

*in the market*—out of £100,000 worth entrusted to it, has got rid of only £30,000 to persons connected or resident in the Colony. At the same time that this Loan would not sell, a Loan for the Colony of Queensland was disposed of by the same Bank without any difficulty, and on very favourable terms. Unless, therefore, the General Government feels itself justified in assisting the Provincial Government to undertake, by anticipation of its revenue, such important public works as can only be executed by that means, and as now become indispensable to the development of the Provincial resources, there seems little doubt that the colonization and the progress of the Province will receive a serious and lamentable check.

The Provincial Government suggests that assistance may be given either—

1. By a guarantee on the part of the General Assembly of the Provincial Loans already authorised, and of such further Loans as may complete the sum of £1,500,000 ; or,

2. By Loans being raised on the credit of the Colony to such amount as may appear justifiable for the execution of specific public works within the Province.

In either case, all necessary conditions being imposed for the proper application of the amounts raised and for the punctual payment of the interest and Sinking Fund out of the Provincial Revenue.

The second alternative appears the more advisable one, because it is probable that under any circumstances a Colonial Loan would sell on better terms than a Provincial Loan ; and also because under this plan it might probably be practicable to make arrangements under which the Province would draw from the Colonial Treasury from time to time such sums only as it actually required.

A third alternative has been suggested, viz., for the General Assembly to transfer by *law* to the several Provinces the whole of their Territorial Revenues, subject to existing charges. The Provincial Government does not recommend this proposal for adoption.

The request of the Provincial Government of Canterbury is, that His Excellency's Ministers will undertake to propose to the General Assembly, at its next sitting, as a Government measure, a Bill for giving effect to one of the two proposals first above mentioned,

JOHN HALL,  
Secretary for Public Works,  
Canterbury.

26th July, 1864.

## No. 2.

THE COLONIAL SECRETARY TO THE SUPERINTENDENT, CANTERBURY.

Colonial Secretary's Office,

Auckland, 27th July, 1864.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 9th instant, No. 249, on the subject of the Canterbury Loans, in which your Honor introduces Mr. Hall.

I have received also from Mr. Hall a memorandum "on the existing financial condition of the Province of Canterbury, and the Works proposed to be undertaken by the Government of that Province" in which he points out that the Debentures of and under the Ordinances of the Provincial Legislature have become next to unsaleable in the London market, a fact which, upon the authority of the Agent of the Province, and other firms in London, and of information received through the Banks, he attributes "not so much to a temporary scarcity of money as to the unsatisfactory nature of the security and to the refusal of the Committee of the Stock Exchange to allow Provincial Loans to be quoted there."

Mr. Hall states that "the Provincial Government suggests that assistance may be given, either—

"1. Say a guarantee on the part of the General Assembly of the Provincial Loans already authorised, and of such further Loans as may complete the sum of £1,500,000 ; or

"2. By Loans being raised on the credit of the colony to such an amount as may appear justifiable for the execution of specific Public Works within the Province."

"The request of the Provincial Government of Canterbury is that is Excellency's Ministers will undertake to propose to the General Assembly at its next sitting as a Government measure a Bill to give effect to one of the proposals above intimated.

The General Government has for some time past felt it necessary to give its special attention to the subject of Provincial Loans, and the present application of the Provincial Government of Canterbury and one of a similar nature from the Superintendent of Otago have rendered it necessary that some course of action should be determined on by the Government.

It is obvious that in making any provision for the future, the position of creditors who have advanced the money already raised in the different Provinces must not be overlooked. The question as to how far the Government of the Colony is liable legally, equitably, or morally, for the security to creditors of money borrowed by the New Zealand Provinces has often been discussed during the last Session of the General Assembly. A Select Committee of the House of Representatives was appointed to whom the subject of Provincial Loans generally was referred; no satisfactory result was attained by this Committee, which made no report upon the general question referred to them, but amongst other points which they considered, they appear to have given especial attention to the question of liability above referred to. The proceedings of this Committee with other established facts strongly impressed