

14. In comparing this loan, and the others which will be mentioned, with the one negotiated by Messrs. Rothschild and Sons, it will be necessary to remember that the commission to Sir P. G. Julyan and Mr. Sargeant was  $\frac{1}{4}$  per cent., and that an additional  $\frac{1}{4}$  per cent. was allowed for brokerage, so that, of the £500,000, £369,500 netted £98, less  $\frac{1}{2}$  per cent.; and £130,500 netted £98, less  $\frac{3}{4}$  per cent.

I take the commissions stated above from what I understand to have been the rates charged. But in one of the documents sent me by Sir P. G. Julyan and Mr. Sargeant, I observe that £97 4s. 2d. is stated as the net price, so that larger concessions or allowances must have been made than appear in the documents before me. I state this, not by way of complaint, but to explain a possible inaccuracy on my part.

15. The next amount offered at  $4\frac{1}{2}$  per cent. was £1,500,000, in May last. The nominal price of issue was £98; but, taking into account the dates of the instalments, there was accrued interest equal to £1 11s. 1d. per cent. to be added to the  $\frac{1}{2}$  per cent. for commission and brokerage, so that the price at which the loan was offered amounted to £95 18s. 11d. per cent. On these terms £673,400 was applied for.

The balance, £826,600, was sold to an association or syndicate, at a considerable reduction—namely, 1 per cent. extra for commission, besides the  $\frac{1}{2}$  per cent. for the usual brokerage and the commission before mentioned, and an allowance for interest, by extending the payment of the instalments, equal to £1 19s. 4d. The balance, therefore, realized only £94 10s. 8d.

16. It will be seen, then, that of the January loan of £500,000, £369,000 applied for realized £97 10s.; whilst the balance, £130,500, realized £97 5s.

That of the May loan, of £1,500,000, £673,400 applied for realized £95 18s. 11d.; whilst for the balance, £826,600, only £94 10s. 8d. was obtained.

And that the recent loan of £4,000,000 realized £91.

17. It is instructive to observe the manner in which the previous loans had to be sold at reduced rates, after applications had been invited from the public. The £1,500,000 offered in May last went off with great difficulty, and was to a large extent only sold through the making of an extra concession beyond what had been publicly advertised. The same course, though to a less extent, had to be adopted with the loan in January, 1874. As to these additional concessions, I desire to point out that, although the Agents found it necessary to make them, in order to effect a sale, they must have felt that such a course was exceedingly distasteful, on account of the dissatisfaction any such proceeding is calculated to create in the minds of those who, having responded to the advertisement—which they suppose tells them the real price at which a loan is to be disposed of—find afterwards that much of it has been sold by the Government at a rate lower than that which had been advertised. So much was this felt to be the case with the May loan, that applications have been made by buyers of the first portion of it for a concession in the shape of a reduction of price.

18. In the present instance, no objection can be made on that score. The loan was offered to the public at a stated rate. As far as the Agents were concerned, Messrs. Rothschild and Sons were to receive a stated commission—one that could not be considered excessive, seeing that they were to guarantee the sale of the whole £4,000,000. In the present instance, too, the whole loan was at once disposed of—a result which has not recently been the case with colonial loans.

19. I may, in conclusion, express the hope that it will be some time before it will be necessary for the Government again to have recourse to the money market; and that, by that time, New Zealand securities will have very much increased in value.

The Hon. the Acting Colonial Treasurer, New Zealand.

I have, &c.,  
JULIUS VOGEL.

### Enclosure 1 in No. 2.

The LOAN AGENTS to the Hon. Dr. POLLEN.

SIR,—

London, 19th March, 1875.

Having, in another letter of this day's date, reported the arrangements that have been made with reference to the loan of £4,000,000 sterling authorized by "The Immigration and Public Works Loan Act, 1874," we desire to append some observations respecting the course of action which we have found ourselves constrained to pursue. By the Order in Council of 10th September, 1874, full power was given to the Loan Agents to raise the loan, but we received no instructions from your Government as to the period within which the money should be obtained, or whether in a single and immediate transaction or by instalments. It has therefore been necessary for us to be guided in these respects by the directions verbally conveyed to us by our colleague, the Hon. Julius Vogel, who has lately arrived from the colony. We considered that from his intimate acquaintance with the affairs of the Government, and his high official positions in it as Premier and Treasurer, Mr. Vogel must be fully informed as to the extent of the colony's immediate requirements.

On his assurance that it was essential that the money should be raised with the expedition specified in the contract, we were induced, very much against our inclinations, to acquiesce in an arrangement which, in our opinion, only the most urgent necessity could justify. The system of raising loans through the agency of financial contractors is frequently resorted to by such foreign States as have already anticipated their resources, or have not sufficiently assured credit in the English market to render it prudent for them to embark in large undertakings without a certainty that the capital required will accrue in instalments as the works progress; but this method of prospectively insuring the receipt, upon necessarily onerous terms, of such money as is needed has not hitherto, we believe, been resorted to by Colonial Governments, and we regret that in this instance New Zealand should have had to follow such a course. And we believe that the mere fact that it has abandoned the Government department through which its previous loans have been successfully placed in this country, must doubtless have a prejudicial effect. Such changes invariably produce unfavourable influences on public credit, and, unless for some very imperative reason, should, we think, be carefully avoided.