

3. Such an amount for military defence as Her Majesty's Government may consider should fairly be charged upon a Loan, and ought not to be borne on the ordinary revenue.

It is understood that the sum of £500,000, the guarantee to which was offered to Mr. Ward, is referred to under the first two heads.

The object of this Memorandum is to show :—

1 The probable amount for purposes purely of military defence which the present war will cost the Colony.

2. The amount for purposes of defence charged upon the annual estimates.

With respect to the first point, the amount depends mainly upon two circumstances, the duration of the war, and the demands which the General may make upon the New Zealand Government for men.

The object of the Loan Act was to enable the New Zealand Government to raise £3,000,000 for the following purposes :—

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For defraying the cost of suppressing the present rebellion . . . . .	1,000,000
For the introduction into the Northern Island of settlers from Australia, Great Britain, and elsewhere . . . . .	300,000
For the cost of surveys and other expenses incident to the location of settlers . . . . .	900,000
For payment of compensation in respect of land taken under the "New Zealand Settlement Act" . . . . .	100,000
For the purposes specified in the "Loan Act, 1862," . . . . .	500,000
For other public purposes . . . . .	200,000

The Legislature appropriated the sum of one million for defraying the Colonial charge, which will come in course of payment from the 1st day of July, 1863, to the 1st day of April, 1865, for suppressing the present rebellion, that is to say, for defraying the expense which it was estimated the Colony would be put to, purely for the purpose of military defence within that period. The question now is, whether that sum is a reasonable estimate. On reference to Mr. Russell's Memorandum on the measures of defence which had been taken, it will be found that in October last year the Colony had the following permanent forces armed and fully equipped :—

Cavalry . . . . .	375 men.
Infantry . . . . .	2761

Since then, at least 2000 men have been added to that list, making a total of at least 5136; it has been calculated that the cost to the Colony per man of the infantry cannot be less than £90 a year, and of the cavalry at least five per cent. more, so that the standing army alone costs at the rate of £479,115 per annum. In addition to the permanent forces, there were 6,453 men enrolled as militia; these men have been called out at various times and for different periods; in October, the whole male population of Auckland, consisting of 3,176 men between the ages of 16 and 55 years, was on actual service, bearing arms and doing duty as regular soldiers; they had been so since the beginning of July, and so continued to the end of December. The whole of the male population of Taranaki were on actual service, in numbers, 819 men; in all the other Provinces the militia had been called out, drilled, and armed; and by the last advices received from New Zealand, dated February 10th, 1864, upwards of 1000 militia and volunteers from Auckland had been called out again, and were doing duty with the regular troops. It is impossible, of course, to state with accuracy the expenses on account of militia, but they can hardly be estimated at less to the Colony during the period of the war than £200,000. It cannot, again, be expected, that let the war take the most favourable turn possible, the New Zealand Government could get rid of paying and maintaining the Colonial regular forces of upwards of 5000 men under one and a-half years in all.

The estimate, therefore, of the cost to the Colony, purely for purposes of military defence, since July 1st, 1863, would stand thus :—

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Regular Colonial forces, pay, rations, clothing, and commissariat expenses for 1½ years . . . . .	718,672
Militia expenses, say . . . . .	200,000
Arms . . . . .	100,000
Cavalry horses, including remounts . . . . .	13,500
Armstrong guns, estimated at . . . . .	5,000
Five steamers, estimated at . . . . .	25,000
Military buildings, stabling, barracks, blockhouses, &c. . . . .	15,000
Tents, field equipage, &c. . . . .	20,000
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	£1,097,172

That the above estimate for purposes of military defence is not an unreasonable one, the fact is adduced, that nearly every member of the House of Representatives was of opinion that the amount voted was too small, and the Government was urged to increase it; but they hored for the best, and felt it better not to ask for a larger loan than under the most favorable circumstances it might prove necessary to raise; that in practice the amount estimated is not too large is clear from the fact, that by the last mail, Mr. Whitaker wrote, saying the expenses were enormously great—that we must economise as much as possible, or the money could not be made to eke out. It will be observed, that in the above estimate nothing is added for those innumerable contingent expenses that necessarily arise in the first establishment of such a force as this.