

It is difficult to understand why exception should have been taken to our adopting this course, as it was manifestly conceived in the interests of the colony; but owing, it is presumed, to an inadvertence on our part, which is fully explained in a letter and telegram which we addressed to the Colonial Secretary the moment we became aware of it, and of which copies are enclosed, the Executive appear to have attached a meaning to our letter which it was never intended by us to convey, and to have treated our request, which had reference solely to an intermittent employment of an extra-official nature, as a question affecting our duties as Crown Agents; and their minute appears to us to be founded throughout on this misconception.

This fact, we presume, they have since become aware of, for, apart from the circumstance that we subsequently raised in this market a further loan of £1,250,000 for them, as Crown Agents, it was only two days ago we received official notification that we had, in our individual capacity, been associated with the new Agent-General to fill an office created by the Public Revenues Act of 1875, to control the Public Account of New Zealand with their bankers in London; and by the same post received warrants as Crown Agents, for the payment of interest on existing loans, which will not fall due until March, 1877.

There are, however, one or two other questions raised by this minute, which call for some explanation.

In paragraph 3, it is stated that "the Crown Agents' services as Crown Agents were placed at the command of the colony by the Colonial Office." If, by this, it is meant that the colony have a right to command the services of the Crown Agents in all things, we humbly conceive they are mistaken. For general purposes they have a London agency of their own. The services of the Crown Agents were granted to them, at their own request, for one specific object, viz., the negotiation of public loans; and that concession originated in the following manner:—

In 1864, the Colonial Government sent their Finance Minister to this country to endeavour to raise the first large loan which had been attempted by the colony in this country. At that time, the money market was in a most unfavourable condition for such operations, and, after careful inquiry among City financial agencies of good standing, that gentleman was advised that his best chance of success was to endeavour to get the Crown Agents to take the matter in hand, because the public would have greater confidence in a loan raised by comparatively unknown borrowers, if it were found to emanate from a well-known public office.

Impressed with that belief, the Finance Minister appealed to us for assistance, and was told that, with the Secretary of State's permission, we should be prepared to undertake to raise the money.

The Minister then, at our suggestion, addressed himself to the Colonial Office, by whom the Crown Agents were in turn informed that, if they saw no objection to doing so, they were at liberty to comply with the Finance Minister's request.

This they accordingly did, on conditions identical with those laid down for their guidance in dealing with other borrowing colonies.

In a similar manner, successive loans were dealt with, until the Four Million Loan, already referred to, was about to be raised, when the colony, in the exercise of their undoubted right, chose to place it on the market through another channel.

This, we submit, is a very different thing from placing the Crown Agents' services generally at the command of the colony.

The only other point upon which we think it necessary to offer any observation is the idea which seems to be entertained by the Colonial Government, that they have the right to set aside the engagements into which they have from time to time entered with the Crown Agents and with the bondholders, as to the final repayment of capital and the periodical payment of interest on loans already placed on the market.

To give confidence to investors, at the time of borrowing, it was advisedly set forth, in advertisements inviting tenders, that both would be paid at the offices of the Crown Agents, and these conditions took the form of a written promise in every bond and every coupon issued.

In guaranteed loans, the Secretary of Her Majesty's Treasury united with the colony's representatives in signing such undertaking, as will be seen on reference to the sample debenture enclosed; and in unguaranteed loans, the Agent-General of New Zealand signed the same form of bond on behalf of his Government: and whether, in point of law, such written undertakings form binding contracts or not, we can hardly suppose that any colony having a proper regard for its credit would lightly revoke such a promise; and we feel assured that the Treasury would be no party to such a change as far as the guaranteed loans are concerned.

It was, moreover, a part of the consideration to be paid to the Crown Agents' department for placing the loans on the market, that interest and principal should be paid at their offices; and a staff has been maintained for that purpose, on the faith of these agreements, which could now only be abolished at considerable cost.

With regard to future loans, the Crown Agents have no claim whatever to become the negotiators of them, and it is open to the colony to make them payable where they please.

If the proposed conversion of New Zealand debentures into stock, payable at the Bank of England, be carried out, then the management of New Zealand loans will, by a natural process, be gradually transferred to that establishment.

Robert G. W. Herbert, Esq., &c.,
Colonial Office.

We have, &c.,
P. G. JULYAN.
W. C. SARGEANT.

Enclosure 2.

The COLONIAL OFFICE to the CROWN AGENTS.

GENTLEMEN,—

Downing Street, 30th January, 1877.

With reference to your letter of the 7th ultimo, on the subject of the relations between yourselves and the New Zealand Government, I am directed by the Earl of Carnarvon to inform you that,