

Sess. II.—1891.  
NEW ZEALAND.

PAYMENT OF INTEREST BY THE NEW PLYMOUTH  
HARBOUR BOARD

(CORRESPONDENCE RELATING TO).

*Presented to both Houses of the General Assembly by Command of His Excellency.*

No. 1.

The CHAIRMAN, New Plymouth Harbour Board, to the COLONIAL TREASURER.

SIR,—

Wellington, 16th April, 1889.

I have the honour to request the Government to make an advance at once to the Harbour Board Trust Account of a sum of £2,200,\* to be stopped out of the Land Fund which will be due on the 30th September next, and out of the Crown and Native rates for the ensuing year, so as to enable the Board to pay the entire coupons due on the 1st of May next.

I have, &c.,

T. KING,

Chairman, New Plymouth Harbour Board.

The Hon. Sir H. A. Atkinson, K.C.M.G., Colonial Treasurer, Wellington.

No. 2.

The MANAGER, Bank of New Zealand, Wellington, to the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Wellington, 23rd October, 1889.

I have the honour, by direction of the bank's Inspector in Auckland, to apply to you for payment of the sum of £5,115 7s. 1d., to provide interest instalment on New Plymouth Harbour Board bonds, and I shall be obliged if you will enclose cheque for this amount. Particulars of the manner in which it has been made up should reach me by next mail from New Plymouth.

I have, &c.,

P. T. J. PARFITT (*pro* Manager).

The Hon. the Colonial Treasurer, Wellington.

No. 3.

The MANAGER, Bank of New Zealand, Wellington, to the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Wellington, 25th October, 1889.

*Interest New Plymouth Harbour Board.*—Continuing my advices of the 23rd instant, I now beg to hand you statement therein referred to. For your information, I may mention that the Inspector, Auckland, has instructed me to remit the amount to him, and that he will adjust with London.

I have, &c.,

P. T. J. PARFITT (*pro* Manager).

The Hon. the Colonial Treasurer, Wellington.

Enclosure 1 in No. 3.

Bank of New Zealand, New Plymouth, 22nd October, 1889.

MEMORANDUM for Wellington office *re* New Plymouth Harbour Board:—

	£	s.	d.
Amount required on account of interest ... ..	5,000	0	0
Bank of New Zealand, London, commission, $\frac{1}{2}$ per cent. ...	25	0	0
Total required in London ... ..	5,025	0	0
Exchange, $\frac{3}{4}$ per cent. on £5,025 ... ..	43	19	5
	5,068	19	5
Interest from the 7th September (date of closing of mail when money should have been paid over here) to the 22nd October, forty-five days at 7 per cent. ... ..	43	15	0
Cost of cablegram to London ... ..	2	12	8
	£5,115	7	1.

\* Payment of this advance was made to the Board on 17th April, 1889.

## Enclosure 2 in No. 3.

MEMORANDUM from the BANK OF NEW ZEALAND, Wellington, to the SECRETARY to the TREASURY, Wellington.

INTEREST, NEW PLYMOUTH HARBOUR BOARD.—Referring to my letter addressed to the Colonial Treasurer, dated the 25th October, our New Plymouth office now write me to the effect that an error of  $\frac{1}{8}$  per cent. has been made in calculating the exchange chargeable on the remittance of £5,025 to London; and I have now to ask you to send me your cheque for £6 5s. 7d., being the amount of the difference caused by calculating the exchange at  $\frac{7}{8}$  per cent. instead of 1 per cent.

13th November, 1889.

ALFRED SMITH (*pro* Manager).

## No. 4.

The CONTROLLER AND AUDITOR-GENERAL to the COLONIAL TREASURER.

The Hon. the Colonial Treasurer.

IN respect to the payment made in November last of the interest due in London by the New Plymouth Harbour Board, I presume that instructions will be sent to the Agent-General to procure and hold the coupons uncanceled as security for the advance made by the Government.

12th February, 1890.

JAMES EDWARD FITZGERALD.

## No. 5.

The AGENT-GENERAL to the COLONIAL TREASURER.

(Memorandum.)

Westminster Chambers, 13, Victoria Street, London, S.W., 2nd April, 1890.

NEW PLYMOUTH HARBOUR BOARD COUPONS.—I beg to enclose copy of a memorandum from the Audit Officer, covering a letter from the Controller General, relating to an advance of £5,000 made by the Treasury to pay the coupons on the bonds of the New Plymouth Harbour Board which fell due in 1889. Neither the Audit Officer nor I can, however, take steps for giving effect to the Controller General's desire, in the absence of instructions showing that the Bank of New Zealand is authorised to deliver the coupons to me uncanceled.

The Hon. the Colonial Treasurer.

F. D. BELL.

## Enclosure in No. 5.

MEMORANDUM for the AGENT-GENERAL.

HEREWITH I submit a copy of a letter received by me from the Controller and Auditor-General, stating that he has pointed out to the Government that the New Plymouth Harbour Board coupons should be delivered to yourself uncanceled when the interest for the same has been advanced by the Government, and I should be glad to learn if you have received any instructions to that effect from the colony.

Audit Office, London, 1st April, 1890.

C. F. W. PALLISER.

*Minute from Agent-General.*

I HAVE no orders yet from the Government, but it is obvious that the Bank of New Zealand will not let us have the coupons uncanceled without full authority.—F. D. B.—1st April.

## Sub-enclosure to Enclosure in No. 5.

SIR,—

Audit Office, 1st February, 1890.

The Government has paid the interest due by the New Plymouth Harbour Board in November last, amounting to over £5,000.

This money, I find, could not be advanced to the Board, who would have been liable to the penalties for illegal borrowing had they accepted such an advance. The money was issued as "unauthorised," and, so far, under the sanction of law; but it must be regarded as having been expended in the purchase of the coupons from the Bank of New Zealand in London. These coupons should therefore be delivered up uncanceled to the Agent-General as security for the money advanced by the Government to meet them. I have represented this to the Government, who will no doubt instruct the Agent-General on the subject.

C. W. Palliser, Esq.

I have, &c.,

JAMES EDWARD FITZGERALD.

## No. 6.

The AGENT-GENERAL to the COLONIAL TREASURER.

Treasurer, New Zealand.

(Received 29th April, 1890.)

BANK OF NEW ZEALAND cannot, without aid, meet interest due on Taranaki Harbour coupons. Instruct whether shall do anything.

London, 28th.

## No. 7.

The COLONIAL TREASURER to the AGENT-GENERAL.

Agent-General, London.

Wellington, 29th April, 1890.

MESSAGE of 28th received. No Government assistance will be given.

## No. 8.

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,— Westminster Chambers, 13, Victoria Street, London, S.W., 30th April, 1890.

On the 28th instant I received a confidential letter from one of the directors of the Bank of New Zealand, stating that the bank had received advices from New Zealand intimating the inability of the New Plymouth Harbour Board to provide for more than about 50 per cent. of the sum required for the coupons on their debentures falling due on the 1st May, and requesting the bank to place in the hands of the bondholders copies of a circular explaining how the revenue of the Board came to be insufficient to meet the interest on their debentures. The directors of the bank, being of opinion that this default would probably have an injurious effect on all harbour securities, and possibly on the credit of the colony generally, deemed it right to inform me of what had occurred, and of their own view of its probable effect, the tone of the circular appearing to them to make too light of the default about to be made.

On receiving the letter, it appeared to me that I ought to telegraph to you asking whether I was to do anything, and I was much obliged by your prompt reply that the Government could not give any assistance to the Board. I communicated this to the bank at once.

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,  
F. D. BELL.

## No. 9.

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,— Westminster Chambers, 13, Victoria Street, London, S.W., 20th May, 1890.

A deputation of gentlemen interested in the New Plymouth Harbour Board's bonds had an interview with me yesterday, to represent the position in which they are placed by the default of that Board in meeting the interest due on the 1st instant.

The arguments adduced by the deputation were only a repetition of those which have frequently been addressed to me by individual bondholders, and which I have described to you in previous letters. I read to the deputation the evidence of Sir Harry Atkinson before the Select Committee of the House of Representatives in 1887, and, while acknowledging my personal concurrence in the Premier's statements, I warned the deputation that I had no authority to express, and did not in fact in any way pretend to express, the views of either the House or the Government. In the course of the discussion it became necessary for me to point out the formidable difficulties in the way of any assistance to the New Plymouth Harbour Board, owing to the rights and interests of the public creditor, as well as the circumstances of other Harbour Boards. I reminded the deputation that the bondholders of the New Plymouth Harbour Board really had no relation to the colony at all, as their contract was expressed on the face of the bond itself, and the bond, like every other one issued under the authority of the general Harbour Act, expressly declared that the colony was not liable; consequently, as nobody could claim an instrument for what it gave but reject it for what it denied, any argument as to the colony's liability was wholly untenable.

The deputation then proposed to send in a statement, and asked me to forward the same to the Government for consideration, which I agreed to do.

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,  
F. D. BELL.

## No. 10.

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,— Paris, 10th June, 1890.

With reference to previous correspondence, I beg to enclose a petition (original in parchment) addressed to each of the two Houses of Parliament on the subject of the default recently made by the New Plymouth Harbour Board in the payment of the interest on their bonds. I also send Messrs. Scrimgeour's letter enclosing the petition. The petitioners ask me to request the Government to cause the petitions to be presented.

Messrs. Scrimgeour inform me that they find, on the petitions being sent round for signature, the feeling to be much stronger than they had anticipated in favour of something being done by the colony to relieve the bondholders from the loss they have suffered. This, indeed, was sure to be the case as soon as the bondholders decided to petition the Legislature.

I need not say that the petitions are signed by firms of the highest standing in the city. I beg also to enclose copy of a letter on the same subject from Mr. G. Farie, one of the bondholders; also printed copy of the petition.

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,  
F. D. BELL.

## Enclosure 1 in No. 10.

DEAR SIR,—

London, 2nd June, 1890.

We have the honour to enclose herewith a petition to the two Houses of Parliament respecting the default of the New Plymouth Harbour bonds, and we have to request you, on behalf of those who have signed, to forward the same to the Government for presentation to Parliament, at the same time asking the Government to support its prayer. Those who have signed this petition have observed that the Government have shown a disposition to see that justice is done to the bondholders, and, in saying this, would refer to the endeavour shown by Sir H. Atkinson before the Select Committee of 1887, also to the action taken by the Government in previous sessions of the New Zealand Parliament. Therefore, in submitting the enclosed petition, it is intended to strengthen the hands of the Government in dealing with the matter in a manner which would be just to the bondholders and creditable to the colony.

Sir Francis Dillon Bell, K.C.M.G., C.B.,  
Agent-General for New Zealand.

We are, &amp;c.,

MULLINS, MARSHALL, AND Co.  
J. AND A. SCRIMGEOUR.

## Sub-enclosure to Enclosure 1 in No. 10.

To the Honourable the Speaker and the Members of the House of Representatives of the Colony of New Zealand in Parliament assembled. The humble petition of the undersigned residents in England, who, either personally or on behalf of clients, are interested in various New Zealand securities, sheweth,—

THAT in the year 1879 an issue of £200,000 in 6-per-cent. debentures of the New Plymouth Harbour Board was raised in London; that the prospectus of the loan stated that "the Government, recognising the necessity and importance of the work from a national point of view, has endowed the Harbour Board with one-fourth of the gross revenues arising from the sale, occupation, or other disposal of the waste lands of the Crown within the provincial district." It also showed other security, by way of a rate upon the district; but, after stating that the then area of waste lands within the district consisted of about 758,000 acres, representing a value of £1,400,000, pointed out, as the before-mentioned endowment was deemed much more than sufficient for the purpose, no rate was expected to be required. Upon the faith of the above statements, the money for the loan was subscribed in London. That the same opinion prevailed in the colony, as appears from the evidence given by Sir H. A. Atkinson, the present or late Colonial Treasurer, before a Committee of your honourable House which sat in 1887. That at the time when the loan was issued, and for some years afterwards, the mode of selling waste lands was for cash or on deferred payment, but in the latter case the payment was to be 50 per cent. in advance of the cash price, and payable in ten equal instalments in advance, which was practically as favourable for Harbour Board purposes as a sale for cash. That, by various alterations made by legislative sanction in the years 1882, 1885, and 1887, the rates of sale on deferred payment were reduced first to 25 per cent. in excess of cash price, and afterwards to the same figure; and buyers on deferred payment were ultimately, after a single payment, allowed to capitalise unpaid instalments for a series of years, and pay only 5 per cent. interest on such capitalisation during such period. Further, the system of letting lands on perpetual lease, which until 1887 had been limited to one-third in area of rural lands, was in that year extended to all the waste lands. That the effect of these alterations was practically to take away for present purposes the main security upon which the lenders upon the above loan had relied, and the result has been that the Harbour Board were unable to meet the half-year's interest on the loan due in May, 1890, and will apparently be unable to do so in future.

Your petitioners, while not presuming to question the policy of the colonial Legislature in the alterations from time to time made in the mode of sale of waste lands, venture to think that the obligation (as they are informed the only one in the colony of this kind) entered into by the above prospectus was overlooked, and should have been met by some special provision, insuring to the creditors under the loan in question some engagement on the part of the Government which would have been as effective in their favour as if the sale of lands had proceeded on the footing in operation at the time the loan was made, and that if such claim be not now recognised it cannot but have a most prejudicial effect upon the credit of the colony in any future dealings upon the London money-market.

Your petitioners, therefore, feel compelled humbly to appeal to your honourable House, and to ask it to afford such redress as in its wisdom it may deem fit, with a view to placing the holders of debentures of the said loan in as favourable position as they would have been if the mode of disposing of waste lands remained as it was in 1879.

And your petitioners, as in duty bound, will ever pray.

MULLENS, MARSHALL AND Co.,  
and twenty-one others.

## Enclosure 2 in No. 10.

SIR,—

14, Second Avenue, Brighton, 8th May, 1890.

As a holder of £3,200 of the New Plymouth Harbour bonds, which are in default to the extent of 9s. 2d. in the pound of their coupon due on 1st May, I am constrained to call your attention, as the New Zealand Government's representative in this country, to the matter. I have also to beg that you will be pleased to bring the subject to the notice of your Government, with the view of their making inquiries into the management of the Harbour Board, and seeing that the money is forthcoming regularly for the service of the loan.

Looking at the terms of the prospectus issued of the loan on 1st July, 1879, by the Bank of New Zealand in London, I notice it is stated that "the Government recognise the necessity

and importance of the works from a national rather than a local point of view," thus clearly indicating that the Government countenanced the raising of the loan. It is further stated in the prospectus that the Government "endowed the Harbour Board with one-fourth part of the gross revenues arising from the sale, occupation, or other disposal of the waste lands of the Crown within the province." "The area of the waste lands at present held by the Crown consists of about 570,000 acres, representing a value of about £1,400,000. In addition, the Government are in negotiation to purchase from Natives 500,000 acres, estimated to be worth about £1,000,000," thereby indicating that this second lot of land will be appropriated to the service of the Harbour Board and the security of the loan. Again, it is stated in the prospectus that "the Taranaki District contains some of the finest land in the colony."

It naturally occurs to a bondholder to ask what has become of the 1,070,000 acres of land, said "to consist of some of the finest in the colony," valued at £2,400,000, and how it arises that some £11,400 per annum cannot be obtained from it, and the "rating-power," as noted in the prospectus "vested in the Board to the extent of 1s. in the pound upon property within the rating district, the annual value of which for rating purposes has been recently estimated at £60,000." The statements in the prospectus appear at variance with the facts as they now exist and are said to be in the Board's circular of 20th March last, thus leading one to conclude that the prospectus was a false, puffing one, or that the management of the Board, both of the Harbour and the land, is thoroughly bad.

I am not aware of any Harbour Board or municipal body being in default, and it seems disgraceful that so important a colony as New Zealand should be the first country to show that so weak and unfortunate a position should be held by one of its harbours in which the Government are so deeply interested. It is the duty of the Government to see the bondholders protected, and to uphold the credit of the country. The fact of the interest being in default, though only amounting to some £2,000, has already very seriously affected the value of all New Zealand stocks, and there is no saying where this weakening of the colony's credit will end. It may cost the colony hundreds of thousands of pounds hereafter to restore confidence unless the Government take early action in the New Plymouth matter.

Pray excuse me writing to you, and at so great a length.

I have, &c.,

GILBERT FARIE.

Sir Francis Dillon Bell, K.C.M.G., C.B., Agent-General for New Zealand.

## No. 11.

The AGENT-GENERAL to the COLONIAL TREASURER.

(Memorandum.)

Westminster Chambers, 13, Victoria Street, London, S.W., 5th September, 1890.

NEW PLYMOUTH HARBOUR BOARD.—I beg to enclose an article which appeared in the *Economist* respecting the default made by the New Plymouth Harbour Board, and the statement made by the Hon. Mr. Mitchelson in the House of Representatives during the debate at the end of June. As the matter was, at the departure of the last mail from the colony, still before a Select Committee, I have not thought it right to take any notice of the article; indeed, whatever may be the report of the Committee, it would have been difficult to make any official statement in this country at this moment, after what had passed in the House on the subject. But the honourable Minister will have seen that the article has not had any bad effect on the credit of the colony, as the price of the inscribed stock is to-day 106½ to 107½, which is much higher than it was when the article appeared a fortnight ago.

F. D. BELL.

## Enclosure in No. 11.

[Extract from the *Economist*, 23rd August, 1890.]

NEW PLYMOUTH HARBOUR BOARD INTEREST.—AN INDEFENSIBLE ACT.—Did the Hon. Edward Mitchelson, a member of the New Zealand Ministry, quite realise the purport of his words in reply to a question asked in the House of Representatives on the 27th June? An account had been presented to the New Zealand Parliament of the "unauthorised expenditure" in the past financial year, which included £4,992 19s. 3d. interest upon New Plymouth Harbour Board bonds. Here is his reply: "On the 24th October last the Government remitted to London a sum of £5,115 17s. 1d. to enable the interest on the Harbour Board's coupons to be met on 1st November. About that time the Loan Agents were making preparations for converting the 3½-per-cent. £2,700,000 loan, and it was thought that if default were made by the New Plymouth Harbour Board the success of the conversion would be greatly jeopardized. The Loan Agents advised that, in the interests of the loan they were about to raise, the Government should pay interest upon the coupons of the Board, rather than that default should be made. The Committee agreed with the Premier that it was advisable under all the circumstances to remit this money. The debit balance on the 31st May was £3,399 14s. 10d., but there was a doubt as to whether any portion of the £5,115 could be charged against the Harbour Board. The officers of the department assured them that the advances, not having been paid at the request of the Board, could not be deducted from the funds payable to the Board through the Government, so that in all probability the amounts already deducted would have to be refunded." So, then, the New Plymouth Harbour Board in reality defaulted in November last year, and the Government, without any request from the Board, and without the sanction of Parliament, stepped in and paid the interest, because they found it convenient for their own purposes to hoodwink the bondholders and the British public. The suppression of material facts thus

wilfully committed by the Government to benefit itself at the expense of the public creditors we consider constitutes a just claim against the Government on the part of every New Plymouth bondholder who purchased bonds between the 24th October and the 1st May last, and who was thereby deceived into the belief that he was investing in a solvent security. Further than this, the New Zealand Government have, in an equally unauthorised manner, commenced repaying themselves for the cash they advanced to suit their own purposes, and the May payments to the bondholders were additionally reduced in consequence. All through this business the New Zealand Government have shown an absence of care for those rigid lines of financial rectitude which is really lamentable. The interest on these bonds was in part secured by land-sales in the neighbourhood of New Plymouth, but, without compensation to the Board, the Government established a system of perpetual leases, which obviates the payment of cash by the purchaser of land. Then, when the New Plymouth Board announce that they cannot go on, the New Zealand Government, without informing the bondholders, step in and to suit themselves pay a half-year's interest, and after that, equally to suit their own convenience, not only wash their hands of all further liability, but seize the moneys which should rightly belong to the bondholders. Naturally, the New Zealand Government did not tell the bondholders last November that they were finding the money, because it would have created a precedent. But the precedent has been created, since Mr. Mitchelson, in his innocence, has divulged the secret.

---

No. 12.

The AGENT-GENERAL to the Hon. the COLONIAL TREASURER.

(Memorandum.)

Westminster Chambers, 13, Victoria Street, London, S.W., 14th November, 1890.

NEW PLYMOUTH HARBOUR BOARD.—I beg to enclose a letter which appeared in the *Economist* of 8th November, and also extracts from the *Daily News*, the *Financial Times*, and the *Standard*, of the 10th, 12th, and 13th November respectively, relating to the New Plymouth Harbour Board default.

In my memorandum of the 5th September, No. 1274, transmitting an article which had appeared in the *Economist* on the same subject, I said that, whatever might be the report of the Select Committee of the House of Representatives then sitting, it would be difficult to make any official statement in this country after what had passed in the debates on the subject. What was a difficulty then has become an impossibility, so far as the Agent-General is concerned. I could not make any statement in answer to such letters as are enclosed, without expressing opinions which are well known to the Government, yet, as Agent-General, such opinions ought not to be expressed without the authority of the Government. So far as the opinion of Parliament can be gathered from the debates, it seems clear that the differentiation of the New Plymouth Harbour Board from other Harbour Boards in the colony is not admitted to constitute any claim, while the circumstances under which the Government determined to advance the money for the coupon of November, 1889, and the conflicting opinions expressed thereon in the course of the debates, would make any answer to accusations here both difficult and hazardous.

At the same time, it is my duty to state that, since the adverse decision has become known here of the Select Committee against the petition of firms of high standing in the City, very strong opinions have been expressed in financial circles against the refusal to grant any redress, and it will be seen from the letter which appeared in the *Economist* that threats are not wanting of boycotting any new loan or financial operation. The risk of a combination of this kind must not be left out of consideration when the Government are deciding whether a conversion of the "sixes" of 1891 is to be made next year, though I do not myself think much of such threats.

F. D. BELL.

---

Enclosure in No. 12.

[Extract from the *Economist*, 8th November, 1890.]

NEW PLYMOUTH HARBOUR BOARD.

SIR,—

24, Throgmorton Street, E.C., 5th November, 1890.

In your edition dated the 23rd August last, you justly drew attention to the extraordinary course pursued by the New Zealand Government in hiding the default of this Board, because they found it convenient for their own purposes to deceive the British public.

On two occasions, in order to bolster up the credit of the colony, did the Government voluntarily provide the requisite funds for the service of the loan, and purposely suppress letters from the Chairman of the Harbour Board stating the inability of the Board to meet its engagements. When, however, the Government had effectually carried out the scheme of conversion they were engaged upon, and had nothing more to gain by further misrepresentation, they let the Board disclose to the bondholders the exact position of its affairs.

The deception practised by the Government is distinctly reprehensible, and entails very serious consequences upon many investors here, who, upon the national importance of the harbour to the colony, and the known fact that the Government were directly interested in it, were led to invest trust funds in the bonds, and now find themselves called upon to make good the loss that has arisen. I purchased several amounts of these bonds for trustees, after making careful inquiries on the Stock Exchange, and being informed that the interest had always been punctually paid, and that the Government would not let the Board default.

Upon my clients the loss is especially hard, as they only bought as late as April last, and if the Government had not suppressed the two previous notices of default issued by the Chairman of the Board, they would, of course, have been spared their loss.

A petition has been presented to the New Zealand House of Parliament, fully setting forth the facts of the case, but you will see by the enclosed letter from the Chairman of the Board that the Government disclaim all responsibility.

The real cause of the Board's difficulties arises from the fact that the endowment of lands made by the Government has been rendered practically valueless by an Act regulating the sale of such lands, which was passed subsequently to the issue of the bonds, and deprived the Board of the means of raising the funds necessary for the service of the loan.

The Board and its bondholders have great cause of complaint at the treatment they have received from the Government, and, when they next appeal to the British public for a further loan, all the circumstances connected with this matter will be fully remembered.

The Editor of the *Economist*.

I have, &c.,

WALTER BUSBY.

---

### No. 13.

The CONTROLLER and AUDITOR-GENERAL to the COLONIAL TREASURER.

The Treasury.

I WROTE to the Audit Inspector in London a year ago to say that the coupons of the New Plymouth Harbour Board which the Government paid at that time ought to be handed over to the Government, and that the Government would no doubt instruct the Agent-General on the subject. He replied that no instructions had then been received. Will you be so good as to state if any have since been sent, and where those coupons are at present?

5th February, 1891.

JAMES EDWARD FITZGERALD.

---

### No. 14.

The CONTROLLER and AUDITOR-GENERAL to the COLONIAL TREASURER.

*On the Accounts of the New Plymouth Harbour Board with the Government.*

IT is impossible to read Mr. Farie's letter without feeling that the bondholders of the New Plymouth Harbour Board have a *prima facie* claim on the Government for a guarantee of the loan. The inducement held out to subscribers to the loan was that its security was a large tract of good land, worth so much money, and disposable at a price which would realise so much money. The Government, it is true, did not guarantee that the price would not be altered; but it did not demur to, or take exception to, the statement made by the Harbour Board that land of such a value was to be security, implying that the power of diminishing the security would not be exercised during the currency of the loan. The fact that the Government did come forward upon the first occasion on which the Harbour Board was unable to pay its interest, and supplied the funds which enabled it to do so, cannot fail to be used as an evidence that the Government felt it was not without responsibility in the matter.

JAMES EDWARD FITZGERALD,

Controller and Auditor-General.

6th February, 1891.

---

LETTERS from NEW PLYMOUTH HARBOUR BOARD BONDHOLDERS, and CHAIRMAN'S reply, referred to in foregoing Memorandum by the Controller and Auditor-General.

At the Harbour Board on Wednesday, the 9th July, the following letters from holders of New Plymouth Harbour bonds were read:—

GENTLEMEN,—

14, Second Avenue, Brighton, 8th May, 1890.

As holder of £3,200 of your Harbour bonds, I was much surprised, as you may imagine, to be paid only at the rate of 10s. 10d. in the pound on account of the coupon due on the 1st May, and to receive your circular of the 20th March. I purchased the bonds on the 23rd and 28th April—more than a month after your Board were aware that the coupon due the 1st May would not be paid in full. To delay announcing this fact by cable to your agents in London for publication can be characterized only as an act of gross dishonesty; and I shall be glad to learn what explanation your Board can give of it. The withholding of this information gives colour to the notion that the Board had some object to serve—viz., to afford those behind the scenes an opportunity of disposing of the bonds they held before the public at large were aware that any default on account of interest would occur. In the prospectus of the loan issued on the 1st July, 1879, by the Bank of New Zealand, it is stated that “the Government recognised the necessity and importance of the harbour-works from a national rather than a local point of view, and endowed the Harbour Board with one-fourth part of the gross revenues arising from the sale or occupation or other disposal of the waste lands of the Crown within the province. The area of waste lands at present held by the Crown consists of about 570,000 acres, representing a value of about £1,400,000. In addition, the Government are in negotiation for the purchase from Natives of 500,000 acres of land, estimated to be worth about £1,000,000”—thereby intimating that this second lot of land will be appropriated for the service of your Board, and security of the loan. It is further stated in the prospectus that “the Taranaki District contains some of the finest land in the colony.” The statements of the prospectus I have quoted and the statements of your circular are at variance, and lead one to the conclusion that the prospectus was a puffing, lying one, or that thoroughly bad management has been displayed in the conduct of all the concerns of the harbour, and “the sale, occupation, and other disposal of the land.” What has become of the 1,070,000 acres of land said “to consist of some of the finest in the colony,” valued at about £2,400,000? Is it possible to believe that with good management that £11,400 per annum for the service of the loan cannot be obtained from that

land, and the rate on "the special settlements." If such is the case the outlook for your colony at large is a poor one. If the Government so greatly recognised the importance on "national grounds" of the harbour-works, and gave their countenance to the issue of the prospectus of the loan—as they clearly did—the Government is undoubtedly responsible to the bondholders, and also responsible for your Board in the outlay of the money. Why do you not apply to the Government to make good the deficiency of the coupon, and ask them to manage the sale and settlement of the land on a system that would insure the bondholders being properly treated? I shall be pleased to receive from you any statement of accounts you can send me of the financial affairs of the harbour, and the sale and settlement of the land within the province. I should also like to be informed if your Board render statements of accounts to the colonial Government. I need not refer more than casually to the indirect loss that your colony must and has already suffered by the default of your Board, as any one with a knowledge of investors in this country must be aware that confidence is of vast importance to every country.

I am, &amp;c.,

GILBERT FARIE.

The Chairman and Members of the New Plymouth Harbour Board of New Zealand.

SIR,—

1, Fenchurch Buildings, London. (Capetown, 30th May, 1890.)

As a trustee for three different estates, I am holding bonds of £1,500, £1,000, £1,000, £3,500, and I invested this money eight or nine years ago, believing that I had good security, in so far that the New Zealand Government has passed the Act for this New Plymouth Harbour, and that all interests had been well guarded. I was induced by the late Mr. Westgarth to place this money in what was then held up to be one of the best and safest of the harbour loans, from the valuable land-grants set aside for the payment of the interest and capital. Your printed circular of the 20th March, 1890, sent *via* San Francisco, was rather a sudden intimation of default, and, with very deep regret, I am now aware of the poor resources said to be at your disposal. Here in South Africa, as in most new countries, harbours are constructed to benefit the whole country, and are so undertaken by the Government; but if the New Zealand Government did not want to make their debt look larger some eight or nine years ago for these particular loans they, nevertheless, fostered this process of constructing these harbours out of the pockets of the London capitalists. It has no doubt been said that the interest was high, but it was colonial interest at the time the loan was issued, and it was a bargain made then. I am on a visit here, but on reaching London I shall undoubtedly join in a measure for our protection. But there ought to be no occasion for this. The country of New Zealand has been improved by the making of the New Plymouth Harbour, and the New Zealand Government have broken the terms of the land-grant under which the money was borrowed. Under these circumstances, they had better take over their New Plymouth Harbour, and return the money which was borrowed.

I am, &amp;c.,

T. King, Esq., Chairman of New Plymouth Harbour Board.

DANIEL DE PASS.

The Chairman of the Harbour Board has forwarded to the bondholders the following letters, which explain the reasons why their coupons were not paid in full:—

SIR,—

New Plymouth, 10th July, 1890.

I have the honour to acknowledge the receipt of your letter of 30th May. In reply, I forward a copy of letter I have this day written to Mr. Gilbert Farie, of 14, Second Avenue, Brighton, which will explain to you the causes which have led to default in the payment of interest. I can assure you that no blame attaches to the Board in this matter. When the land fund fell short of our requirements we levied the maximum rate on the occupiers of land at once, and collected it with what some people considered great harshness, for we had to summon in a good many cases, and in some instances we had to distrain. Its imposition was looked upon as a hardship, as it was never thought it would be likely to be levied.

I am, &amp;c.,

Daniel de Pass, Esq., 1, Fenchurch Buildings, London.

T. KING, Chairman.

SIR,—

I have the honour to acknowledge the receipt of your letter of the 8th May last. I cannot wonder, under the circumstances you mention, that you naturally feel aggrieved at finding a few days only after your purchase of bonds had been made that the May coupons had not been met in their entirety.

I did not telegraph to London that the default would be made, because on two previous occasions the Government had advanced sufficient funds to enable the coupons to be paid, and my letter to the bondholders, in terms similar to mine of the 20th March, had been suppressed. On the last occasion I considered it not unlikely that the May coupons would be paid in full from the same source.

On referring to the prospectus which was issued when the loan was raised, you will see that at that time the Board had every reason to believe that the fourth of the land fund would suffice to meet the interest, without having recourse to a rate. I doubt, indeed, whether, great as was the need for a harbour, the occupiers of land would have felt inclined to acquiesce in the issue of a loan if the imposition of a rate had appeared to be probable at an early date. A maximum rate at that time would not have realised more than £3,000 per annum.

For nine and a half years the funds derived from the land revenue were sufficient for the payment of interest, but, owing to the alterations in the land-laws, and the depression which resulted from the abstention from borrowing for public works, the demand for the purchase of the land had almost ceased, and a considerable exodus of people, whose income had been derived from the expenditure of borrowed money, had commenced. To insure the settlement of the country, exceedingly favourable terms for the occupation of land on deferred payment and on perpetual lease were offered to the public. The result has been that cash sales have almost ceased. Deferred-pay-

ment land was at first offered to be spread over a period of ten years, but further concessions were afterwards made from time to time; so at present a deferred-payment settler, after paying the first half-year's instalment, is allowed to capitalise the balance for thirteen years, and to pay 5 per cent. interest on the capitalised amount. On perpetual lease the occupant pays a rental on the price of the land at 5 per cent. interest, and his improvements are protected.

It is quite possible that, if the system of cash payments for land had been continued exclusively, after a certain lapse of time a demand for land on the old terms would have again arisen, and one-fourth of the revenue, with a maximum rate, might have been sufficient to pay the coupons, but there would have been a pause for an indefinite time, during which the sales would have been very small. As it is, so much of the best-situated land has been disposed of on the new terms that I cannot see how a sufficient revenue can arise from one-fourth of the land fund and a maximum rate to pay more than 4 per cent. interest on the bonds, if, indeed, so much, for there is a proposal before the Parliament that in future perpetual-lease settlers, instead of paying interest on entering into occupation, are to be allowed to pay no interest for two years, and the payment of the two years' interest is to be spread over the remainder of the term. The Government has not purchased any Native land in this provincial district for many years, and, as far as I can see, it is not inclined to do so in the future. If it did, one-fourth of the proceeds of sale or occupation would be receivable by the Board.

I have no doubt the question of default will be brought before the Parliament, which is now sitting, but with what result I am unable to conjecture.

I have stated in the early part of this letter that I was not aware whether the Government would not render assistance to the Board on this as on previous occasions, but I am sure that no member of the Board had communicated the probability of default, so as to enable some bondholders to uncover before default was made. The Sinking Fund Commissioners have bonds for £7,500 in the hands of the Agent-General for the colony in London, and these have not been put upon the market.

The Board's accounts are audited annually, and are scrutinised with the utmost care by the Auditor-General. The receipts from the fourth of the land revenue during the several years have been—1878, £6,994 9s.; 1879, £4,123 1s. 7d.; 1880, £2,638 10s. 7d.; 1881, £32,986 13s. 1d.; 1882, £17,145 15s. 3d.; 1883, £20,138 11s. 9d.; 1884, £6,367 10s. 1d.; 1885, £4,927 6s. 11d.; 1886, £2,364 1s. 2d.; 1887, £5,649 11s. 3d.; 1888, £4,330 15s. 8d.; 1889, £2,803 11s. 10d.

I have, &c.,

Gilbert Farie, Esq., 14, Second Avenue, Brighton.

T. KING, Chairman.

#### No. 15.

The PREMIER to the AGENT-GENERAL.

Agent-General, London.

Wellington, 28th February, 1891.

NEW PLYMOUTH HARBOUR BOARD.—November, 1889, coupons: Ascertain if cancelled and returned to Board.

#### No. 16.

The AGENT-GENERAL to the PREMIER.

Premier, New Zealand.

(Received 3rd March, 1891.)

HARBOUR coupons, November, 1889, were cancelled and forwarded Bank of New Zealand branch, Taranaki.

London, 2nd.

#### No. 17.

The AGENT-GENERAL to the PREMIER.

SIR,— Westminister Chambers, 13, Victoria Street, London, S.W., 17th April, 1891.

I beg to enclose copy of a letter from Sir John Lubbock, Chairman of the Council of Foreign Bondholders, covering one (which I send on in original) on behalf of that Council, in reference to the New Plymouth Harbour Board default.

I have informed Sir John Lubbock, in reply, that some of the statements contained in his letter are new to me, and others I am unable to verify; but I have assured him that the questions he has raised will receive the careful consideration of your Government.

After what has been said in the House of Representatives, I feel it incumbent upon me no longer to keep silence as to my own opinion on the question. In my letter to your predecessor of the 30th March, 1889, No. 428, I pointed out how strongly it was held in all financial circles here that the colony had from the first intended to endow, and had virtually endowed, the New Plymouth Harbour Board with a continuing proportion of the land revenue as it stood at the time; and that as, by reason of a change in the administration of the general land-law, the Board only got a trifling sum instead of the fair amount it was intended to receive, an equitable claim on the colony had been created.

Not having been called upon by the Government at the time to express any opinion of my own on the policy involved I refrained from doing so officially as Agent-General. But I never had any doubt that the differentiation between the case of the New Plymouth Harbour Board and the case of any other Harbour Board was one which ought to be plainly admitted; and that the colony could not, whether directly by new land-legislation, or indirectly by new administration of the existing land-law, rightly take away an endowment which it had once conferred.

In July, 1889, the Government cabled to me, asking whether I thought that if the Harbour Board made default in paying the coupon of 1st November it would be detrimental to the success of the conversion loan to be brought out in October. I replied that, while I still thought that a default would only have a transient effect, a default ought certainly not to be allowed to come upon this

market simultaneously with the issue of the loan; and that if there was to be any default, the sooner it was known here the better. But I went on to say that it would be unwise to run the risk of reducing the issue price of the loan by even  $\frac{1}{4}$  per cent., and I advised that the next dividend should be tided over, as a pure matter of expediency, until the real question should be decided by Parliament.

I did not know till long afterwards that this advice of mine had not only been confidentially laid before the Public Accounts Committee, but that the leaders of both parties in the House had agreed in Committee to take it. But this having been done, it was impossible for any one who took my advice to disclaim it afterwards with any fairness to me. And it certainly was most unfortunate that the decision of the Committee was not made known at the time, for the Government was accused of intentional concealment, and it was this accusation and no other that did the colony so much harm in this country.

When reporting an interview in May, 1890, with a deputation of New Plymouth Harbour bondholders, I informed the Government that I had plainly told the deputation of my personal concurrence in the evidence given by Sir Harry Atkinson before the Select Committee of 1887. I was bound to warn the deputation that I had no authority to express, and did not pretend to express, the views of the Legislature or of the Government; but I did not choose that my own view should be concealed, and neither the late nor the present Government could ever have had any doubt of what it was. But the debates in the House gave a colour to the transaction from first to last which has been most injurious to the good name of the colony, and it is evident from Sir John Lubbock's letter how much depends upon the decision that may now be taken.

The Hon. the Premier, Wellington.

I have, &c.,  
F. D. BELL.

### Enclosure 1 in No. 17.

Sir JOHN LUBBOCK to the AGENT-GENERAL.

Council of Foreign Bondholders,

DEAR SIR DILLON BELL,—

17, Moorgate Street, London, E.C., 3rd April, 1891.

I enclose herewith, under flying seal, for your perusal, a letter which I have addressed to the Hon. J. Ballance, Colonial Treasurer of New Zealand, on the subject of the claims of the New Plymouth Harbour Board debenture-holders, and request that you will be so kind as to forward it to its destination. I shall be glad to hear that you will support the suggestions which it contains.

I have, &c.,

Sir Francis Dillon Bell, K.C.M.G., C.B., &c.

JOHN LUBBOCK, Chairman.

### Sub-enclosure to Enclosure 1 in No. 17.

Council of Foreign Bondholders,

SIR,—

17, Moorgate Street, London, E.C., 2nd April, 1891.

As Chairman of the Council of Foreign Bondholders, I have the honour to address to you this communication on behalf of the debenture-holders of the New Plymouth Harbour Board, and to ask in their name the favourable consideration of your Government of the position in which they are placed.

The Bank of New Zealand, in the year 1879, as financial agents of the New Plymouth Harbour Board, offered on this market, for public subscription, 6 per cent. debentures of that Board for £200,000. This loan was authorised by Acts of the Legislative Assembly of the colony for the purposes of harbour-works at New Plymouth, the only harbour of importance on the west coast of the North Island from Kawhia to Wellington, a distance of about three hundred miles. The necessity and importance of this work from a national point of view had been recognised and the undertaking initiated by the colonial Government. The surveys and design of the works were made by the engineers and surveyors of the colony, and in 1876 the Government undertook the construction of the works by means of prison-labour. Subsequently, however, the Government withdrew from the scheme, and the Legislative Assembly passed an Act authorising the New Plymouth Harbour Board to raise a loan of £200,000 to build the harbour, and, as the prospectus stated, in view of the national importance of the work, endowed the Harbour Board with one-fourth of the gross revenues arising from the sale, occupation, or other disposal of the waste lands of the Crown in the Provincial District of Taranaki, and enacted that the revenue to be derived from this source should be set aside in order to provide, in the first instance, for the interest and sinking fund of these debentures in accordance with section 19 of the Harbour Companies Act of 1877, and for no other purpose. The words "in the first instance" indicate that the New Zealand Government anticipated that the revenue from this source would amply suffice for the future service of the debenture loan.

The prospectus represented that the area of waste lands then held by the Crown within the provincial district was about 758,000 acres, representing a value of about £1,400,000, one-fourth of which—viz., £350,000—is nearly double the amount of the loan in question, which might therefore be considered to be amply secured thereby. The Premier, on the 12th December, 1887, stated before a Committee of the House of Representatives that the object of this grant was to give to the Board, for the purposes of the loan, one-fourth of the selling-value of the lands in question (not merely the interest on the selling-value postponed for a long period or the rental of the lands), and he estimated that the proceeds of such one-fourth would cover the charge for interest and sinking fund in respect of the debentures for a period of twenty-six years without resort to any other sources of revenue.

The service of the loan was further secured by the rating-power vested in the Board on property within the rating district; but, as the land revenue was estimated to be more than sufficient, it was not expected that any such rate would be required.

The prospectus invited subscription, by tender, at a minimum price of 95 per cent., and the amount offered was duly subscribed, more especially on the faith of the representations made with

regard to the importance attached to the undertaking from a national point of view, confirmed as they were by the fact of the grant of public revenues stated to be of ample value to cover the whole amount of the loan.

The interest on the debentures was duly met up to November, 1889, the Harbour Board, as well as the debenture-holders, relying for this purpose mainly on the land revenue; and the debenture-holders as a body were wholly unaware that, in the interval, the Legislative Assembly which had made the assignment of the revenues, on the faith of which the loan had been issued, had subsequently made such changes in their collection as practically had deprived the debenture-holders of the benefit of a source of revenue which constituted the principal security upon which the money had been advanced. The debenture-holders were entitled to expect that no change would or could, without their consent or cognisance, be made to their prejudice in the mode of collection of the specific public revenues which the Government had "endowed" the Harbour Board with a view to the service of the loan and consequent success of the harbour scheme. Had this change not been made, there is every reason to believe that the land revenues appropriated to the loan would have each year sufficed for its service.

At the time the loan was issued, and for some years afterwards, the mode of selling waste lands was for cash, or on deferred payments spread over ten years, the price being in that case enhanced by 50 per cent. Subsequently this enhanced price was reduced to 25 per cent., and afterwards altogether waived; and buyers on deferred payment were, after a single payment, allowed to capitalise unpaid instalments for a series of years, paying 5 per cent. interest on the capitalised amount. In 1887 the system of letting lands on perpetual leases, which up to that time had been limited to one-third in area of rural lands, was extended to all waste lands. The object of these alterations, and it has been largely successful, was to attract to the Crown lands permanent settlers, whose productive industry has largely augmented the exportation of produce, whereby the colony at large has been benefited. The alterations in the law have increased the amount of land disposed of, but on lower terms than those at which adjoining lands in private hands are saleable, showing conclusively that their effect, on a question of value only, has been to diminish the value of the security pledged to the debenture-holders. It may have been anticipated that the increase in the total quantity of land disposed of would keep up the annual revenue available for the debenture-holders; but, if so, the anticipation has not been realised, and, in fact, sales of a very much smaller proportion on the original cash basis would have yielded a larger amount of annual revenue, whilst a much larger quantity of land would still remain for sale. Now it has been parted with to such an extent that in future the land fund can never rise to its former level per annum.

It is clear, therefore, that these successive alterations have been to the prejudice of the Board and of the debenture-holders, and have been made solely in the interest of the colony at large, as a matter of public policy. The direct effect of these alterations has been to deprive the debenture-holders for present purposes of the main source of revenue on which they relied, and practically the only one from which the service of the loan can be provided, seeing that the other sources of revenue of the Harbour Board are insufficient to meet the current working-expenses. The debenture-holders had no notice of these Acts, nor any opportunity of being heard, or even of bringing the question before Her Majesty on the Royal assent—a course which has been adopted with success in the case of another colony, where the position of bondholders would have been prejudiced by proposed legislation. They were entitled to expect that when changes were made which were calculated to promote the general welfare of the colony, but which affected their security, arrangements would at the same time have been made for safeguarding their interests or compensating them for any injury sustained.

The debenture-holders have no desire to question the general policy of the colony with regard to its land-laws; but, as a matter of public law, I submit that individuals pecuniarily damaged by the operation of any general or special law have the right to look for compensation at the hands of the State, and in the present case the debenture-holders have a direct claim to have such compensation provided out of the general land revenues of the colony, seeing that the periods of payment of those specially pledged to them have been indefinitely postponed for reasons of public utility. In the existing circumstances it cannot be urged, on behalf of the New Zealand Government, that the indorsement upon the bonds of a statement that the colony would not in any way be responsible for default indemnifies the colony against the bondholders' present claim. That, no doubt, would be a good answer to any claim so long as the colony had not interfered, to the prejudice of the bondholders, with the revenues assigned in their interest to the service of the loan. In other words, it was an implied term in the contract of loan that the mode of collecting the gross revenues from the waste lands should be left by the Government of the colony *in statu quo*; and the reservation of the liability of the colony only means a reservation of liability so long as the original conditions of the grant made by the colony for the purposes of the loan are adhered to. But, having so interfered, the colony has, I submit, rendered herself responsible to make good the loss which has been occasioned thereby. Were this not so, the colony, to carry the argument to its logical conclusion, might have withdrawn the whole of these lands from sale, and have made free grants of them to settlers, and have thus absolutely confiscated the rights of the bondholders to whom they were pledged without making compensation.

In 1887 a Committee of your Government inquired into the position of the New Plymouth Harbour Board, and the evidence then tendered proves that, had the land revenues been administered in the mode in force when the loan was obtained, the Board would have been able to meet its engagements, and that the difficulties in which the Board is placed arise mainly, if not solely, from the alterations made in the mode of collection of this revenue.

In 1889 the Harbour Board, being unable to meet the coupons, had prepared communications to the bondholders explaining the position of affairs; but these, at the instance of the Government, were withdrawn, the Government finding the funds, or the major part of them, to pay the coupons in May and November of that year. The reply given by the Hon. E. Mitchelson to questions put in the House of Representatives on this subject on the 27th of June last shows clearly that the national credit was so much bound up in this loan that a default on it at that time would have jeopardized the success of the conversion of the direct loans then being proceeded with in London.

By inducing the withdrawal of these communications, the Government prevented the debenture-holders from taking prompt and efficient action for their protection until the opportunity of successfully doing so had passed; and further, this action of the Government has been the direct cause of loss to such of the present holders as have, since that date, purchased debentures for investment, under a belief in the soundness of the securities for the loan, whilst those responsible were aware that, in consequence of the changes which had taken place, they were wholly insufficient to provide for the current interest. I submit, on behalf of the debenture-holders, that this withholding of the information was a grave breach of duty on the part of the Harbour Commissioners, unless they were acting in the well-founded belief that the Government would undertake in the future to provide any deficiency in the amount of the revenues.

The building of the harbour has opened up a large extent of back country, and has thus brought into the market Crown lands which otherwise would not have been available, and has reduced the landing charges on goods from 16s. a ton to 2s.—benefits to the colony which have been brought about by means of the expenditure of the money provided by the debenture-holders, on whose shoulders, as matters at present stand, the whole burden of such expenditure is thrown, without prospect of payment of a fair interest, much less of even a gradual repayment of the principal. I understand also that Crown and Native lands in the district which formerly contributed a large proportion of the rate for harbour purposes have recently been exempted from payment of such rate, thus further reducing the revenue available for security of the debenture-holders.

The above facts show, as I submit, that the credit of the colony is involved in this question, and that the debenture-holders have a right, on grounds of public law, to compensation for the injury sustained by the action of the Legislature of the colony. On behalf of the debenture-holders, therefore, I crave the favourable consideration of your Government, that steps may be taken which may lead to an arrangement satisfactory to all parties.

As a matter of national and colonial importance, the Government might very well directly assume the burden of the expenditure on the harbour provided by means of this loan by an exchange of direct bonds for those of the Harbour Board. Such an issue might be taken to represent the capital value of the fourth of the Crown lands hypothecated to the debenture-holders, who would doubtless be prepared to meet your Government by accepting a modification of the rate of interest, and possibly of the duration of the sinking fund. In adopting this course the Government would receive the interest on the purchase price of the land sold at an equivalent or probably higher rate, and would be able to recoup the expenditure out of the land revenues, the administration of which is in their own hands. This is, practically, the course recommended in 1881 by the New Plymouth Harbour Inquiry Committee, and which, I submit, the justice of the case demands. The capital amount of the harbour debentures now outstanding is, I am informed, £184,600.

The present claim does not rest on any ground involving the recognition by the Government of an obligation to assume the responsibilities of local authorities, or creating a precedent which the Government might find it difficult to refuse to follow in other cases, but on the broad principle of the right of citizens of the Empire to compensation at the hands of the State for damage sustained by the interference by the State, for purposes of public utility, with the private rights possessed by the citizen. The position of these debenture-holders is fortified by the fact that, in their case, such right to compensation arises in connection with public works, which have always been recognised as of a national and not merely of a local character.

In conclusion, I may add, for your information, that the Council of Foreign Bondholders, of which I am the Chairman, is an organization of recognised standing in the City of London, formed for the object of watching over and protecting the rights of the holders of bonds of foreign and colonial States, whether the direct issues of Governments or of public bodies; and not for the purposes of profit on any financial operation. The Council have within the last twenty years been instrumental in effecting arrangements between foreign States and the holders of bonds representing an aggregate of upwards of £856,000,000 sterling. Their desire in all these cases is to look at the question intrusted to them from an independent point of view, with the object of bringing about arrangements which may be satisfactory alike to the State and to those having claims on the State.

In the present case, their intervention has been sought on behalf of the whole body of debenture-holders of the New Plymouth Harbour Board by a requisition signed by a majority of the whole issue, and the adhesion of the whole body can confidently be counted on to any reasonable arrangement arrived at.

I have, &c.,

The Hon. J. Ballance,

JOHN LUBBOCK, Chairman.

Colonial Treasurer and Minister of Native Affairs, New Zealand.

### Enclosure 2 in No. 17.

The AGENT-GENERAL to Sir JOHN LUBBOCK.

DEAR SIR JOHN LUBBOCK,—

13, Victoria Street, London, S.W., 10th April, 1891.

I have to acknowledge the receipt of your letter of the 3rd instant, covering one addressed to the New Zealand Government on the case of the New Plymouth Harbour Board debenture-holders, and I shall be glad to forward that letter by the next mail.

With regard to the various statements contained in the letter, there are some which are new to me, and others which I am unable to verify. Permit me, however, to assure you that the questions you raise will receive the careful consideration of my Government.

I am, &c.,

The Right Hon. Sir John Lubbock, Bart, M.P.

F. D. BELL, Agent-General.

*Approximate Cost of Paper.*—Preparation (not given); printing (1,300 copies), £7 13s. 6d.

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1891.