

1895.
NEW ZEALAND.

PAYMENT OF INTEREST BY THE NEW PLYMOUTH HARBOUR BOARD

(FURTHER CORRESPONDENCE RELATING TO).

[In continuation of B.-13, 1893.]

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, 15th August, 1894.

I have been requested by the New Plymouth Harbour Board to bring under your consideration the financial condition of the Board, and the difficulties under which the Board, and the settlers within the rating-area of the Board, labour in consequence of the heavy liabilities they have to meet in paying interest on the loan, and providing a sufficient harbour staff, and endeavouring to provide some money to make necessary repairs to the harbour-works in charge of the Board.

I enclose two statements, marked A and B respectively. A shows the state of the sinking fund in the hands of the Sinking Fund Commissioners, and B the rateable value of the occupied portion of the rating-area, the rate collected, and the land revenue from 1887 to 30th June, 1894.

From Paper A you will see that there is a sum of £30,146 14s. 11d. in the hands of the Sinking Fund Commissioners, or due to them by the Board for interest on the bonds held by the Commissioners, and the Board has in its Trust Account, for the payment of interest, the sum of £6,573 2s., which will be increased by the sum of £1,500 before the 1st November, making a total of £8,073 2s. to meet the sum of £6,000 due on the 1st May, and the balance will be remitted on account towards interest due on 1st November, which will make an estimated default of £4,000 on the 1st November. As the Board was at one period two years' interest in arrear, you will see that the revenue has rapidly increased to enable not only to pay current interest but also to nearly pay off all arrears. This has been done at the cost of great sacrifices by the settlers rated, and also at great cost to the harbour-works, as the Board was obliged to unduly reduce the staff, and put off much needed repairs to the breakwater until the financial position improved; and, in fact, had to appeal to the public for subscriptions in order to avert a danger that threatened extensive damage to the breakwater.

You will thus see that, so far as paying interest on loan, the revenue of the Board is sufficient to meet it, but then is not sufficient after paying 6 per cent. to sufficiently provide for staff, dredging, and repairs in the shape of a rock-apron to protect the sea-face of the breakwater.

The Board therefore appeal to the Government to assist them to reduce the annual charge on interest account, either by guaranteeing a loan for, say, £172,000 at 4 per cent., to convert the 6-per cent. bonds, or, with the consent of the House of Representatives, to lend Government trust funds to effect the same operation: that is, that the Government purchase the bonds not in the hands of the Sinking Fund Commissioners, amounting to about £172,000.

The Board is of opinion that these bonds can be purchased for that sum; but, if it is found that the holders will not part with them for that sum, the sinking fund might be utilised to make up the difference. The Board is advised that the holders would take 4-per cent. Government bonds in exchange at par; it may therefore be assumed that they would also take cash. If, therefore, the Government agreed to this course, and charged the Board 4 per cent., the relief would be great, as the Board would also be relieved of the cost of remitting money, and the result would be a relief to the ratepayers, and would enable the Board to properly carry out its functions.

You will find by reference to Paper B that the Government will incur no risk in lending trust funds for this purpose. The rateable value of the occupied rating-area has increased from £1,355,092 in 1886 to £2,336,556 in 1891, and the next valuation will increase this last sum by 25 per cent. In addition to this, the land revenue for the first half of the year is £3,944. With such ample security, I venture to hope that the Government will afford relief to the settlers of Taranaki, who have made great sacrifices to pay their liabilities.

I shall be very happy to afford you any further detail information that is in my power to give.

I have, &c.,

R. Cock,

Chairman, New Plymouth Harbour Board.

The Hon. J. G. Ward, Colonial Treasurer.

Enclosure 1 in No. 1:

A.—SINKING FUND COMMISSIONERS' ACCOUNT.

Office of the New Plymouth Harbour Board,
Brougham Street, 11th August, 1894.

	£	s.	d.
Face-value of bonds held	28,050	0	0
Cash in Bank New Zealand	413	14	11
1st May, 1894, coupons owing	841	10	0
1st November, 1894, when due	841	10	0
	<hr/>		
	£30,146	14	11

Trust Account in hand £6,573 2 0*

* This will pay the May, 1894, coupons in full and costs of remitting to London.

C. RENNELL, Secretary.

Enclosure 2 in No. 1.

B.—NEW PLYMOUTH HARBOUR BOARD.—MEMORANDUM FOR CHAIRMAN.

Valuation Roll, 1886	Rateable Value, New Plymouth Harbour Rating District.	Rate produced.	
..	£1,355,092	..	£4,234 13s. 3d.) Including Crown and Native lands
" 1889	£1,997,320	..	£6,241 12s. 6d.) rates.
" 1891	£2,336,556	..	£7,301 14s. 9d. Without Crown and Native lands rates (since withdrawn).

LAND REVENUE.

Year.	Rates collected.	March Quarter.	June Quarter.	September Quarter.	December Quarter.	Totals.
1887.	2,759 7 2	1,498 13 9	451 4 0	1,288 10 4	810 9 9	4,048 17 10
1888	7,485 4 8*	1,675 16 5	520 15 11	994 13 5	640 5 3	3,831 11 0
1889	7,285 12 2†	995 12 10	406 14 10	1,381 6 8	397 0 11	3,180 15 3
1890	5,129 9 6	989 16 6	767 14 9	1,074 12 6	894 4 8	3,726 8 5
1891	5,912 19 8‡	1,237 19 8	1,179 1 10	1,776 18 9	1,124 7 7	5,318 7 10
1892	6,202 14 6	2,196 15 1	1,213 3 11	2,591 1 7	1,179 4 0	7,180 4 7
1893	7,078 1 6	1,943 18 9	853 19 4	2,136 19 10	1,432 13 4	6,367 11 3
1894	..	2,600 14 7	1,343 6 7	..	..	3,944 1 2
		13,139 7 7	6,736 1 2	11,244 3 1	6,478 5 6	37,597 17 4

* Including £2,230 16s. 5d., Crown and Native lands rates.
£746 18s. 4d., Crown and Native lands rates.

† Including £2,200, Crown and Native lands rates.

‡ Including

New Plymouth, 13th August, 1894.

C. RENNELL, Secretary.

No. 2.

The SECRETARY to the TREASURY to the CHAIRMAN, New Plymouth Harbour Board.

SIR,—

The Treasury, Wellington, 31st August, 1894.

I have the honour, by direction of the Colonial Treasurer, to acknowledge the receipt of your letter of the 15th instant, representing the financial difficulties under which your Board is labouring, and applying to the Government to assist them to reduce the annual charge for interest, either by guaranteeing a 4-per-cent. conversion loan, or by lending trust funds to effect the same operation, purchasing the outstanding bonds not held by the Sinking Fund Commissioners. In reply I am to inform you that your representations have been carefully considered by the Government, who, it must be remembered, are placed in a very responsible position in connection with local authorities who ask for assistance, inasmuch as it is manifestly impossible for the Government to take upon itself the enormous existing liabilities of many kindred Boards, and it would be invidious to assist any particular body while refusing assistance to other bodies having equally strong claims upon the Government.

While, therefore, fully recognising the earnest endeavour made by your Board to provide remittances of interest for the London bondholders, the Government regret they cannot see their way to give effect to the proposals of the New Plymouth Harbour Board.

I have, &c.,

The Chairman, New Plymouth Harbour Board,
New Plymouth.JAS. B. HEYWOOD,
Secretary to the Treasury.

No. 3.

The AGENT-GENERAL to the PREMIER.

Westminster Chambers, 13, Victoria Street, London, S.W.,
5th October, 1894.

Memorandum to the Hon. the Premier.

Council of Foreign Bondholders.

I BEG leave to transmit herewith, for the information of the Government, copy of a communication I have received from the Secretary of the Council of Foreign Bondholders referring to an announcement of a proposed issue of stock for the purpose of making advances to settlers in the colony, and expressing the disappointment and regret of the Committee thereon.

W. B. PERCEVAL.

Enclosure 1 in No. 3.

Council of Foreign Bondholders, 17, Moorgate Street, E.C.,
28th September, 1894.

SIR,—

In the copy of the Budget of the Hon. J. G. Ward, Treasurer of the Colony of New Zealand, which you were good enough to forward to us, the Committee of New Plymouth Harbour Board Debenture-holders notice that the Government has announced its intention of asking Parliament to assent to legislation authorising the raising in London of a sum not exceeding £1,500,000 per annum, to be advanced to settlers in the colony on freehold security; and it is proposed that $3\frac{1}{2}$ -per-cent. stock should be issued from time to time to provide the requisite amount.

In these circumstances I am desired by the committee to remind you of certain resolutions passed by them, which are referred to in the correspondence that has taken place between the Council of Foreign Bondholders and your Government, a copy of which I enclose herewith—viz., letter dated 8th February, 1892, to the Hon. J. Ballance; letter dated 10th January, 1893, to the Hon. J. Ballance.

In accordance with the resolutions referred to, full particulars of the claims of the bondholders were some time ago laid before the Council of Foreign Bondholders and the Committee of the London Stock Exchange, with a view to their being acted on when the occasion might arise.

The Bondholders' Committee are greatly disappointed that the New Zealand Government has up to the present time refused to recognise their just claims or to grant them any redress.

The committee wish to reiterate their extreme regret that they should be compelled, in the defence of the interests they have been called upon to protect, to take steps in the direction of opposing the quotation and settlement of the contemplated new loan.

They feel assured that the Government will, on further consideration, render it unnecessary for the committee to have recourse to any hostile action, and will not allow the approaching session of the Legislature to pass by without seeking to arrive at an equitable adjustment of the bondholders' claims.

I have, &c.,

JAMES P. COOPER,
Secretary.

Sir Westby B. Perceval, K.C.M.G., Agent-General for New Zealand.

Sub-enclosure 1 in No. 3.

17, Moorgate Street, E.C., 8th February, 1892.

SIR,—

Council of Foreign Bondholders.

I have the honour to acknowledge the receipt of your letter of the 3rd December, in which you inform me of the decision come to by your Government on the subject of the New Plymouth Harbour Board default—namely, that, without direct instructions from Parliament, they are unable to assume responsibility for the loan in question, as, if the colony once decided to accept liability in connection with any local loans, it would have to bear the burden of all local indebtedness, for it would be scarcely possible to make any distinction or discrimination.

I would here point out that the arguments on which the claims of the debenture-holders are chiefly based have remained unanswered.

Your communication has been considered at a meeting of the principal bondholders, and after some discussion the following resolution was passed: *Resolved*,—“(1.) That this meeting have heard with regret the letter from the Premier of New Zealand, and that in their opinion the treatment received by the subscribers to the New Plymouth Harbour Board Loan justifies an opposition to the quotation of any New Zealand loan. (2.) That this resolution be communicated to the Council of Foreign Bondholders, and that they be requested to give the bondholders their valuable support.”

The Council would be very loth to take such an extreme measure in the case of so important a colony as New Zealand, bound moreover to the Mother-country by so many honourable ties and traditions, and they desire me once more to ask your Government to reconsider their decision, and to point out that the claims of the debenture-holders of the New Plymouth Harbour Board Loan rest on special facts and circumstances applying exclusively to that loan, and which have no application whatever to other local loans.

My letter of the 2nd April contained a very full statement of the case. As already mentioned, these arguments are not in any way dealt with in your letter, and it has never been suggested that they have any application to the circumstances of any other local loan, so as directly or indirectly to constitute a precedent for the Government being called upon to assume the responsibility of other loans if they met that which, in the special circumstances, the State has by its acts come under, by depriving these debenture-holders, for purposes of public utility, of the revenues pledged to them by the State.

In the absence of any further explanations, the Council cannot but consider that, as the debenture-holders have suffered through the act of the Legislature, they are entitled to relief from the same source.

The Council, therefore, confidently hope that your Government will reconsider this matter, believing that a settlement of the question will be alike in the interest of the colony and the bondholders.

The Hon. J. Ballance.

I have, &c.,

JOHN LUBBOCK.

No. 4.

The COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

The Treasury, Wellington, 14th November, 1894.

I am favoured with your letter No. 1179, dated 5th ultimo, in which you transmit a copy of a communication addressed to you by the secretary of the Council of Foreign Bondholders, wherein the writer refers to the correspondence which has taken place between the Government and Sir John Lubbock in connection with the default of the New Plymouth Harbour Board to provide the necessary payment of the coupon interest due upon their bonds issued in London.

It is to be regretted that the Council should again think it necessary to hold out threats against the Government of New Zealand, and to reiterate their statement that the Council will be compelled to take steps in the direction of opposing the quotation and settlement of the contemplated new loan.

Both the Government and the Legislature have given very earnest consideration to the question involved in the Harbour Board's default, and the decision arrived at was that the General Government of the colony cannot in any way be held to be responsible for that default.

In view of this decision it will not be possible for me to hold out any hope that the Harbour Board bondholders' claims, as advanced by the Council, will be laid before Parliament by the Government at the next session, but of course there will be nothing to prevent any private member from acting in such a manner as he may consider right under the circumstances.

Although the Government place full reliance in the sense and integrity of the members of the Stock Exchange, I feel confident the Council will hesitate to make use of their influence in the attempt to perpetrate a great wrong, and one by which the people of New Zealand as a whole would be made to suffer, if the injudicious course the Council threatens to pursue were to result in difficulties in the raising of the contemplated loan.

The Agent-General for New Zealand, London.

I have, &c.,

J. G. WARD.

No. 5.

The AGENT-GENERAL to the PREMIER.

Premier, Wellington.

(Received 6th April, 1895.)

FOREIGN bondholders still threaten oppose quotations new loan. Meet Colonial Treasurer Agent-General Monday. Send at once latest figures financial position Harbour Board. What interest, payable in London, have Harbour Board remitted?

(London, 5th.)

No. 6.

The PREMIER to the COLONIAL TREASURER, London.

Colonial Treasurer, London.

Wellington, 6th April, 1895.

WILL cable financial position Harbour Board to-morrow.

R. J. SEDDON.

No. 7.

The SECRETARY, New Plymouth Harbour Board, to the PREMIER.

Hon. the Premier, Wellington.

(Received 6th April, 1895.)

ON thirty-first December last the Board was three-fourths of the November first coupon in arrear—four thousand five hundred. Have since remitted to London enough money to pay this and also one-half of the May first, 1895, coupon, leaving three thousand pounds in arrear. This will probably be worked off by thirty-first December, 1895. Largest amount in arrear was ten thousand six hundred pounds, on December thirty-first, 1890; reduced now to three thousand. Have paid full amount and over twice since default—fourteen thousand pounds in 1893, and fifteen thousand in 1894. Amount interest, twelve thousand.

C. RENNELL,

Secretary, Harbour Board, New Plymouth.

No. 8.

The PREMIER to the COLONIAL TREASURER, London.

Colonial Treasurer, London.

Wellington, 7th April, 1895.

SECRETARY Harbour Board advises that 31st December last three-fourths November coupon in arrear—£4,500. Board have since remitted payment in full, also half May, 1895, coupon, leaving only £3,000 in arrear, and this will, it is very probable, be paid off by 31st December next. Arrears in December, 1890, were £10,600; now reduced to £3,000. Board have twice paid full amount of coupon and over since default—£14,000 paid in 1893, £15,000 in 1894. Interest payable, £12,000.

No. 9.

The COLONIAL TREASURER, London, to the PREMIER.

Premier, Wellington.

(Received 9th April, 1895.)

RESULT conference bondholders is proposal made by Council arbitrate on single issue, Was the 200,000 acres restored to Natives part of endowment of Harbour Board? all other allegations being withdrawn. I recommend you agree to this. Think it desirable settle this vexed question.

WARD.

(London, 8th.)

No. 10.

The PREMIER to the COLONIAL TREASURER.

The Colonial Treasurer, London.

Wellington, 10th April, 1895.

HARBOUR Board proposal for arbitration waiting Cabinet action. Council simply repetition threat February, 1892: see Lubbock's letter that date.

No. 11.

The MINISTER ACTING for the COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

The Treasury, Wellington, 18th April, 1895.

With reference to your cablegram of the 5th instant, informing me of the threatened opposition of foreign bondholders to quotation of the loan we are about to issue, and subsequent messages between the Hon. the Colonial Treasurer and myself, which you have doubtless seen, I cannot but express my surprise at the persistence of these bondholders in clamouring to the Government to remedy alleged wrongs which the Parliament and the Government have on several previous occasions declined to recognise. If they are so dissatisfied with their security (now apparently quoted at £5 premium), I cannot imagine why they do not relieve themselves of anxiety by selling out at such a handsome profit as they can realise at will. It is impossible to regard the threat of opposition to the loan seriously, or as being other than a practical admission of the groundlessness of the claim put forward.

That the committee of the Stock Exchange could stultify themselves as they would by refusing quotation of the loan I cannot believe, when they make themselves acquainted with the terms of the New Plymouth Harbour Board debentures and all the facts relating to the case. To injure the colony's credit could do no one any good, while it would, of course, have the double effect of depressing all our local-government securities and embarrassing the finances in the colony, which, in turn, would affect commerce, and thereby diminish the revenues of the New Plymouth Harbour Board.

I enclose extracts from the *New Zealand Times*, which, I think, fairly express public opinion on the question in the colony.

In view of what I have here said, I had no hesitation in cabling to the Colonial Treasurer my distinct refusal to allow, on behalf of the Government of the colony, any reference to arbitration in respect of a grievance of the holders of the debentures, who acquired them with the distinct statement on their face that the colony has no liability in connection with them.

I have, &c.,

R. J. SEDDON,

For the Colonial Treasurer.

The Agent-General for New Zealand, London.

No. 12.

The AGENT-GENERAL to the COLONIAL TREASURER.

(No. 286.)

Westminster Chambers, 13, Victoria Street, London, S.W.,
2nd March, 1895.

SIR,—

I beg to transmit herewith copy of letter and enclosure which I have received from the Colonial Office relating to the question of the New Plymouth Harbour Board loan, and in reference thereto to state that I am conferring with the Hon. Mr. Ward as to the reply which I shall give to it.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington.

W. B. PERCEVAL.

Enclosure 1 in No. 12.

SIR,—

Downing Street, 14th March, 1895.

I am directed by the Marquis of Ripon to transmit to you a copy of a letter from the Council of Foreign Bondholders, with its enclosures, respecting the case of the debenture-holders of the New Plymouth Harbour Board. Lord Ripon would be glad to be favoured with any observations you may desire to make on the subject at an early date.

I am, &c.,

The Agent-General for New Zealand.

JOHN BRAMSTON.

Enclosure 2 in No. 12.

MY LORD,—

Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.,
6th March, 1895.

I am directed by the Council of Foreign Bondholders to ask your Lordship's attention to the claims of the debenture-holders of the New Plymouth Harbour Board against the New Zealand Government. The enclosed statement, which was prepared some time ago by the Committee of Bondholders acting in conjunction with the Council, and which, the Council have every reason to believe, is a correct summary of the case, sets forth the grounds on which the bondholders' claims are based. From this your Lordship will see that the New Plymouth Harbour Board Loan of £200,000 was authorised and approved by the colonial Government; that the Harbour Board received an endowment of 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; that the loan was successfully raised on these conditions, and with these lands as a special security; that three years later the Government took away 200,000 acres of the best land forming the Harbour Board's endowment, and restored it to the Natives; that the Government also altered the land-laws, thereby diminishing the revenues of the Harbour Board; that in 1889, in order to avoid default on the coupons of the New Plymouth Harbour Board Loan, the Government advanced the money required for their payment; that at this time the Government were contemplating the conversion of one of their own loans, and feared that, if the Harbour Board were allowed to go into default, the success of the operation would be jeopardized; that subsequently the interest on the Harbour Board loan went into arrear, and is at the present moment in arrear; that no proper provision is being made for sinking fund; that a special Committee in the House of Representatives, after an exhaustive inquiry, reported unequivocally in favour of the bondholders' claim.

The colonial Government, it is understood, is now contemplating the issue of a further loan, and the Committee of Bondholders, having been unable to obtain any redress from the Government, in spite of the report of the Committee of the House of Representatives, have announced their intention of opposing the application for a quotation and settling-day for the new loan on the London Stock Exchange, and have appealed to the Council for their support.

The Council do not, as the matter now stands, see how they can decline, and yet they would regard the necessity for this course with feelings of the deepest regret, and they are anxious to take any step in their power to avert such a contingency.

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.

August they "reported that, after careful consideration of the facts, they recommended the Government to open negotiations with the Council of Foreign Bondholders, with the view of replacing the debentures of the New Plymouth Harbour Board with New Zealand Stock on equitable terms."

On this report a debate was held in the House of Representatives, and members who had previously been antagonistic to the harbour and its Board strongly urged upon the Government the advisability of giving effect to the recommendations of the report of the Committee. It is only necessary to peruse the *Hansard's* report of the debate to be impressed with the fact that the misfortunes of the Harbour Board have been directly caused by the action of the Government. A few extracts will suffice:—

Mr. McGuire (Egmont) says: "The loan was authorised by this House. To say that this land"—the 200,000 acres above referred to—"could be given away, and put out of the reach of the Harbour Board, without the payment of the 25 per cent., is to say that Parliament can confiscate all securities upon which any loans have been raised by any local bodies in the colony. I consider such an act nothing short of a piece of robbery, for which there can be no justification whatever. . . . It will be seen that this House and past Governments have brought the New Plymouth Harbour Board into its present financial difficulties. Had the Government left the Board to conduct its own affairs, and not meddled with its endowments, it would have had ample revenue to meet all its engagements."

The Auditor-General says: "The inducement held out to subscribers to the loan was that its security was a large tract of good land with so much money. The Government, it is true, did not guarantee that the price would not be altered; but it did not demur to, nor 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, cannot fail to be used as an evidence that the Government felt it was not without responsibility in the matter."

The Hon. J. Ballance (Premier) says: "It is quite true that there can be shown in the case of the New Plymouth Harbour Board special circumstances why the Government should interfere. . . . There is no doubt that the default is more or less a disgrace to the colony."

Mr. G. Hutchison (Waitotara): "There is no other harbour, nor any other district under any jurisdiction whatever, in the colony which is under similar circumstances to those of the New Plymouth Harbour. . . . It is impossible to say that the action of Parliament in the interests of the colony at large has not been to the prejudice of the bondholders in England. . . . The fact of the matter is that when the New Plymouth Harbour Board found itself so embarrassed, towards the end of 1889, that it could not hope to meet the interest due in London, the General Government, without saying as much as 'If you please,' pushed that Board aside; but, under the guise of that Board, went into the London market and paid the interest of that Board, for the purposes of deceiving the Stock Exchange and the financial world of London, in view of the conversion scheme coming on a few weeks later. If that does not pledge, or at any rate commit, in honour this colony to do something to redeem the representation so made, then, I may say, the laws of honour and propriety cannot be said to be those under which this House, and this Parliament, and the Government of the day are accustomed to act. . . . I may say there are strong and urgent reasons for the colony taking over this indebtedness; and we claim this not as a great favour, but as a right, and as a matter of business."

No. 13.

The MINISTER ACTING for the COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

The Treasury, Wellington, 15th May, 1895.

I have the honour to acknowledge the receipt of your letter of the 22nd March last (No. 286), forwarding copy of a letter and enclosures addressed to you by the Colonial Office, inviting your observations on the subject of the correspondence, the grievance which the bondholders of the New Plymouth Harbour Board allege they have against the Government of New Zealand.

I do not propose to reply categorically to the statements of the Council of Foreign Bondholders; to do so would be but to repeat an oft-told tale. It is well known that the position which the Government have all along taken up is that of no liability, and from this we cannot move. The bondholders' persistency in urging their claims is a manifest attempt to force the Government into recognising that there is at least a basis for the claim for compensation; this point gained, the complainants would have grounds for proceeding to demand investigation of the extent of their losses at the hands of the Government.

One thing I desire to draw attention to—viz., that, while the statement dwells upon the report of the New Plymouth Harbour Board Committee (1/8/1891), which was favourable to the bondholders, he ignores an almost simultaneous report of the Public Accounts Committee, which says, "The Committee cannot ask Parliament to take any action in the matter."

As no fresh ground has been opened in the correspondence under notice, I can only say that the Government are unable to entertain the claims put forward.

There is at present only £3,000 in arrear for interest due by the Harbour Board, and the Board anticipates payment in full by the end of the year; and, as the Board's revenues have increased, there is every reason to believe that interest will be paid regularly for the future.

I have, &c.,

W. P. REEVES,

For the Colonial Treasurer.

The Agent-General for New Zealand, London.

No. 14.

The SECRETARY, Council of Foreign Bondholders, to the Hon. the MINISTER for PUBLIC WORKS.

Council of Foreign Bondholders, 17, Moorgate Street, London, E.C.,

SIR,—

13th June, 1895.

I am directed by the Council of Foreign Bondholders to communicate to you the result of the conferences which have recently been held between the Colonial Treasurer and the Agent-General of New Zealand and the representatives of the Council and the committee of New Plymouth Harbour Board debenture-holders.

You will see from our letter of the 8th February, 1892,* addressed to the late Mr. Ballance, that, at a meeting of the principal bondholders which took place at that time, a resolution was passed stating that in their opinion the treatment received by the subscribers to the New Plymouth Harbour Board loan justified an opposition to the quotation of any New Zealand loan on the Stock Exchange, and requesting the Council of Foreign Bondholders to give the bondholders their support.

In communicating this resolution to Mr. Ballance the Council expressed their great reluctance to adopt such a course, and begged the colonial Government to take steps in order to obviate this extreme measure.

In the following July a committee was appointed to act with the Council to protect the bondholders' interests, and this was duly communicated to the then Premier in our letter of the 12th of that month.

On the 10th January,† 1893, the Chairman of the Council addressed a personal communication to Mr. Ballance on the same subject, informing him that the bondholders' committee had pressed the Council to take action in the matter, and again expressed his earnest hope that an adjustment might be arrived at, so as to render any such step unnecessary.

Subsequently, on the 22nd February, 1893, a general meeting of bondholders was held, when further resolutions were passed requesting the Council to take all such measures as they might deem desirable for the protection of the bondholders' interests, and calling on holders to deposit their bonds with the Council. These resolutions were communicated to Mr. Ballance in our letter of the 23rd February, 1893.‡

In September, 1894, we received from the Agent-General a copy of the Budget of the Hon. J. G. Ward, in which he announced that it was the intention of the Government to ask Parliament to assent to legislation authorising the raising in London of a sum not exceeding £1,500,000 per annum, to be advanced to settlers in the colony. The committee at once wrote to Sir Westby Perceval, reminding him of the resolutions they had passed with regard to opposing the quotation of any new loan; a course which, to their regret, they felt compelled to adopt, as the only means left them of asserting the bondholders' claims.

Matters remained in this unsatisfactory condition until a few weeks ago, when the Council determined to avail themselves of the presence in London of the Colonial Treasurer to see if some solution of the difficulty could not be found. A special committee of members of the Council, consisting of the Right Hon. Sir John Lubbock, Bart., M.P.; the Right Hon. Lord Playfair, G.C.B.; the Right Hon. W. L. Jackson, M.P.; The Right Hon. Sir Edward Thornton, G.C.B.; Admiral Field, M.P.; His Honour Judge Snagge; W. H. Bishop, Esq., was appointed to meet and confer with Mr. Ward, whose courteous and conciliatory attitude they are glad to take this opportunity of acknowledging.

As the result of the conferences with him and the Agent-General it has been finally agreed that Mr. Ward should recommend his Government to submit to arbitration the question, Whether the 200,000 acres of land returned to the Natives in the Taranaki District, in 1882-83, formed part of the endowment of the Harbour Board, and consequently of the security pledged to the bondholders, or not. It was at first decided that Mr. Ward should cable the colonial Government on the matter; but it was suggested by the Agent-General that, as Mr. Ward was about to return to the colony, it would be better to give him the opportunity of explaining the question fully to his colleagues. This proposal was agreed to, and we now hope to hear shortly from the Government that they are in accord with Mr. Ward's views.

We are of opinion that the suggested arbitration is the best possible solution of a question which, until it is finally disposed of, must remain a constant source of annoyance to the Government and irritation to the bondholders. It has not been without considerable difficulty that the Council has induced the bondholders' committee to accept the course proposed, and suspend their right to oppose the quotation of the new loan on the London Stock Exchange. In this they have been greatly assisted by Mr. McGuire, the member for Egmont, who happened to be in London at the time.

The Council feel assured that you will recognise the efforts made by them to arrive at an amicable adjustment of the question, and that your Government will willingly adopt the proposal now under their consideration as the best means of arriving at a speedy and honourable settlement of the differences between the bondholders and the colonial Government.

I have, &c.,

JAMES P. COOPER,
Secretary.

Hon. R. J. Seddon, Minister for Public Works, &c., New Zealand.

* B.-16, 1892, No. 4.

† *Vide* sub-enclosure 2 in No. 3, *supra*.

‡ *Vide* B.-13, 1893, No. 6.

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