SUB-ENCLOSURE 2.—MEMORANDUM showing the EXPENDITURE of NEW ZEALAND during the FINANCIAL YEAR 1867–68, for NATIVE PURPOSES, COLONIAL DEFENCE, and the INTEREST of the WAR DEBT.

	£ s. d.	£ s. d.
Vote for Native Purposes,—		
Civil List	7,000 0 0	
Appropriations	23,544 5 10	
Native schools	4,000 0 0	
		34,544 5 10
Vote for Armed Constabulary*		53,941 16 0
Vote for Military Settlers, Militia, Volunteers, and Liabilities for ditto		71,319 12 7
Vote for Defence Department and Military Pensions		4,608 6 8
Interest and Sinking Fund on War Loan of £3,000,000..		199,465 10 2
		£363,879 11 3

Wellington, 4th July, 1868. J. WOODWARD, Assistant Treasurer.

No. 11.

The AGENT-GENERAL to the PREMIER.

The Premier, Wellington. Received, 11th January, 1893.

GUARANTEED Debentures.—Bank England produces actuarial valuations ranging 121–24. Instruct maximum New Zealand Government prepared give. Will offer less, but prospects discouraging. Bank England reluctant sell. Such purchase concluded realisation by private sale 1,000,000 3½-per-cents., Colonial Bank included, would take such long time that question is whether public conversion a 3½-per-cent. loan preferable. (London, 10.)

No. 12.

The PREMIER to the AGENT-GENERAL.

(Telegram.) Wellington, 12th January, 1893.

GOVERNMENT cannot approve proposals Bank of England guaranteed debentures three-and-a-half per cents. . . .

Agent-General, London.

No. 13.

The AGENT-GENERAL to the PREMIER.

(No. 1742). Westminster Chambers, 13, Victoria Street, London, S.W., 9th December, 1892.

SIR,—

Referring to my letter No. 1641, of the 24th ultimo, relating to the question of the £500,000 Imperial-guaranteed debentures of the loan of 1863, I beg leave to transmit copy of letter which I addressed to the Bank of England, and a copy of the Bank's reply.

It will be seen that the Bank, while virtually declining to surrender the debentures at their nominal value, is open to consider a definite proposal to redeem them for what is described in the Bank's letter as their present value.

I am not aware of what the Bank estimates this value to be, but as Canadian Imperial-guaranteed 4-per-cent. debentures, redeemable in 1913, are quoted at 113–116, I am inclined to think that the price which the Bank would accept would be at about that rate.

Whether it would be a favourable transaction, assuming that it could be effected under the provisions of the Consolidated Stock Acts, to redeem the debentures at such a rate for the purpose of releasing the Sinking Fund, is a question which will have to be carefully considered by the Government.

I have in contemplation to ask the Bank to name the price at which the debentures would be surrendered, and then to inform you by cablegram of the result.

I have, &c.,
W. B. PERCEVAL.

The Hon. the Premier, Wellington.

Enclosure 1 in No. 13.

GENTLEMEN,— 13, Victoria Street, S.W., 29th November, 1892.

Referring to my letter to you of the 12th September last, when I forwarded for your information a copy of a letter I had addressed to the Under-Secretary of State for the Colonies, relating to the £500,000 debentures of 1863 guaranteed by the Imperial Government, which were placed in the hands of the Commissioners of Her Majesty's Treasury as collateral security for the repayment of certain sums of money claimed to be due from the Colony of New Zealand to Her Majesty's Exchequer, I beg to state that the Colonial Office has now communicated to me the decision of the Treasury on the subject, in which, while it is admitted that the debentures were originally held as collateral security for a debt, it is claimed on behalf of the Treasury that the mutual release executed by the Imperial and Colonial Governments after the sale to your bank had taken place, precludes the Imperial Government from returning the debentures to the Colonial Government on payment of their nominal value. The Under-Secretary for the Colonies states, however, that the debentures in question are still in the hands of the Bank of England, and informs me that your Bank has been apprised of the wishes of my Government to redeem them.

I am forwarding the correspondence to my Government; but having received instructions to place myself in communication also with your Bank, with the view of ascertaining whether, under the special circumstances, arrangements can be made by which the debentures can be released, I shall be much obliged if you will inform me whether the Bank is prepared to allow my Government to redeem them.

It will be for my Government to decide whether the release referred to by the Treasury precludes any further claim on behalf of the colony to the right to redeem these debentures; but, in considering your reply to the request contained in this letter, I would direct your attention to what appear to me to be strong grounds, at least in equity, for asking, so far as the Bank is concerned, that a favourable view of the wishes of my Government be taken.

*This is not a police but a military force, employed in protecting the settlers and loyal Natives, and dispersed in detachments in the disturbed districts.