

They therefore respectfully beg your Lordship to be kind enough to receive a small deputation, chosen from the following gentlemen: The Right Hon. Sir John Lubbock, Bart., M.P.; the Right Hon. Lord Playfair, K.C.B.; the Right Hon. W. L. Jackson, M.P.; the Right Hon. Sir E. Thornton, G.C.B.; Admiral Field, M.P.; His Honour Judge Snagge; W. Bushby, Esquire; W. H. Bishop, Esquire, on the subject, so that you can consider whether the Colonial Office could not communicate unofficially with the Agent of the Colonial Government with a view to arriving at an adjustment of the matter without recourse being had to the step contemplated by the Bondholders' Committee.

I have, &c.,

JAMES P. COOPER,
Secretary.

The Most Hon. the Marquis of Ripon, K.G., &c.

Enclosure 3 in No. 12.

New Plymouth Harbour Board 6-per-cent. Debentures.

CHRONOLOGICAL STATEMENT of the circumstances attending the issue and subsequent partial default of the above loan:—
1874. An Act was passed creating an endowment of one-fourth of all revenues arising from the sale, occupation, or other disposal of the waste lands of the Crown in the Provincial District of Taranaki, which, from and after the constitution of a Harbour Board, was to be paid over to such Board.

1875. The New Plymouth Harbour Board was constituted with power to raise a loan of £350,000 on the security of the endowment and other revenues, with right to levy a rate within the district of 2s. in the pound. The rating-area was estimated to comprise 1,767,000 acres.

1876. The New Zealand Government proposed to the Province of Taranaki that instead of the Harbour Board constructing the harbour the Government should do it themselves with prison labour. A prison site was selected, specifications prepared, and tenders invited for the building in which to lodge the convicts. The Government, however, failed to carry out this offer, due, no doubt, largely to the local jealousies that then obtained and now exist, so this scheme was abandoned. The Government then reduced the borrowing powers of the Board to £200,000, and the rating to 1s. in the pound instead of 2s.

1877. An Act was passed relating to the lands belonging to the Crown, which had the effect of considerably increasing the endowments.

1879. Prospectus issued by the Bank of New Zealand stating that "the Government, recognising the necessity and importance of this work from a 'national point' of view, have 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 provincial district." The area of waste lands at that time held by the Crown is stated as "representing a value of about £1,400,000." The service of the loan is "further secured by a rating power—but, as the revenue derivable from the before-mentioned endowment is deemed much more than sufficient for the purpose, no such rate has been struck, nor is it expected that any such rate will be required." The various Acts relating to the "endowment" &c., were quoted in the prospectus, and, the security having the appearance of being almost guaranteed by the Government, the loan was placed.

1881. A Committee was appointed to inquire into the position of the Harbour Board, and they brought in a report that the work should be stopped, and the whole taken over by the Government. A Bill was introduced to give effect to this report, but it was not carried through. At this time Sir Harry Atkinson, who was a Minister of the Crown, addressed public meetings and wrote letters to the newspapers, stating that the Harbour Board would not exercise their powers of rating the district for at least twenty-six years, and then would only raise a 3d. rate, and not 1s. The Commissioner of Lands, in negotiating the sale of land, stated that he had the best authority for saying no rate would be levied for twenty-six years. The statements were based upon the fact that the endowment was producing, and would continue to produce, sufficient funds to provide for the sinking fund and interest on the loan.

1882-83. About this the Government took about 200,000 acres, which formed part of the endowment, and included some of the very best land, and gave them to the Natives. This land was valued by the Property-tax Commissioner at over £400,000, and by the Surveyor-General at £362,000. The Harbour Board are clearly entitled to a fourth part of the value of this land, and it was an unjustifiable act of the Government to take away this land from the Board without payment.

1885-87. The land-laws of the colony were altered, by which a system of perpetual leases was substituted for the outright sale of land. This alteration, although greatly to the benefit of the colony at large, practically obliterated the revenue of the Board. A Committee was formed in 1887 to inquire into the position of the Board, and the evidence then tendered proved that, had the land revenues been administered in the mode in force when the loan was obtained and the Government endowment made, the Board would have been enabled to meet its engagements, and that the difficulties affecting the Board were entirely brought about by the action of the Government in altering the terms of disposal of the endowed lands. The Committee recommend that their report be referred to the Government to devise some means of relief.

1889. In this year, the Harbour Board being unable to meet the coupon, the Chairman prepared a letter to the bondholders explaining the position of affairs. This letter the Government suppressed, and voluntarily paid the coupons due in May and November. They subsequently endeavoured to withhold the sums they had expended in these payments from moneys belonging to the Board which passed through their hands, but the Public Accounts Committee refused to allow the claim, and the Auditor-General, in going through the General Government Accounts, characterized the payments as "unauthorised." It should be noticed that the interference of the Government between the Board and the bondholders was with a motive; and the explanation given by the Hon. Edward Mitchelson, a member of the New Zealand Ministry, is as follows: "On the 24th October last"—*i.e.*, October, 1889—"the Government remitted to London a sum of £5,115, to enable the interest on the Harbour's coupons to be met on 1st November. About that time the Loan Agents were making preparations for converting the 3½-per-cent. loan of £2,700,000, and it was thought that if default were made by the New Plymouth Harbour Board the success of the conversion would be greatly jeopardised. 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. This Committee agreed with the Premier that it was advisable, under all circumstances, to remit this money." These payments by the Government becoming known on the London market had the effect of raising the value of the bonds upon this market to 105 per cent. in the early part of 1890, and it was freely stated upon the Stock Exchange that the Government had assumed the payment of the interest on the loan, and purchases were made by trustees on this assurance. Previous to the payment of interest by the Government the market price of the bonds had ranged from 95 per cent. to 101 per cent. only, *e.g.*:—

1889.—January	.. 95 to 95	1889.—November	.. 95 to 96 ex div.
April ..	.. 100 to 101 cum div.	1890.—February	.. 99 to 100
May ..	.. 99 to 100 ex div.	March ..	.. 102 to 103
August ..	.. 100 to 101	April ..	.. 104 to 105
October	.. 98 to 100 cum div.	May ..	.. 65 to 75

1890. Various influential members of the Stock Exchange signed and forwarded a petition to the House of Representatives, asking it to afford some redress to the debenture-holders, but no reply beyond a formal acknowledgment to the Agent-General, who forwarded it, was ever received.

1891. After several meetings of the bondholders, it was decided to seek the intervention of the Council of Foreign Bondholders, who, after careful investigation, addressed a letter, under signature of their chairman, Sir John Lubbock, to the Colonial Treasurer, dated 2nd April, 1891. [Copy annexed.]* A Committee of the House of Representatives was appointed in June, 1891, to inquire into the position of the Harbour Board, and on the 19th

* *Vide* B.—15, sub-enclosure to Enclosure No. 1 in No. 17, Sess. II., 1891.