

15. Can you state from your present knowledge if those Governments examined carefully the question: Whether the loans were required, and the purposes for which the money was to be applied?—Great care was taken. The printed papers in the Appendix to Journals will show that the Government in every case deliberately weighed all the arguments adduced by the Provinces in favour of the loans. They were required to state fully for what purpose they were required, their assets and liabilities, &c. If the Government were not satisfied, the Acts were disallowed and loans refused.

16. Do you know anything relative to the Otago six per cent. Bonds sold by the Bank of New Zealand on account of the Otago Government?—The Superintendent of Otago came to Auckland to see the Members of the Executive of the General Government, with a view to obtain relief for his Province. His representations made at the time are printed. (See Appendix Journals House Representatives, B. No. 3, 1864.) Among other requests he states, "On an assurance being given that a Guarantee Bill will be introduced to the Assembly by the Government, the Superintendent believes that the Bank of New Zealand would be enabled to negotiate the Otago Debentures upon favourable terms, &c." The Colonial Secretary replied (27th July, 1864), "For the purpose of giving effect to these views, the Government will be prepared to propose a Bill in the next General Assembly, to guarantee on behalf of the Colony the loans which have been already authorized by Act or Ordinance of the Provincial Legislatures, assented to by the General Government, &c. This arrangement will give the several Provinces the benefit of the Colonial credit for raising the greater part of the money already authorized by Acts heretofore passed." These papers were furnished by the Otago Government to their agents, the Bank of New Zealand. Extracts from them were published in the *London Times*, and the bonds were sold upon the representations set forth in these papers.

17. Has the interest on Provincial Loans hitherto been punctually paid in London?—I believe it has.

18. Would any serious consequences to the credit of New Zealand follow, if default were made in the payment of interest due by any of the Provinces?—Default in the payment of interest on any New Zealand Loan, General or Provincial, would do great mischief.

19. As a general rule are Colonial Loans redeemed by means of a sinking fund?—As far as I can ascertain, they are not.

20. *By Mr. Jollie.* Are you aware if any of the Provinces have provided any specific security, in the form of land or revenue, either for payment of the annual charges upon their loans, or for liquidating those loans as they became due; and, if so, what effect on their value has such special provisions exercised?—I am not aware of any specific provision in the way of land, and do not think it has been made by any Province.

21. What is the particular security specified in the bonds of the several Provinces as now held by the parties whom you represent?—As a rule, bonds do not specify the securities; they are mere forms appended to the Loan Acts under which the loans are authorized. The securities specified in the Acts are various,—for example, in "The Auckland Loan Act, 1863," the security is specified as "all the revenues of the said Province subject to be appropriated by the Superintendent and Provincial Council thereof." In the Acts authorizing the Canterbury loans of £300,000 in 1860, and £500,000 in 1863, the security is described as "the public revenue of the said Province" and clauses follow defining the public revenue as revenue from time to time payable to the Province under "The Surplus Revenues Act, 1858," "The Land Appropriation Act, 1858," &c.

22. *By Mr. Stevens.* Assuming "The Surplus Revenues Act, 1858" to be repealed, and the Public Revenues Bill passed, how will your proposed clause No. 10, authorizing exchange of Colonial six per cent. Debentures, for Provincial six per cent. Debentures, at a premium in favour of the former of five per cent., be less compulsory on bondholders than the proposal of Government, as set out in clause 9 of the proposed Consolidated Provincial Loans Act?—My proposal will be less compulsory than the Government proposal because the bondholder under my plan need not exchange if he objects to the terms. Sufficient inducement, I think, is held out to him, and sufficient pressure put upon him, but the matter is still purely voluntary. He may, if he chooses, continue in possession of his bond, and the security on which it rests; whereas, under the Government proposal, he must sell to the Government, or run the risk of being gradually deprived of his security by the priority given to the General Government in favour of bonds they may buy up, or new bonds issued for the Provinces, and he may be eventually shut out altogether.

23. Will not the fixing of the price by Act of Parliament, as you propose, be equally unfair in principle (if unfair at all) as fixing it through the discretion of the Colonial Treasurer, as proposed by clause 9 of the proposed Consolidation of Provincial Loans Act? If not why?—My clause 10 must be read with 15, and the Government clause 9 with clause 13, Consolidation Act, and 44 Revenues Act, it will then be seen that the two cases are not parallel. I have nowhere alleged (though I think it can be maintained) it to be unfair in principle for the Government to fix a price at which to purchase the Provincial Bonds, if they do not beforehand damage the position of the bonds by altering the security on which they stand, and the priorities existing among the bondholders. My argument is that the Government ought not, before they offer a price, damage the bonds, and so compel a sale to themselves.

24. *By Mr. Vogel.* Do you think it is advisable for the Colony at present to borrow at long dates, say twenty-five to fifty years, in preference to borrowing for say eight to fifteen years?—I should think short loans the best policy.

25. Suppose the credit of the Colony to improve, are long loans at present rates likely to press hardly or injuriously on it?—Yes; under the circumstances stated, long loans would be likely to press injuriously.

26. Under present circumstances, are long or short dated loans likely to command more favour in the English money market?—I should say short loans.

27. Do you think a sinking fund expedient?—I think New Zealand might now dispense with a sinking fund.

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