



NEW ZEALAND
GOVERNMENT GAZETTE
PROVINCE OF CANTERBURY.

Published by Authority.

Vol. XVIII.

FRIDAY, JULY 14, 1871.

No. XXX.

A D D R E S S

OF

HIS HONOR THE SUPERINTENDENT,

ON

OPENING THE THIRTY-FIFTH SESSION OF THE PROVINCIAL
COUNCIL.

MR. SPEAKER AND GENTLEMEN,

The present special session of the Provincial Council has been summoned by me in consequence of the postponement of the session of the General Assembly to a date more than a month later than I had anticipated.

Judging from the length of time which is ordinarily occupied by a session of the Colonial Legislature, I have concluded that it would be impossible for the ordinary session of the Provincial Council to be summoned before the middle or end of November next without the risk of interfering with the convenience of those who are Members both of the Provincial and Colonial Legislatures.

Vol. XVIII., No. 30.

Notwithstanding the obvious disadvantage which attends the making of appropriations beyond the current financial year, on the basis of the previous year's estimates, without knowing how far the action of the General Assembly may alter our financial position in the future. The necessity of obtaining supplies for the period which must in all probability elapse between the 30th September and the time when it will be convenient to meet after the rising of the Assembly will be sufficient justification for the trouble to which I have put you, and the expense which will be incurred by the present special session. Having in view the season of the year to which the ordinary session will be postponed, and the inconvenience which would be entailed upon you by any lengthy detention at that time, I shall propose some other appropriations than those included in an ordinary Imprest Bill, which I consider necessary to prevent delay in the execution of works of considerable importance in the Province.

I shall be unable, in the present address, to draw your attention to all of these, especially as it was only yesterday that I received a letter from the Colonial Secretary as to the refund to the Province of the expenditure on the Northern Railway, which will render further recommendations necessary.

A Bill providing for considerable changes in the existing Education Ordinance of the Province has been prepared and submitted to me by my Executive Council.

Whatever may be your decision in respect of this measure, there are certain points connected with our educational system which are not dealt with in the Bill, the importance of which I venture to press upon your attention.

The Report of the Board of Education, which will be laid before you, shews that the Board has, so far as the funds at its disposal have allowed it, gradually promoted the existence of schools as the growth of the population required them; and the report further shews that the annual increase in the number of those taught in assisted schools has, on the whole, been very satisfactory.

I would, however, ask your consideration of the desirableness of setting aside a further provision for the purposes of education in its several branches, "with the view," in the words of the Board, "of placing the available income for educational purposes on a permanent footing, in such a manner as to ensure its continuance during any period of temporary depression."

For this purpose, further reserves of waste lands are recommended by the Board, and I venture again to press upon your attention the advisableness of vesting the management of all educational reserves in a body of trustees.

The necessity for the provision of more efficient teaching in the towns and municipalities of the Province has pressed itself on the attention of all who have interested themselves in the promotion of education for some years past.

You will be asked to provide a sum of money to assist the inhabitants of municipalities in the erection of school buildings, in which a more completely organised system of instruction may be introduced, commencing with the rudimentary teaching of the infant school, and leading on to the higher branches of learning, belonging to what are termed the High Schools.

Such a school exists in the neighbouring Province of Otago—in the town of Oamaru. The advantages to be derived from the establishment of such schools are not confined to the localities in which they are placed, which are thereby enabled to secure better and more systematic teaching, but they extend throughout the whole educational system. These schools are those to which the Province must look for the efficient training of pupil teachers and of candidates for masterships of outlying schools, and on these it must depend

in a great degree to render successful the establishment of a normal school, the want of which, judging from the valuable reports of the Inspector, is much felt at the present time in the Province.

You will be asked to sanction an addition to the Museum Building, for the purpose of a lecture room, library, and laboratory. It is gratifying that in so short a period from its opening in the present building this institution has acquired a value and interest in the estimation of the public which call for a more extended sphere of usefulness, and which will, I trust, lead to the establishment of a school of science of high value, as well in relation to the general education of the country, as to the development of its natural resources.

In this, no less than in the primary branches of education, certainty in respect of a sufficiency of means for its maintenance, such as cannot attend annual appropriations, is necessary to any continuous or large measure of success.

I hope, therefore, you will see fit to give effect to the recommendations of the Committee which reported upon this subject last year.

The establishment of a Reformatory has become absolutely necessary, not only in the interest of the Orphanage, in which it is not right to associate the children of respectable parents with those who are taken from the haunts of vice; but also for the reform of the growing class of juvenile criminals, for whom our Gaols are no fit place of confinement. I shall ask you to authorise me immediately to proceed with the fencing of the reserve set aside for this purpose, and the erection of the necessary buildings.

The Female Gaol, previously authorised by you at my instance, will be completed in a few days. You will be asked to sanction the construction of a Gaol at Timaru.

You will be requested to consider the provisions of the existing Roads Ordinance, with the object of determining the amendments which should be introduced in fresh legislation on the subject. With this view, my Executive Council has obtained practical suggestions from the Road Boards throughout the Province.

The important resolutions passed by you during your last session expressing your opinion as to "what Railways ought to be constructed within the Province out of the moneys for the time being available for the purpose," under the provisions of the "Immigration and Public Works Act, 1870," were duly forwarded by me, in compliance with the terms of the Act, to the Colonial Secretary.

Every exertion has been used by the Colonial Government to have the surveys made which were necessary in terms of those resolutions, and also to press on the works authorised by "The Railways Act, 1870."

On the Northern Railway, as authorised by "The Railways Act, 1870," the construction of earthworks, bridges, and fencing, as far as Kaiapoi, has been let to contractors, and is in a forward state; and the plans for the remainder of the line are nearly ready. The iron girders for the bridges and portions of the rails have already arrived; the remainder are being shipped as fast as vessels can be found to convey them from England.

The conditions on which these works are proceeding in respect of supervision by the General Government, and the terms on which a refund of expenditure will be obtained, are stated in detail in correspondence with the Colonial Government, which will be laid before you.

On the Southern line tenders for the construction of the first length will shortly be invited. The rails for the portion between the Selwyn and the Rakaia were ordered by the mail which reached England in May, and are expected to be here by the time the earth-works are ready.

On the Timaru and Temuka line the plans and specifications for the portion between Timaru and the Washdyke are prepared, and tenders will be immediately invited for the construction of that part of the line.

The General Government has also taken steps for the bridging of the Waitaki, by the preparation of the necessary plans, and the ordering of the iron girders from England.

The geological survey of the Malvern Hills, which the Colonial Government, at my instance, requested Dr. Haast to make, has been completed; and the results of his investigation is the confirmation in some measure of the hopes which have long been entertained of the quality and value of coal in that district. His reports will be laid before you. I have reason to believe that the General Government will extend the detailed geological survey to other parts of the Province.

Correspondence will be submitted to you, showing the arrangements which have been made for the current year for the continuance of Immigration into the Province.

A contract has been entered into for the construction of works in Lyttelton harbour connecting the railway with wharves to be constructed on the breakwater. Plans and particulars of this undertaking will be laid before you. The sum which will be ultimately required to complete the contract will be in excess of the vote already granted by you for the purpose.

A jetty has been erected between the existing Government jetties, which will partially supply the want which has long been felt, of additional accommodation for shipping in connection with the railway.

A circular letter has been addressed to me by the Colonial Secretary, inviting me "to take the necessary steps for the reservation in convenient areas, and in sites contiguous or adjacent to lines of railway and roads now in course of construction, of blocks of agricultural land, to be laid off in villages and farms for the purposes of immigration;" and also to make reserves of waste lands to be given in payment for the construction of railways, as well as reserves to be taken by the Colony in place of money, chargeable to the Province for such works. An expression of your opinion will be invited upon these proposals.

In accordance with a request contained in a letter received by me yesterday, you will be asked to express an opinion as to the line which the Northern Railway should follow to the north of the Southbrook Station.

Your approval will be invited of the arrangements which have been entered into with the Colonial Government with regard to the construction of the Rakaia Bridge as a Railway Bridge. Correspondence on this subject will be laid before you.

Within a few days of the close of your last session I received a resolution passed by you, as follows:—"That in the opinion of this Council, the claim of the Government against the Bank of New Zealand for interest alleged to be debited in error, and the claim of the Bank of New Zealand against the Government for Commission on Debentures placed

in the hands of the Bank for sale, should be settled by arbitration; and this Council will not sanction any expenditure which may be incurred for legal proceedings without its warrant." I have abstained from taking any action in this matter. In justice both to myself and the Council, I have thought it right to place you in possession of such a statement of the facts of the case, as, with the papers already before you, will, I trust, serve to elucidate a somewhat intricate question. I will not now detain you by reading this statement, which will be placed at once in your hands.

A resolution was passed by you on the day previous to the prorogation of the Council:—"That a separate charge should be made for carriage and wharfage on all produce carried over the Lyttelton and Christchurch Railway."

I gave the most careful consideration to all the facts bearing on the subject, and found—that the existing rates for wool and grain are less per ton than that charged for general goods, and are calculated to cover only the cost of the carriage and delivery in Lyttelton.

That the cost of unloading is intended to be included in the rate charged for carriage, and it is immaterial to the Railway whether the unloading be into the sheds or into a ship alongside the wharf.

That cranes and other machinery used for the shipment and landing of general goods are not used in the shipment of wool and grain.

Considering, therefore, that the present freight rates on wool and grain do not include a sum for wharfage distinct from carriage, no part of the present charge can be called wharfage dues. If, therefore, such charge were made, it should not come out of, but be added to the present freight rates. Such additional charge, if I understand your resolution rightly, was not contemplated by you, and could not, in my opinion, be made for the reasons stated above, in fairness to the growers of the staple articles of product of the country, whose interest I could not doubt your desire in common with myself to promote. Understanding, however, from the Members of my Government that it was considered that the absence of any separate charge for wharfage operated as a restriction on the accommodation for the shipment of grain, inasmuch as a charge for wharfage on these commodities was imposed at the wharf known as Peacock's Wharf, in addition to the railway charges, and that vessels were thereby deterred from loading at Peacock's Wharf, and that it was thought undesirable that shippers from Peacock's Wharf should be placed at a disadvantage as compared with those who ship from the Government wharves, I gave the subject my attention with the view of meeting your wishes in these respects. A remission has accordingly been made of $\frac{3}{4}$ d. per bag on the carriage of all grain shipped at Peacock's Wharf, this sum being the amount determined upon as capable of being fairly remitted in consideration of the fact that a saving is effected by the Government in consequence of its being relieved of the labour of unloading on Peacock's Wharf.

I communicated to Mrs. Selfe the expression of your feelings of sorrow for the loss sustained in the death of the late Mr. Selfe, and your sympathy with his family, and I took immediate action in respect of the appropriation made by you in recognition of the important services rendered to the Province by the late Mr. Selfe. Mrs. Selfe desires me to express to you her deep sense of gratitude for the course taken by you.

It is with deep regret I have to record the recent loss by the Province of one of its oldest and most valued servants, the late Chief Surveyor, Mr. Davie, who had been in the service of the Province for a period of more than 20 years.

In conclusion, I may be permitted to congratulate you on the soundness of the financial position of the Province, and on the steady progress which has been made during the past few years, as shown by the results of the late census, and the agricultural statistics collected by the General Government.

The estimates of revenue on the ordinary account for the current financial year, which I submitted to you at your last session, have been fully realised for the period of the year which has elapsed, and the expenditure has proceeded on a scale which will not lead to any material excess of the appropriation for the whole year. The land revenue is, for the nine months, slightly below the estimate, but a consideration of the extent and position of the sections sold leads to very satisfactory conclusions as to the spread of agriculture, and the occupation of the land by an industrious class of settlers.

I now declare this Council open for the dispatch of business.

WM. ROLLESTON,

Superintendent of Canterbury.

ERRATUM.—*In the notice of the appointment and the resignation of Poundkeeper at the Point Pound, published in Gazette No. XXIX, dated July 13, 1871, for "22nd day of June" read "22nd day of July."*

STATEMENT

OF

DISPUTED CLAIMS

BETWEEN THE

BANK OF NEW ZEALAND

AND THE

PROVINCIAL GOVERNMENT,

REFERRED TO IN THE ADDRESS

OF

HIS HONOR THE SUPERINTENDENT.

14-00000 1000 1000 1000 1000 1000

CLAIM BY THE PROVINCIAL GOVERNMENT AGAINST THE BANK
OF NEW ZEALAND: £800 0s. 2d.

On the 20th March, 1868, the Colonial Treasurer paid to the Bank of New Zealand, London, to the credit of the Provincial Government of Canterbury, £190,000.

The Bank held at that date in London an overdue Bill of Exchange, drawn by the Provincial Treasurer of Canterbury on the Managing Director, London, for £50,000. This Bill matured the 29th of the preceding month.

The London office did not then take payment of the overdue Bill, but remitted the entire sum to the Colony. It is credited in the Provincial Treasurer's account at Christchurch on the 23rd June, and the account is then charged with the £50,000 Bill and interest to the 1st of June, £1,019 3s 9d.

The Superintendent objects that the Bank should not have charged interest on this Bill after the date at which the Government account was put in funds in London, viz., March 20. That the Bank should have remitted to the Colony, not the entire sum of £190,000, but the balance after taking payment of the Bill and interest from due date to the 20th March and he has requested that the amount charged for interest from 20th March to the 1st June, £800 0s 2d, might be refunded. The Bank declines to refund it.

The facts connected with the making of the Bills are as follows:—

In December, 1866, the Provincial Treasurer's account with the Bank was overdrawn, and the Government had £300,000 of Debentures in the possession of the Bank in London. The Manager at Christchurch intimates that "the Bank will be prepared to allow the Government a margin of £80,000; the account to be reduced to £50,000 by the 15th June next ensuing; if the account should not be so reduced, the Government to draw on the London office of the Bank at ninety days' sight for the sum necessary to place the account at £50,000; and should such Draft not be met at maturity, nor within three months thereafter, the Bank to be at liberty to realise Debentures now in their hands at the best price obtainable."*

These terms were accepted by the Government.

In July, 1867, the Manager advises that overdraft is now £90,000, and asks for a set of Bills on the Agent of the Province at ninety days for £40,000.†

The Provincial Secretary calls attention to the fact of agreement providing for Drafts being on London office of the Bank not on English Agent, says Government

* Mr. Coster's letter, 19th December, 1866.

† Mr. Coster's letter, 1st July, 1867.

is advised that agreement is *ultra vires*, and cannot be carried out, and proposes to give letter of instructions to the London office of the Bank, authorising payment there of £40,000; and authorising Bank to realise Debentures at the best price obtainable, if such sums should not be paid within ninety days of receipt of such letter, nor within three months thereafter.*

The Manager replies that if Drafts are not given the Bank will sell Debentures "to recoup any advance the Bank may be under to the Government.†

On the 6th July, 1867, the Provincial Treasurer drew two Drafts on the Managing Director, London, at six months' sight for £25,000 each, and the proceeds, £47,250, were passed to the credit of the Provincial Treasurer's Account at the Christchurch branch. These drafts matured 29th February, 1868.‡

On the 26th September, 1867, the London office, acting with the Agent of the Province, sold £100,000 of Debentures for £94,000, and received the money. The Agent directed the Bank to retain £77,900 to make certain payments in London, amongst others the Canterbury Government Drafts, £50,000, and to remit the balance to the Colony.||

The Manager at Christchurch explains afterwards that "in consequence of the arrangement that had been entered into between the Bank and the General Government in respect of advances to the Province, and the realisation of the balance of Debentures under the consolidation measures,"§ the Drafts had not been charged against the sale of the Bonds already effected, and that he proposed to pass £65,000 to the Provincial account.¶

The London office statement of account, date 27th March, 1868, shows that the Bill was debited there to the Government account at maturity, 29th February.**

The same statement shows that on the 24th March, by which time information would have reached London of what the Manager at Christchurch had done (letter of 11th January, 1868) the Bank revived the Bill by reversing the entry that had been made, 29th February, and took credit at the same time for £65,000 passed to the Provincial account, Christchurch.††

On the 20th March, 1868, the Colonial Treasurer paid to the London office as previously stated £190,000 to the credit of the Canterbury Government.‡‡ This sum was remitted to the Colony, and interest was charged on the Bill to the 1st June, 1868.

* Mr. Stewart's letter, 4th July, 1867.

† Mr. Coster's letters, 5th and 6th July, 1867.

‡ Bank statement of particulars of Drafts (attached).

|| Mr. Coster's letter, 11th January, 1868.

§ Memorandum by Mr. Fitzherbert and Mr. Russell, 9th October, 1867.

¶ Mr. Coster's letter, 11th January, 1868.

** London office, statement of account, March 27, 1868 (attached).

†† Mr. Woodward's memo., November 26, 1869.

‡‡ Mr. Murdock's letter, January 7, 1870.

The reasons given by the Directors for refusing to refund the sum charged for interest from 20th March to 1st June are :—

1. That the Bank in negotiating the Bill took credit for eight months' interest, which period "allowed for transmission of the Bill to London, its currency there, and the return of the proceeds to the Colony."

2. That "the eight months expired 14th February, 1868, and the Bill having been returned unpaid, interest was fairly chargeable on the amount until the first of June, when funds were provided for it."

3. "The agreement with the General Government in no way affected matters of account between the Provincial Government and the Bank; but it cancelled a stipulation that the Draft should be paid in London," and made it payable in the Colony.*

As to the first point, the discount charged was £2750. If this sum was intended to represent eight months' interest, that period was no doubt adopted because the Bill would take about two months to reach London, and would mature six months afterwards. There could be no proceeds to return to the Colony, because the Government had already received those proceeds. Eight months' interest is therefore consistent with the intention both of the Bank and of the Government that the Bill should be paid in London, and it is altogether inconsistent with the supposition that either the Bank or the Government intended that it should come back to the Colony for payment.

The second paragraph is inaccurate throughout.

(a) The Bill was dated 6th July, 1867. Eight months from that date would be the 6th of March or thereabouts. But whenever the period of eight months may have expired, the Bill matured on the 29th February.†

(b) The Bill was *not* returned unpaid when it fell due nor, so far as is known has it been returned since. Application for it was made to the Bank at Christchurch when it came to charge on the Provincial Account, and the answer given was that it had not been sent from London.

(c) Interest was undoubtedly fairly chargeable on the Bill until funds had been provided for it; but those funds were provided, not, as Mr. Murdoch states, on the 1st of June, but on the 20th of March previous.

The meaning of the third paragraph is not clear, but whatever it may be, it will be obvious that the transactions proceeded throughout on the assumption that the Bill would be met in London. There is not in the correspondence a single word which indicates that either the Bank or the Government anticipated that it would

* Mr. Murdoch's letter, January 7, 1870.

† Bank statement of particulars of Drafts.

ever come back to the Colony. It was drawn on the Managing Director in London. The funds to meet it were to be provided by sale of the Debentures to be made by the Bank in London, and power was given to the London Manager, in case it should not be met, to sell Debentures sufficient to cover it. When it matured, the Government had funds at its credit with the London office sufficient to meet it, and the London office charged the Government account with it.*

It seems open to question whether the Bank could properly revive on the 24th March a Draft which had been written off in the drawer's account on the 29th February as a retired Bill. The Draft was or should have been cancelled when it was debited to the drawer's account. The Government might subsequently have become indebted to the Bank on overdraft or otherwise, but not on the Bill as such. But so far as the London office is concerned, the Government account was at no time overdrawn, and on the 24th March, when the entry was made which purports to revive the Bill, the Bank held as has been already shown £190,000, which had been paid in to the credit of the Government four days previously. This sum is not included in the London office statement of account, dated March 27.

* London Office statement of account, 27th March, 1868.

PARTICULARS OF BILLS DRAWN BY PROVINCIAL TREASURER.

By whom drawn.	Term.	Date of Bill.	Due date.	Amount.
		1867	1868	£ s. d.
F. E. Stewart, Provincial Treasurer, on Managing Director 	Six months sight	July 6	Feb. 29	25,000 0 0
F. E. Stewart, Provincial Treasurer, on Managing Director 	"	"	"	25,000 0 0
				£50,000 0 0

Bank of New Zealand, Christchurch, 25th June, 1868.

(Signed) J. HASTINGS HARRIS, pro Accountant.

STATEMENT OF CANTERBURY SIX PER CENT. LOAN ACCOUNT.

				£	s.	d.
1867	26.	By balance at this date		291	2	7
	26.	„ sold 26th September, for settlement this day:—£100,000 Bonds at 94. 2501 and 8500		94000	0	0
		To Bank's commission at 1 per cent. on £100,000	£1,000	0	0	
December	3.	„ paid Cocks, Biddulph, and Co., Canterbury Emigration Account, on 12th October ...	2,000	0	0	
		„ ditto ditto on 28th November ...	1,000	0	0	
	16.	„ paid Union Bank of Australia interest due 31st inst., on £25,000 railway bonds ...	7,500	0	0	
		„ 1 per cent. commission on same ...	75	9	0	
		„ interest due 31st inst. on £191,900, 6 per cent. (Loan 1862)	5,757	0	0	
		„ ditto £30,000, 8 per cent.	1,200	0	0	
	23.	„ paid Cocks, Biddulph, and Co. for Sinking Fund	11,290	10	0	
February	12.	„ ditto ditto Canterbury Emigration Account	1,000	0	0	
	29.	„ Provincial Treasurer's drafts on Bank of New Zealand	25,000	0	0	
		„ ditto ditto ditto	25,000	0	0	
March	24.	By entry of 29th ult., Provincial Treasurer's bills rversed		50,000	0	0
		To amount placed to credit of Government with Christchurch Branch on 27th Dec. ...	65,000	0	0	
		„ ditto transferred to Canterbury Loans Interest Account to meet interest paid to date in excess of amount debited on 16th December	111	0	0	
		By balance debited to Christchurch Branch ...		1,642	7	5
				£145,933	10	0
				£145,933	10	0

Bank of New Zealand, London, 27th March, 1863.

(Signed) H. R. MACNAB, Accountant.

CLAIM OF THE BANK OF NEW ZEALAND AGAINST THE PROVINCIAL GOVERNMENT: £1890.

This is a claim by the Bank of New Zealand for the payment of a sum of £1890, being commission of one per cent. on Bonds placed in their hands for sale, and which were held by them at the time of the passing of the Public Debts Act, 1867. The Superintendent has declined to admit this claim on the grounds:—

1. That the Bonds in question were not negotiated by the Bank.
2. That the agency of the Bank was conditional in respect of the price to be placed on the Bonds, and subject to instructions from the Government, or its agent in London.
3. That the agency was capable of being withdrawn, and was withdrawn by the Superintendent.
4. That the Debentures were held by the Bank as a collateral security for the repayment of advances made by the Bank to the Province, and that on the discharge of the liabilities of the Province under arrangements made between the Colonial Treasurer, Mr. T. Russel, acting on behalf of the Bank of New Zealand, and the Superintendent of the Province all further claims on the part of the Bank in respect of these Debentures was finally determined.
5. That the Public Debts Act, 1867, having become law, the power of determining the mode of disposal of these Debentures rested with the Colonial Government, and they were practically withdrawn from the control of the Provincial Government, by the enactment of a superior authority, which prohibited their being disposed of in the manner originally contemplated.

The arrangement entered into between the Bank of New Zealand and the Government is embodied in the following extract from Mr. Coster's letter to the Provincial Secretary of June 2, 1866:—

“The Bank is to act as agents for the placing of these Debentures on the London market, charging for such agency a commission of one per cent. on the amount of the Debentures sold. This commission to cover any charges that may be incurred by the Bank in London for brokerage and advertising. The limit fixed as the price of these Debentures is at present £91 5s. for each £100 Bond.

The formal authority to sell these Debentures was not given at the time that this arrangement was entered into, but at a subsequent date. The authority when given was not absolute as stated by Mr. Coster in his letter of July 4th, 1868, but “at the rate specified in previous correspondence.”

It is as follows :—

“ I hereby authorise you to sell on behalf of this Government, the £300,000 (say three hundred thousand pounds) worth of Canterbury Loan Debentures now in your hands at the rate specified in previous correspondence.”*

That the agency was limited by instructions is shown by Mr. Moorhouse's instructions to the Agent of the Province, Mr. Selfe, June 20th, 1866 :—“ I have also desired them (the Bank) to inform you of any negotiations which may be made for their purchase, and to attend to any suggestions which you in your discretion as Agent for the Province may think proper to make ;” also by the fact that it was at Mr. Ward's instance that the balance of the Debentures was held over from sale in September, 1867.

Mr. Moorhouse's instructions to Mr. Ward (May 6th, 1867) are very explicit :—“ You will remember that under our arrangement with the Bank of New Zealand, the actual repayment of the balance due to them on our overdrawn account is not required before the month of February next at the earliest ; a period which will be sufficient to enable the Government to effect the consolidation which Mr. Stafford admits to be desirable. Looking then to the advantages to accrue to the Province from the assumed action of the General Government, arising from the placing of Provincial securities under one general Colonial debt, I have to request that you will cause our Debentures to be withheld until further instructions can be forwarded to you, influenced by, and arising out of, the actual course of legislation adopted by the Assembly.”

On the same day (May 6th) Mr. Stewart (Provincial Secretary) wrote to Mr. Coster as follows :—

“ In view, therefore, of the introduction of such a measure, the Government have considered it advisable to instruct Mr. Ward to withdraw from sale for a time the Bonds in the hands of the Bank, and until further instructions can be forwarded to him based upon the action taken by the Assembly, and I have to request that you will instruct your London Branch to carry out Mr. Ward's requirements in reference hereto.”

The understanding of the Provincial Government, that the agency of the Bank was revocable, and that all claims in respect of the unsold Debentures in the hands of the Bank ceased on the repayment of the advances made by the Bank, is further shown by Mr. Moorhouse's letter to the Managing Director of the Bank in London, of the 9th October, 1867, in which he writes :—

“ Upon payment to you of the advances made by you upon the Canterbury Debentures in your possession, please deliver to the Colonial Treasurer, New Zealand, or his order, the Bonds of this Province now held by you against advances.” And

* Mr. Moorhouse's letter to Managing Director of the Bank of New Zealand, London, of Feb. 4, 1867.

his memorandum to Mr. Marshman, of the same date, which runs as follows:—"If Mr. Ward is not in London, open his official letter. See the Bank of New Zealand at once. Tell them not to sell Debentures, but to hold them to the order of the Colonial Treasurer, subject to advances upon their deposit (by the Canterbury Government) either in London or New Zealand. Be particular about this."

It is not contended by the Superintendent that it would in fairness have been open to the Government to withdraw the balance of the Debentures from the hands of the Bank when the liabilities of the Government were discharged, for the purpose of placing them in other hands for sale, but that it was clearly understood throughout that the Government had the power of withdrawal, subject to the adjustment of its accounts; that it was at no time in the power of the Bank to sell absolutely, without reference to conditions imposed by the Government or their agent, and that the advantage reaped by the Province from the withdrawal of the Debentures from sale was an advantage of which it did not rest with the Bank, in terms of the agreement, to deprive it; and finally, that the ultimate loss of the sale of the Debentures was the consequence of legislation of the General Assembly, which removed it from the power of the Province to determine how the Debentures should be disposed of.

The fact that the Province thus became incapable of dealing with the Debentures as it pleased, does not, in the view of the Superintendent, as expressed in his letter to Mr. Coster, of July 9th, 1868, make it incumbent on the Government to indemnify the Bank because it failed to make a gain which it might have made if that legislation had not taken place.

In the withdrawal of the Bonds from sale, through Mr. Ward, the Province used no power which it was not fairly entitled to exercise, and, as a matter of fact, the power was exercised as shown above with the knowledge of the Bank, and without any objection being raised to it.

Mr. Coster's letters of July 4th and July 11th, 1868, embody the arguments adduced by the Bank in support of this claim.

He does not press it on legal grounds, saying that "it is possible that the Bonds not having been absolutely sold through the agency of the Bank, that we have no legal claim;" but he urges as his reasons for admitting the claim:—

1. That the Bank agreed to charge, for placing the Bonds, an exceptionally small commission, on the faith that the whole £300,000 would be sold through the Bank.

2. That the expenses of advertising and brokerage, both before offering the Loan in the first instance and subsequently, nearly absorbed the whole of the commission earned by the Bank on the Debentures actually realised.

3. That in making the agreement for the conduct of the Banking business of the Province, the Bank took into account the profit to be made on the sale of these Debentures.

A further argument that the Bank lost the advantage "through no inability on its part to reap it" is scarcely consistent with terms of the agreement which, as stated above, at no time admitted of an uncontrolled agency on the part of the Bank.

With regard to the first and second arguments adduced, it is to be observed that the Bank has received commission on £111,000 of the Debentures, sold prior to the withdrawal of the Bonds from sale—that is £1110; and that the Superintendent has intimated the willingness of the Government to consider any claim for such further sum as will give the Bank a fair remuneration for its agency and trouble in placing the Debentures actually sold by it; and it is further noteworthy with regard to Mr. Coster's statement, that the commission is "exceptionally small," that judging from a letter by the Crown Agents to Mr. Fitzherbert, of April 24, 1868, one per cent was the charge paid by the Colonial Government to the Bank of New Zealand for a similar service, and was the amount charged for placing Loans on market by the Bank of New South Wales and the Consolidated Bank; while the charges by the Crown agents on Colonial Loans, as authorised by the Imperial Government (see appendix to Journal of House of Representatives, 1868, Book No. 3, page 10) are:—

"For negotiating new Loans $\frac{1}{4}$ per cent. commission, and $\frac{1}{4}$ per cent. brokerage."

With regard to the third argument, viz., that in making the agreement for the conduct of the banking business of the Province the Bank took into account the profit to be made on the sale of these Debentures. There is no allusion to any such understanding on the part of the Government in any of the correspondence relating to the agreement.