

## Enclosure 1.

Sir F. D. BELL to the COLONIAL OFFICE.

SIR,—

7, Westminster Chambers, London, S.W., 18th March, 1889.

I beg leave, on the part of the New Zealand Government, to bring the following matter before Lord Knutsford:—

In the year 1863 the New Zealand Legislature passed an Act authorising a loan (then known as the “war loan of three millions”), part of which it was hoped would be guaranteed by the Imperial Treasury. By the same Act a sinking fund of 1 per cent. was created to secure the redemption of the loan, and the Governor was empowered to appoint trustees to invest the fund as he might direct. On the 4th March, 1865, Sir Penrose Julyan and the late Sir W. Sargeaunt were appointed the trustees.

Soon after this a number of financial questions that had long been pending between the Imperial and Colonial Governments were finally settled, and the Treasury consented to guarantee half a million of the loan. Thereupon it was agreed that debentures for that amount, bearing interest at 4 per cent., and redeemable in fifty years from the 1st November, 1865, should be delivered to the Bank of England, to be held in deposit on account of the Treasury; and the debentures were accordingly deposited on the 23rd January, 1866.

The Imperial Act of 1866, 29 and 30 Vict., c. 104, after reciting that the debentures were held by the Treasury “as collateral security for the repayment of certain sums of money due from the Government of New Zealand to Her Majesty’s Government,” empowered the Treasury to give the Imperial guarantee either absolutely or subject to any conditions they might think fit. Nearly half the time of currency of the debentures has now passed, during which the annual contribution of 1 per cent., or £5,000, for sinking fund has been duly made, and the fund has now accumulated to a sum of £208,590, in 4-per-cent. New Zealand consolidated stock inscribed at the Bank of England. The fund, therefore, now consists of an amount which, if improved annually at 4 per cent. compound interest—*i.e.*, the interest borne by the inscribed stock, and without any further contribution to the sinking fund—would, on the 1st November, 1915, have accumulated to more than £601,000, or £101,000 in excess of what is required to redeem the debentures.

My Government think that the time has therefore come when the colony may reasonably ask to be relieved from continuing the contribution of £5,000 a year, since its continuance (unless, of course, on the supposition of the colony failing to pay interest) would only be making a useless augmentation to a fund already more than sufficient to redeem the principal sum in 1915.

I beg leave accordingly to express the hope that Lord Knutsford may be pleased to give his good offices with the Treasury for that purpose. The Treasury made a similar concession in 1884, when the colony was relieved from further contribution of £10,000 a year in the case of another loan, the greater part of which has since been paid off; and the grant of the present application would much facilitate further conversions of the New Zealand loans now in contemplation by my Government, as the sequel of conversions already carried out with success.

The Under-Secretary of State for the Colonies.

I have, &amp;c.,

F. D. BELL.

## Enclosure 2.

The COLONIAL OFFICE to the TREASURY.

SIR,—

Downing Street, 27th March, 1889.

With reference to the letter from this department of the 4th March, 1884, and your reply No. 4,333 of the 13th of that month, I am directed by Lord Knutsford to transmit to you, to be laid before the Lords Commissioners of the Treasury, a copy of a letter from the Agent-General for New Zealand, requesting the assent of their Lordships to the discontinuance of the annual payment to the sinking fund of the guaranteed loan of 1866.

Lord Knutsford desires to recommend this application for their Lordships’ favourable consideration.

The Secretary to the Treasury.

I am, &amp;c.,

JOHN BRAMSTON.

## Enclosure 3.

The TREASURY to the COLONIAL OFFICE.

SIR,—

Treasury Chambers, 9th May, 1889.

I have laid before the Lords Commissioners of Her Majesty’s Treasury Mr. Bramston’s letter of the 27th ultimo, with its enclosed copy of a letter from the Agent-General for New Zealand proposing that no further payments should be required to be made by the colony to the sinking fund of the guaranteed loan of 1866 (29 and 30 Vict., c. 104).

Sir F. D. Bell points out that the fund now amounts to £208,590, in 4-per-cent. New Zealand consolidated inscribed stock, and that by the 1st November, 1915, this amount will automatically accumulate to £601,000, or £101,000 in excess of the guarantee.

In these circumstances I am to request that you will state to Secretary Lord Knutsford that my Lords agree to the cessation of further contributions to the sinking fund of this guaranteed loan.

I am to add that, while concurring with the proposal of the Agent-General, my Lords reserve to themselves the right of requiring a renewal of the payment if at any time the interest of the stock in which the sinking fund is invested should be lowered so as to throw out the present calculations.

The Under-Secretary of State, Colonial Office.

I am, &amp;c.,

R. E. WELBY.