—Yes.

700. And it did not appear to you that they heard it as for the first time from you?—No; there was nothing to lead me to believe that they had heard it for the first time; but at the same time I think that they did not get the reliable information previously, but that they were only aware of the general feeling which existed.

701. *Hon. W. Fitzherbert.*] In your conversation with these two gentlemen, was an adverse opinion expressed by them respecting New Zealand loans if they were put out within two years, based upon the breach of promise or supposed honorable engagement, or from the quantity there were in the market?—I think the two together. They said it would be a considerable time before the market could absorb this large sum of four millions, and that a great deal of dissatisfaction had been created by this loan being brought in so speedily after the former loan of a million and a half; and they further stated that the holders of the former loan had in many cases not been able to place their debentures, and were indignant at the action of the Government. I may state that, in the first conversation to which I have referred—I mean that with Mr. Clarke—when I saw that there was a feeling on Mr. Rothschild's mind that something in the nature of a promise had been made, I stated distinctly that it would be well that Mr. Rothschild should understand that no person was authorized to tie the hands of the Legislature or to control their action, and that it would be absolutely necessary for the colony to borrow to meet its requirements; and that, so far as the Government were concerned, the colony and the Legislature could not be bound by any unauthorized statement which would have the effect of preventing their going into the market.