

\* See enclosure to Loan Agents letter-post.

2. On the afternoon of the 9th instant, just before the closing of the Californian mail, the draft of a letter to you, prepared by Sir Penrose G. Julyan, was brought to me by Mr. Sargeant and Mr. Featherston, to be approved for transmission by the mail. I pointed out that the calculations, and the inferences drawn, were incorrect, and the draft was taken away. On the afternoon of the 17th, I received two documents—one, the draft of a report which I was asked to sign; and the other, a copy of a letter already signed by the other three Agents. My opinion of these productions may be gathered from the letter\* I addressed to the three Agents, a copy of which I send you. I also forward to you a copy of the copy letter sent to me. You will observe that I have undertaken to reply to that letter.

3. If the letter had been signed by Sir P. G. Julyan and Mr. Sargeant alone, it would have been worthy of little remark, for it would only have appeared to be an eager bid for securing the negotiation of future loans. The addition of the Agent-General's signature gives to the letter another complexion. I confess to feeling great surprise at his having signed the letter; and, of course, the letter borrows such weight, in consequence, as you and others may be disposed to accord to it.

4. I shall probably take another opportunity of placing on record my recollection of what took place between the agents during the negotiation of the loan. I had immense difficulties to contend with, in the natural reluctance felt by those interested in colonial loans to seeing such a house as that of Messrs. N. M. Rothschild and Sons embarking in the business. Sir P. G. Julyan so conducted the negotiations with that house as to lead to their utter break-down. I took them up, and, with Mr. Featherston's assistance, carried them to a result which those persons who have spoken to me on the subject have told me they considered a brilliant success. I was under the impression that Mr. Featherston coincided with me, and I was amazed at seeing his signature to the letter. He has told me that he has not actually signed the letter, but he does not withdraw it; and it is incredible that Sir P. G. Julyan and Mr. Sargeant would have attached his signature without considering they had authority to do so. At present, I only observe upon the letter to say this—that the insinuation that Messrs. Rothschild and Sons only bring out the loans of embarrassed States, or that it is injurious to the credit of a State for them to bring out a loan, is absurd and ridiculous. They only bring out loans in which they believe; and the fact of their bringing out a loan gives it a reputation quite beyond anything in the power of Sir P. G. Julyan and Mr. Sargeant. People subscribe to Messrs. Rothschild and Sons' loans because that house brings them out. I am not aware that they adopt a similar course because of the Crown Agents issuing loans. Those gentlemen are regarded as eminently respectable; but they have nothing like the money power, or the reputation for commercial sagacity, that belongs to Messrs. Rothschild and Sons. I do not believe that a syndicate, without Messrs. Rothschild and Sons, would have taken up more than £2,000,000, or at more than 90; nor that the public, without a syndicate or Messrs. Rothschild and Sons, would have taken up anything like that amount.

There are two circumstances in this matter to which you will no doubt attach much weight. I allude, first, to the fact I have incidentally mentioned, that though Mr. Featherston informed me the letter was not signed, a copy was sent me by Sir P. G. Julyan, in which Mr. Featherston's usual signature was inserted between those of Sir P. G. Julyan and Mr. Sargeant. To say the least, this betrays an alarming laxity in dealing with a signature so important as that of the Agent-General.

The second circumstance is, that though I am one of the Agents, the other three Agents, without inviting me to attend, prepared or approved, in what I may call secret conclave, a report for submission to me; and also decided upon a letter for their separate signature. This was done behind my back; though it is not too much to say that to me is due the successful negotiation of the loan.

5. I proceed to report to you on the sale of the four millions, reserving for possibly a future occasion further remarks on the course adopted by the other Agents.

6. I forward you copy of the contract entered into with Messrs. Rothschild and Sons.

7. The large amount of the loan, and the condition of New Zealand securities in the money market, caused me to think it desirable that such an arrangement should be made. I believe that, when all the circumstances are considered, the result should be regarded as exceedingly satisfactory, and as one which only Messrs. Rothschild and Sons' immense influence could have achieved. Those gentlemen authorise me to say—(I quote their written words)—“The whole loan for four millions was more than fully applied for. We could have given the whole loan away, and not have kept sixpence ourselves. We have made 1,700 allotments, and never had a better list of subscribers. Several banks and insurance companies subscribed largely, and we have every reason to think that they will hold the stock as an investment.”

8. Necessarily, the arrangements with Messrs. Rothschild and Sons were not in accordance with the interests of those who have been accustomed to deal with colonial securities. Consequently, some amount of opposition to the loan has been shown; but that was a contingency with which Messrs. Rothschild and Sons had to deal.

9. The price at which the loan was issued was nominally £94. The instalments spread over a period, in such a manner as to equal 1 per cent., making the price to the public £93. The commission which Messrs. Rothschild and Sons received was 2 per cent., so that the net return to the Government will be £91.

10. You will observe, from the terms of the contract, that for the commission of 2 per cent. Messrs. Rothschild and Sons guaranteed the sale of the whole loan—three millions at once, and one million within twelve months. Immediately after the applications had been received Messrs. Rothschild and Sons notified that the whole loan was disposed of.

11. It will no doubt be interesting to the Government to compare the return obtained for this loan with those of former loans, and also to know the actual rate per cent. per annum at which money has now been borrowed.

12. The £91 per £100 to be received on a 4½ per cent. loan, redeemable at thirty years, is tantamount to borrowing at £5 3s. per cent., including the annual percentage necessary to represent the difference between the price realized and par, which will have to be given when the loan is paid off in full.

13. The first New Zealand loan bearing 4½ per cent. interest was negotiated in January, 1874. It was for £500,000, and was offered at a stated rate of £98. £369,500 was at once sold. The balance, £130,500, had to be disposed of at an additional allowance of ¼ per cent.