

LOAN ACT, 1862.

MINUTE BY MINISTERS

EXPLAINING

THE FINANCIAL POSITION

OF

THE COLONY

ON

APPLYING FOR IMPERIAL GUARANTEE.

PRESENTED TO THE HOUSE OF REPRESENTATIVES, BY COMMAND
OF HIS EXCELLENCY.

AUCKLAND.

1863.

Loan Act, 1862.

MEMORANDUM ADDRESSED TO HIS EXCELLENCY BY THE HON. COLONIAL TREASURER IN REFERENCE
TO THE LOAN ACT, 1862.

THIS is an Act which provides for raising a Loan of £500,000, in Great Britain, under the Imperial Guarantee, for the service of the Colony of New Zealand.

The purposes to which the money is to be applied are as follows :—

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|---|----------|
| 1.—To assist in the execution of such measures as the Governor, acting with the advice of his Executive Council, may adopt for the permanent reinstatement of the settlement and inhabitants of Taranaki, a sum not exceeding ... | 200,000 |
| 2.—To repay advances made from the Imperial Treasury for the service of the Colony, on account of Militia and Volunteers and other Military Expenditure incurred in the late Native Insurrection, and to defray the contribution of the Colony towards the expenses of the Queen's Forces supplied for its defence, from April, 1858, to June 30th 1862, a sum estimated at ... | 150,000 |
| 3.—For the construction of Roads and other Public Works in the mixed and Native Districts of the Northern Island of New Zealand, in connection with the pacification and civilization of the Natives, and for objects connected therewith, a sum estimated at ... | 150,000 |
| | £500,000 |

The Legislature of this Country relies with confidence on obtaining the Imperial Guarantee to enable the Colony to raise these sums on the most advantageous terms, inasmuch as the several charges upon New Zealand just enumerated, have entirely arisen from the action taken by the Representative of the Imperial Government, and not from anything that has been done by the Colonial authorities. In order that this point may be made perfectly clear, it will be well to state the origin of the demand made against the Colony by the Duke of Newcastle in His Grace's Despatch to Sir George Grey, dated 26th May, 1862.

It is in the first place necessary to recite the document setting forth the relations that existed between Governor Gore Browne and his advisers, as arranged between His Excellency and the Colonial Legislature in 1856, and sanctioned by the Imperial authorities.

1.—“In all matters under the control of the Assembly, the Governor should be guided by the advice of Gentlemen responsible to that body, whether it is or is not in accordance with his own opinion on the subject in question.”

2.—“On matters affecting the Queen's prerogative and Imperial interests generally, the Governor will be happy to receive their advice, but when he differs from them in opinion, he will (if they desire it) submit their views to the consideration of H.M. Secretary of State, adhering to his own until an answer is received.

“Among Imperial subjects the Governor includes all dealings with the Native Tribes, more especially in the negotiation of purchases of Land. He will receive and act on the advice of his Responsible Advisers, in reference to the amount of money they may desire to have expended in any one year in the purchase of land, *but beyond this he considers himself bound to act on his own responsibility. The Governor alone is responsible to Her Majesty for the tranquillity of the Colony*, which would be endangered by the ordinary and inevitable change of opinions consequent on a change in his advisers.

“It follows as a necessary consequence of these views that the Chief Land Purchase Commissioner and his subordinates must take their orders from the Governor alone.”

Such were the relations, sanctioned by all parties concerned, between the Governor and his Ministers at the time of the outbreak of the Taranaki War.

Prior to the commencement of Military operations at Taranaki, no financial arrangements were made, no understanding of any kind was arrived at between Ministers on behalf of the Imperial Government, either as to the probable expense of a War, or of the apportionment of that expense; nor was the Legislature of the Colony, in such a grave emergency, summoned to express the opinion of the Country upon the question, or to vote a single shilling towards the Expenditure which was about to be incurred.

After the proclamation of Martial Law, after the removal of the Troops from Auckland to Taranaki, and after the survey of the block of land at Waitara had been resisted, and Mr. Parris had stated “that in accordance with my instructions from the Government, the assistance of

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"a Military Force had become necessary," and on the very day, March 2nd, 1860, on which Governor Browne writes to the Secretary of State, "It is now my intention to request Colonel Gold to occupy the land at the mouth of the Waitara, with Her Majesty's Troops," His Excellency wrote to the Colonial Treasurer, Mr. Richmond, as follows :—

MEMORANDUM BY THE GOVERNOR.

Taranaki, 2nd March, 1860.

"The unsatisfactory reply of William King to the message sent him on the 1st March, will render military occupation of the ground at the Waitara necessary, and involves the enrolment of so many of the Militia and Volunteers as can be properly armed. The Governor proposes to the Colonial Treasurer that these troops should receive pay, allowances, and rations, at the same rate as the corresponding ranks in Her Majesty's service.

"That the Commander of Her Majesty's troops should be requested to instruct the officers of Her Majesty's Pay Departments to make the necessary disbursements on the application of Major Herbert, and accept his receipt for the same. The total amount so issued to be recovered from the Colonial Treasury."

T. GORE BROWNE.

The Honorable the Colonial Treasurer,
&c., &c., &c.

MEMORANDUM BY MR. RICHMOND.

New Plymouth,
3rd March, 1860.

"It appears from His Excellency the Governor's Memorandum, of the 2nd instant, that the enrolment of so many of the Militia and Volunteers as can be properly armed has, in His Excellency's opinion, become necessary for the assertion of Her Majesty's authority against the armed resistance of certain aboriginal natives, headed by William King of Waitara.

"At the same time the Colonial Treasurer is verbally informed that His Excellency cannot request the issue by Her Majesty's Commissariat and Pay Departments, of pay, allowances, and rations for these troops, except upon the understanding that the necessary disbursements for that purpose shall be recoverable from the Treasury Chest.

"Such being the views and determination of His Excellency, as an Officer of Her Majesty's Imperial Government, the Colonial Treasurer feels that he has, at the present juncture, no alternative but to acquiesce in His Excellency's giving, on behalf of the Colony, the proposed undertaking to reimburse the Imperial Government.

"The Colonial Treasurer observes however—

"First, that the Militia and Volunteers are called upon to take the field in obedience to His Excellency's summons, for the suppression of rebellion on the part of the aboriginal natives.

"Secondly, that the sole direction of the policy of the Colonial Government in its relations with the natives, and the consequent responsibility for the issue of that policy in warlike operations, confessedly rests with His Excellency, acting under the direction of Her Majesty's Secretary of State : the Colony of New Zealand being, for this purpose, a Crown Colony as completely as before the establishment of Ministerial Government.

"It seems a necessary inference from the premises that the expenses of maintaining in the field a Colonial Force, on an occasion like the present, stand upon the same footing as the expenses of the regular troops with which that force is acting.

"The Colonial Treasurer therefore respectfully submits that the Colony is entitled to the ultimate refund of its advances by the Imperial Government, and advises that His Excellency should on behalf of the Colony claim such refund.

"It scarcely need be said that anything in this Memorandum is intended to imply disapproval of the course of policy pursued on the present occasion by His Excellency, which, on the contrary, is entirely concurred in by His Excellency's Responsible Advisers."

C. W. RICHMOND.

It is under these circumstances then, after steps had been taken by the Governor from which there was no receding, that the Colonial Government first hears of any intention to charge the Colony with any portion of the expense of military operations. Mr. Richmond's letter is no doubt an acceptance, under protest it is true—but an acceptance nevertheless—by which, in the opinion of Ministers, the Colony is bound to refund to the Imperial Government, when demanded, the money advanced for "the pay allowances and rations" of the Colonial Forces acting with the Regular Troops at Taranaki. No sooner, however, was this guarantee demanded by the Governor and given by Mr. Richmond, than practically it was rescinded. A Circular Memorandum was issued by the Horse Guards to Generals Commanding in 1857, authorising those Officers, under certain circumstances, to make such advances as may be necessary for the organization of Local Corps. Under the authority of that Memorandum Governor Browne made a requisition upon the Military Chest as follows :—

"SIR,—The Colonial Treasury of New Zealand being unable to meet the expenditure for the Clothing, Arms, Rations, and pay of the Officers and men of the Taranaki Militia, I hereby make a Requisition in accordance with the Secretary of State's Despatch, 22nd October, 1857, that you will authorise by your Warrant the issue of such advances as may be necessary for this purpose,

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and to request that you will be good enough to consider this Requisition as covering the advances already made, as well as those hereafter to be made on that account."

I have, &c.,

(Signed) T. GORE BROWNE,

Government House, Auckland, 27th July, 1860.

The Officer Commanding the Troops in the Taranaki Province."

Mr. Commissary-General Jones at the time demurred to this demand, taking the ground that the Circular Memorandum did not give the Civil Governor power over the Military Chest. Upon reference of the question to England, it was shewn that the interpretation sought to be put upon that Memorandum by the Governor could not be admitted, and instructions were consequently given to His Excellency that no advances would for the future be made without an actual promise to pay from the Colony on demand. Nor have any advances been made subsequently to the receipt of that despatch, without such promise to pay having been given. In fact the Colony had no other alternative. Military operations were commenced under the authority of the Governor, who is alone responsible for the tranquillity of the Colony; they were conducted under the authority of Generals and Colonels commanding, who were alone responsible to the Imperial Government for the result of their operations; the Colonial Authorities were unable to interfere, and yet they were placed in such a position that, though they had no voice in the conduct of affairs, the very instinct of self preservation compelled them to agree to whatever was demanded. If under all these circumstances, the Government demands payment in full, the Colony has no option but to pay in full.

With reference to the amount of these demands, the accounts, regularly forwarded as they have been to the Colonial Authorities, exhibit the following statement up the 30th June, 1862:—

Statement of demands, arranged under distinct Heads, made upon the Colony by the Commissariat to 20th June, 1862.

Arms and Ammunition supplied from			
Military Stores	5,672	4	8
Pay and contingent expenses for			
Militia and Volunteers to 31st March, 1862	60,273	2	9
Clothing and Equipment of Militia and			
Volunteers	986	14	4
Rations and Forage	24,896	3	5
Hire of Steamers	16,422	2	10
Field Defences	2,126	0	4
Gratuity to Ships of War	5,000	0	0
Secret Service Money	50	0	0
Demand of £5 per head for Troops from			
1st April, 1858, to 31st March, 1862...	53,587	10	0
Barracks at Taranaki	7,000	0	0
Estimated demand for Troops to 30th			
June, 1862	6,750	0	0
Estimated demand for Taranaki Militia to			
30th June, 1862	3,363	0	0
	<u>£186,126</u>	<u>18</u>	<u>4</u>

From this total there are certain set-offs to be made, and against some of these demands grave objections exist—

- 1.—The Colony has actually paid a sum of £2,238 16s. 7d. on account of these expenses, for which the Treasury holds an acknowledgment from the Commissariat.
- 2.—Mr. Richmond agreed under compulsion to defray the expenses of the pay, allowances, and rations of Militia and Volunteers out of the Colonial Chest: and those expenses only.
- 3.—The Colony, under the arrangement existing to pay the sum of £5 per head for Her Majesty's troops stationed in New Zealand, is entitled to a drawback of the amounts paid from the Colonial Treasury on account of Barrack Expenditure since April 1st, 1858.

The Colony consequently is not liable for the several undermentioned charges made against it by the Commissariat.

Arms and Ammunition	5,672	4	8
Hire of Steamers	16,422	2	10
Field Defences	2,126	0	4
	<u>24,220</u>	<u>7</u>	<u>10</u>
Amount already paid by the Colony ...	2,238	16	7
Expenditure by the Colony on Barracks at			
Napier and other Barrack repairs ...	7,000	0	0
Repair of Britomart Battery	397	17	11
	<u>9,636</u>	<u>14</u>	<u>6</u>
	<u>£33,857</u>	<u>2</u>	<u>4</u>

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Leaving on the face of the accounts as they stand at present, unaudited by the Colonial Authorities, a sum of £152,269 16s. 0d., for which the Colony must make arrangements to pay, if the Imperial Government really intend to charge this country with the full amount of its liabilities on account of the expenditure incurred during the Taranaki war.

The sum of £200,000 has been voted by the Legislature, contingent upon the Colony obtaining the Imperial guarantee, to assist in the execution of such measures as the Governor, acting with the advice of His Executive Council, may adopt for the permanent re-instatement of the settlement and inhabitants of Taranaki.

The balance of the half million loan is proposed to be expended in the formation of roads in the Northern Island of New Zealand, for the purpose of opening up the country; and this will be the only portion of this large sum of money, the expenditure of which will be of at all a reproductive character. If any permanent good is to be done in the Northern Island; if the European population is ever to do more than occupy the country in the immediate neighbourhood of the coast; if the civilization of the native people is ever to be an accomplished fact, road-making must be one of the principal means by which these desirable results are to be brought about. In any event roads are necessary. Troops cannot move without roads. The success of military operations cannot be secured without roads. Peace cannot be established; civilization cannot spread; property cannot be made available without roads. The Civil Institutions for the benefit of the natives cannot, in all their fulness, be brought into operation; the balance wheel of the machinery, namely, the power to be given to the natives to dispose of their own lands, cannot be set in motion without roads, whilst with them the whole difficulty is solved. The country is no longer the finest military position for guerilla troops. Traffic passes along with facility from point to point. The civilizing effects of commerce are felt in every direction; communities spring up in different localities; and by means of these great channels of communication, these high roads of commerce, the country is not subdued but civilized.

The effects of the Taranaki war press heavily upon the resources of the Colony; a loan of £150,000, for war purposes, has been already raised and spent, and it is now necessary for a similar purpose, to raise a loan of half a million more. Not only has one Province been completely destroyed as a European settlement, but every Province of the Northern Island has felt, more or less severely, the depressing influences of this war. Deeply as this is felt by the colonists, there seems to be no adequate appreciation in England of the extent of their sufferings. The population of New Zealand numbers barely 100,000, and yet they have submitted to burthens, independent of commercial losses, equivalent to a tax of £5 per head on the whole community. A similar tax on the people of Great Britain would amount to the sum of £150,000,000, an amount which would be looked upon, it is presumed, by English financiers and economists as a no light addition to the national debt, on account of the unproductive expenditure for war.

Ministers look with confidence for that amount of aid from the Home Government, at least, which is asked for in obtaining the Imperial guarantee to this loan. If the burthens the Colony is called upon to bear are great, its resources are not small. In 1856, the Imperial guarantee was obtained to a loan of £500,000, and in that year

the Ordinary Revenue of the Colony amounted to	...	...	...	107,801	4	4
and the Territorial Revenue to	...	...	...	76,176	7	7
				<hr/>		
				£183,977 11 11		

In the year that has just passed, the Ordinary Revenue of the Colony amounted to	378,790	0	0
and the Territorial Revenue to	347,353	17	3
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					£726,143 17 3		

These figures will show that England runs no risk in giving her guarantee to the loan that is now asked: nor can Ministers believe, under all the peculiar circumstances of the case that the guarantee will be denied.

In applying for this loan, Ministers desire to be distinctly understood that they do not regard either the payment of the Militia expenses, the re-instatement of the Province of Taranaki, or roads constructed for strategical purposes, as fair charges against the Colony, and they consider that any sums paid by the Colony, under these heads, ought to be taken into consideration in the final adjustment of account between the Imperial and Colonial Governments, whenever that adjustment shall take place.

READER WOOD.

Treasury, Auckland,
20th October, 1862.