No. 84.

The Agent-General to the Colonial Treasurer.

Sir,— 7, Westminster Chambers, London, S.W., 17th May, 1886.

In their letter of the 7th instant, No. 576, the Stock Agents referred to the injurious effect upon the market of a leading article which had appeared in the *Standard*, but stated that they had come to the conclusion not to make any formal answer to it.

A good number of people, however, largely interested in New Zealand securities pressed upon me, as Agent-General, the expediency of reassuring the minds of investors upon two of the most prominent allegations in the article—namely, that interest on the public debt was being paid out of loans, and that no cultivation was going on in the country. Mr. Westgarth wrote me a letter, requesting information, and I enclose a copy of the correspondence, an extract from which appeared in the City Article of the *Times*. I have reason to believe that the effect produced was satisfactory, notwithstanding some criticisms in a financial paper, which I have not thought there was any need to notice.

I have, &c.,

The Hon. the Colonial Treasurer, Wellington. F. D. Bell.

Enclosures in No. 84.

Mr. Westgarth to the Agent-General.

Dear Sir Francis,— 8 Finch Lane, Threadneedle Street, London, E.C., 6th May, 1886.

Australian and New Zealand Debts and Securities.—Certain recent disparaging statements as to our Australian Colonies, and especially New Zealand, appear to me quite inaccurate on one point at least—namely, as to New Zealand paying the interest of her debt out of fresh borrowings, and not out of revenue. You are best able to enlighten us on that point.

Other statements as to New Zealand appear to me either much exaggerated or quite erroneous. For instance, cultivation, it is said, is being abandoned, the country settlers flocking into the towns to get wages out of the proceeds of the loans raised here. On the contrary, all my information is to the effect that, up even to the latest mails or telegrams, country settlement and cultivation extended at a pace not only exceeding, but even far exceeding, that of any other colony in the entire group.

I call your attention to statements about debt-repudiation which, if meant seriously, seem to me most unwarrantable. Mr. Froude, whose authority is quoted in this case, does mention one reckless-like person who expressed indifference on this subject. I expect that you can say something different from this for the honour of the colonists.

Regarding these colonies' public debts, it is too often ignored that they are all incurred substantially for reproductive works—almost wholly, in fact, for railways, which are thus in each colony the property of its Government. They are thus quite different from the debt of our country and of most others. In the two chief colonies, New South Wales and Victoria, the net railway receipts so nearly equal the interest of their entire debt that practically both colonies now stand debt-free. New Zealand, although not yet standing quite so favourably, is really not much behind. About one-fifth of her thirty millions of debt was sunk in Native wars, but as regards the remainder she can give a good account. From the latest railway returns—namely, up to the 31st March, 1885—I see that, for the year then ended, the net receipts had been a small fraction over 3 per cent. upon the railway outlay. The colony has latterly been borrowing at 4 per cent.; and the earlier loans, at higher interest, now gradually maturing, are replaced at this rate. I need hardly point out how this fact reduces the practical as compared with the nominal debt. Any one who is interested to see what New Zealand is turning out from her borrowed money should visit that grand exposition of colonial economic production which our Queen opened on the 4th instant at South Kensington.

I am, &c.,

Sir F. Dillon Bell, K.C.M.G., Agent-General for New Zealand. W. Westgarth.

The Agent-General to Mr. Westgarth.

Dear Mr. Westgarth,— Kensington, 9th May, 1886.

I answer with pleasure the questions you put in your letter.

As to the statement that the interest on the New Zealand public debt is paid out of loan, it is sheer nonsense. Our ordinary and territorial revenue for the five financial years ending 1885 amounted to £17,403,600, and the interest on the public debt to £6,905,400, besides upwards of £613,000 paid for sinking fund.

As to country settlement and occupation: Throughout Australasia there is a tendency to gather into the towns; but cultivation grows apace all the same. The cultivated area in New Zealand has long been increasing at the rate of hundreds of thousands of acres every year. These are the figures since 1880: In 1880, 4,506,000; in 1881, 4,786,000; in 1882, 5,189,000; in 1883, 5,651,000; in 1884, 6,073,000; and in 1885, 6,551,000. Suppose that you were bringing new land under cultivation in England at the rate of thirty millions of acres every year, as your equality of proportion to population! In the same six years we grew nearly a hundred and seventeen million bushels of grain; last year (1885) we grew more than twenty million bushels. We cultivate our land and then lay it down to English grass, of which we have more than five million acres. Suppose you had three hundred millions of acres of sown grasses in England as your equality of proportion! We have now cultivated in New Zealand three hundred thousand more acres than the area of cultivated land, including land laid down to English grass, in the whole continent of Australia.

The number of separate occupied holdings over one acre in cultivation also grows every year. In 1881 it was 24,147; in 1882, 26,298; in 1883, 27,352; in 1884, 28,587; and in 1885, 29,814. Out of this last number 23,313 separate holdings were occupied by freeholders.

As to the railways: Our fifteen hundred miles now open for traffic have cost twelve millions, and they yielded for the financial year 1885 a net revenue of 3 per cent., leaving 1 per cent., or £120,000, to be made up. The direct yield per cent. of our lines will never be very great, because we have so many harbours that if we raise the rates the traffic goes by sea. But the indirect yield is too great to be easily measurable, for it is the secret of our large cultivation.

As to that silly stuff about repudiation, it would be comical if it were not so shameful. The real and personal property of the private settlers is now officially valued for the property-tax at £128,000,000, besides £12,000,000 belonging to municipal and other public bodies; to say nothing of the railways and other solid public works belonging to the State, or of the Crown lands. Mr. Froude was received in New Zealand with kindness and hospitality: the return he makes is to give the shelter of his fascinating pages to the raving of some nameless idiot. And now the power and influence of a great newspaper are lent to outrage a whole community without cause, by repeating the same calumny under the thin varnish of editorial disguise. But, as you say, the best answer to such stuff is the Exhibition. There, in friendly rivalry, side by side, the many Englands beyond the sea bring their gifts to the Fatherland, and in the splendour of their welcome can forget idle words which seek in vain to tarnish their honesty and good name.

I am, &c.,

W. Westgarth, Esq. F. D. Bell.

[Extract from the *Times*, 13th May, 1886.]

There has lately been some correspondence between persons interested in New Zealand securities and Sir F. Dillon Bell, the Agent-General of that colony, who has sent a communication, from which we take the following extract, to Mr. Westgarth, of 8, Finch-lane, E.C.: "As to the statement that the interest on the New Zealand public debt is paid out of loan, it is sheer nonsense. Our ordinary and territorial revenue for the five financial years ending 1885