

As the value of money on short loans in the open market is less than that allowed on instalments paid in anticipation of the dates prescribed by the contract, it is probable that a still further amount will be paid in advance.

Out of the money so received, we have already paid off £280,000 of temporary advances obtained from the Bank of England on the security of guaranteed debentures, and we purpose paying the remainder (amounting to £380,000) at intervals, as it falls due, between this and the 15th May next.

Having freed these securities from all liability, they will be placed on deposit, as before, in the Bank of England, subject to the joint order of any two of the Loan Agents, to be dealt with as the Government of New Zealand may hereafter direct.

Had circumstances permitted us to negotiate the loan in two equal parts, with an interval of nine or twelve months between them, we believe that we could with success have appealed direct to the public, with a very considerable saving to the Colonial Exchequer, and with the probable advantage that only a comparatively small portion of the loan would have fallen into the hands of speculators. Under the present arrangement, we are ignorant as to the character and number of the subscribers, and as to the amount actually taken up by the public; but reports current in well-informed circles incline us to believe that the greater part of the loan is now held on speculation, and will for a long time to come be pressed upon the market whenever remunerative sales can be made.

Until that process is ended, if our surmise be correct, it appears to us, so far as it is possible to judge of the future, that the Government of New Zealand will act wisely in abstaining from all attempts to place upon this market any further loans.

The most immediate effect of the line of action that we have adopted appears in the depreciated value of the new debentures. The net market price of the New Zealand $4\frac{1}{2}$ per cents on the 1st February was 97, whereas (without any change for the worse having taken place in the money market in the interval) the rate at which the public were invited to subscribe for the new loan was 94, with deferred payments, virtually reducing it to 93.

This depreciation of 4 per cent. below the previously existing price, with certain rebates in the shape of commission, was the highest point at which the contractors would undertake to guarantee the taking up of the loan; and these conditions were considerably more advantageous than we were at one time led to expect.

The terms upon which this transaction has been carried out appear to us, indeed, to be exceptionally favourable, when it is considered how recently the previous loan was negotiated, how large is the present operation, and how prejudicial were the circumstances by which it was surrounded.

Comparing this negotiation with those for identical securities which have preceded it, and excluding from the calculations the incidental expenses—such as printing, advertising, stamping, &c., which are in much the same proportion in all cases—the results are as follow, viz. :—

	£	s.	d.
Price realized on £500,000 $4\frac{1}{2}$ per cents sold in January, 1874, after deducting commission and brokerage	97	4	2
Price realized on £1,500,000 $4\frac{1}{2}$ per cents sold in May, 1874, after deducting commission and brokerage	95	4	2
Price realized on £4,000,000 $4\frac{1}{2}$ per cents sold in March, 1875, after deducting commission and brokerage	91	0	0
On the first of these loans a charge of £2 15s. 10d. per cent. on the whole amount will fall on the Government at maturity, equal to			
		13,958	0 0
On the second, £4 15s. 10d. per cent.		71,875	0 0
On the third, £9 per cent.		360,000	0 0

In disposing of more of the colony's securities than the market was able at once to absorb, it became absolutely necessary to make such a reduction in price as might on the one hand, if possible, tempt the general public largely to invest their money in these debentures, or as might on the other hand induce speculators to purchase them with the prospect of selling hereafter on beneficial terms. It must be remembered, however, that the higher price (£97) was on retailed transactions, relating to small sales of £500 and upwards; whereas the lower price (£94, virtually representing £93) was a wholesale one, put forward with a view of inducing subscriptions to the extent of £4,000,000 sterling.

We regret extremely that Mr. Vogel so far dissents from the opinions expressed in this report as to decline joining in it. We understand, however, that he will express his views in a separate report, and we have thought it right to furnish him with a copy of this, though we regret that the time occupied in trying to reconcile conflicting opinions has rendered it impossible for us to do this until the afternoon of this day.

We have, &c.,

P. G. JULYAN,	}	Loan Agents.
I. E. FEATHERSTON,		
W. C. SARGEANT,		

The Hon. the Colonial Secretary, Wellington, N.Z.

P.S.—A copy of a letter addressed to Mr. Vogel, enclosing a copy of this report, is herewith transmitted.

ARTICLES OF AGREEMENT entered into this twenty-sixth day of February, one thousand eight hundred and seventy-five, between the Government of the Colony of New Zealand, by their duly constituted Loan Agents, whose names are hereunto subscribed, of the first part, and Baron Lionel Nathan de Rothschild and Sir Anthony de Rothschild, of New Court, St. Swithin's Lane, London, trading under the firm of Messieurs N. M. Rothschild and Sons, of the second part.

Whereas by an Act of the General Assembly of the Colony of New Zealand entitled "The Immi-