

Lord Ripon trusts that this explanation will be accepted as satisfactory by your Government. The debentures in question are still in the hands of the Bank of England, and consequently your Government would only have to deal with one holder if they desire to pay them off before their maturity (1915). The Bank has been apprised of the wishes of the Colonial Government, and Her Majesty's Government trust that the two parties will be able to come to terms.

The Agent-General for New Zealand.

I am, &c.,

JOHN BRAMSTON.

Sub-Enclosure 1.

COPY of a DESPATCH from Governor Sir G. F. BOWEN, G.C.M.G., to His Grace the DUKE of BUCKINGHAM AND CHANDOS.

(Received 29th April, 1868; answered, No. 71, 30th June, 1868, page 94.)

MY LORD DUKE,—

Government House, Wellington, 7th March, 1868.

Adverting to Your Grace's despatch to my predecessor, Sir George Grey, No. 68, of the 6th November ultimo, with its enclosures, respecting the disposal of certain New Zealand bonds, I have now the honour, at the request of my Responsible Advisers, to forward a memorandum prepared by the Acting Colonial Treasurer.

I have, &c.,

G. F. BOWEN.

Sub-Enclosure 2.

MEMORANDUM for his EXCELLENCY the GOVERNOR.

ADVERTING to Despatch No. 68, of the 6th November last, from His Grace the Duke of Buckingham and Chandos, on the subject of the disposal by the Imperial Government of the New Zealand bonds for five hundred thousand pounds (£500,000) remitted in March, 1865, from the colony on account of Imperial claim, Ministers would observe that the estimate of the loss to the colony of £20,000, arising from the private instead of the public disposal of these bonds, is founded on the following statement of the Crown Agents, contained in their letter dated 26th July, 1865, to the Colonial Office, and communicated to the New Zealand Government in a letter of the same date: "Accept the debentures just as they are offered, and during the next session of Parliament (it will be too late probably to do it in this) pass an Act to guarantee this half-million, then dispose of the securities in the market, and you will recoup yourselves of the principal, and in all probability realise a further sum of twenty thousand pounds (£20,000) for premium."

The suggestion as to the guarantee was adopted, but not that as to the disposal of the guaranteed bonds, and therefore Ministers who were informed by Lord Carnarvon's Despatch, No. 46,* 20th November, 1866, that these bonds had been disposed of privately to the Bank of England at par, felt bound, in their memorandum of the 9th of March last, to bring under the notice of the Imperial Government the circumstances of the case, and to submit that the colony should not be allowed to "suffer from the manner in which its bonds have been disposed of by the Imperial Government, but that the additional amount which they would have sold for in the open market may be estimated by competent persons, and placed to the credit of the colony."

It appears from the following extract from the letter of the Crown Agents, dated 23rd of August, 1867, to the Secretary to the Treasury (enclosed in the despatch now referred to) that they substantially adhere to their former estimate of the loss in question. "8. It is believed, however, that the estimate now called in question was a moderate one, and, looking to the comparative state of the market in September, 1866, the Crown Agents see no reason to doubt that it would have been, to a great extent, if not entirely, realised, had the bonds been sold publicly instead of privately."

The Crown Agents also refer in the following words to an additional loss to the colony, which cannot be represented in figures: "10. The public sale of a guaranteed Colonial loan is, in the estimation of the Crown Agents, much more important with regard to its future influence upon the general credit of the colony, than from any considerations as to price on one limited issue of this kind, and it is more especially for this reason that they ought to have brought the subject again more prominently to the notice of their Lordships before the sale to the Bank of England."

Ministers desire to bring under the notice of his Grace that these bonds were voluntarily remitted by the Colonial Government, not as the payment of a legal debt, for at that time the claims and counter-claims on each side were altogether unadjusted, but with an earnest desire not as of a party to a mercantile transaction, but as of a portion of a great empire, to maintain the good faith of the colony, and to contribute to the utmost its own resources to the generous aid which has been afforded to it by the Imperial Government; that the remittance was made at a time when the colony was suffering under great financial pressure, when it was still engaged in actual hostilities, and when it had offered to dispense with further Imperial assistance, and to relieve Great Britain from a large military expenditure; that in giving practical effect to the acceptance of that offer, the colony is undergoing heavy sacrifices; that the Crown Agents, competent and impartial judges, estimate that the public disposal of these bonds (the mode contemplated in the Ministerial memorandum of 23rd March, 1865, notifying the remittance) would have realised to the colony a premium of twenty thousand pounds (£20,000), and a beneficial influence on its general credit.

Ministers respectfully trust that on a retrospect of all the circumstances of this case, the Imperial Government will be disposed to give the claim of the colony in this matter a favourable reconsideration.

Wellington, 7th March, 1868.

J. L. C. RICHARDSON.

Sub-enclosure 3.

COPY OF A DESPATCH FROM HIS GRACE THE DUKE OF BUCKINGHAM AND CHANDOS TO THE OFFICER ADMINISTERING THE GOVERNMENT.

SIR,—

Downing Street, 1st April, 1868.

I have received Sir George Grey's Despatch No. 65, of 17th July last, forwarding a copy of the report furnished by Major Richardson, whom he had appointed to examine into the accounts between the Imperial and Colonial Governments, arising out of the recent war in New Zealand.

That report includes a statement of the claims made against the colony by Mr Commissary-General Jones on behalf of Her Majesty's Treasury, amounting to £1,222,183.

Upon the receipt of this report, I placed myself in communication with the Lords Commissioners of the Treasury, in order to determine how far the claims advanced by the Imperial and Colonial Governments could be properly sustained.

The realisation of the debentures for £500,000, placed by desire of your Government in the hands of the Lords Commissioners of the Treasury, and sold by them at par, had obviously rendered a re-statement of the account necessary, as it reduced the claim of the Imperial Government to that extent, and had affected the calculation of interest.

With regard to the capitation rate of £5 a head on all the troops in New Zealand, Her Majesty's Government were prepared to admit the claim of the colony to a remission towards the expenditure for Native purposes during the years 1862, 1863, and 1864; and though they considered that the capitation rate might properly have been continued in respect of troops actually in the field during such subsequent period as was reasonably necessary for their removal, yet it did not appear that any definite agreement was in force on this subject after the 31st December, 1864, the negotiation between Mr. Reader Wood and Mr. Cardwell in 1864 not having led to any conclusion.

At this stage of the inquiry, Mr. Fitzherbert arrived in this country, having been authorised to represent the Colonial Government upon certain questions mentioned in the memorandum which accompanied Sir George Grey's despatch, No. 123 of the 8th November, of which the settlement of all claims between the Imperial and Colonial Governments was one, and having gone carefully into the accounts with his aid, and in the presence of Commissary-General Jones, I came to the conclusion that upon a complete scrutiny of the items a balance would certainly have proved to be due to the Imperial Treasury.

*Vide papers presented in 1867, page 44.