

the Government that it had become necessary for the Assembly to deal with the question in a comprehensive manner at an early period, and although too late in the Session when the Committee had concluded its labors, for any further steps, it was obvious that some Legislation would be required in the following Session, subsequent events have entirely confirmed this view.

It appears to this Government that whatever may be the actual liability of the Colony in respect of Provincial Loans a very strong feeling exists especially in England, that at least it is the duty of the General Government to see that the money borrowed with its sanction under Acts or Ordinances assented to by the Governor is repaid with engagements, as respects interest and sinking fund, fulfilled.

I do not propose to discuss the question as to how far Creditors, having regard to the security they have accepted, can reasonably entertain expectations that the Revenues of the Colony, in no way pledged to them, should be considered liable for the engagements contracted with them, but I must admit the fact that many of them in common with a considerable portion of the Public at large do entertain such expectations, it is therefore a question, setting aside other considerations, whether the General Assembly should not, as a matter of Policy, take entirely under its own control the raising of Loans on the security of the Public Revenues and Property, and there can be no doubt that it is of importance to the credit of the Colony generally, that the credit of the Provinces should not be damaged in its money-borrowing transactions.

This Government is also ready freely to acknowledge that, having regard to the liabilities which the Southern Provinces are readily incurring for objects more particularly effecting the Northern Island, they establish a substantial claim to any assurance which can be prudently rendered by affording them the use of the credit of the Colony to raise money for great public objects, which could not otherwise be obtained, or if obtained, only at a seriously enhanced cost. The impossibility of negotiating the Provincial Loans, which have been authorised by the Provincial Legislatures of Canterbury and Otago, of course presses this portion of the subject strongly on the consideration of the General Government.

In short, this Government is clearly of opinion that it is the interest both of the Colony at large and of the Provinces, that the power to borrow money should be confined to the General Assembly, or at all events that no borrowing should be permitted without its consent, and that the credit of the Colony should be pledged for such money as the General Assembly may consent should be raised for the use of the several Provinces, so as to enable them to obtain it at a lower cost.

For the purpose of giving effect to these views the Government will be prepared to propose a Bill in the next General Assembly.

1. To guarantee on behalf of the Colony the Loans which have already been authorised by Act or Ordinance of the Provincial Legislatures, assented to by the General Government.

2. To prevent Provincial Legislatures from passing Loan Acts for the future, so that money to be raised on the Credit of the Public Revenues and property, shall only be borrowed under the sanction of an Act of the General Assembly.

This arrangement will give the several Provinces the benefit of the Colonial Credit for raising the greater part of the money already authorised by Acts heretofore passed. With regard to Canterbury, it appears from Mr. Hall's statement that the total amount actually raised by Loan in that Province to the 1st of April last is only £130,000, leaving a large sum already authorised to be raised on the credit of the Colony, if the General Assembly coincides in the views of the Government and grants the proposed guarantee.

With regard to any further sums which it may be found prudent and desirable to raise in order to carry out the Works contemplated by the Province of Canterbury, and detailed in Mr. Hall's memorandum, that will be a question for the General Assembly, but I will add on the part of this Government that, although it cannot concur in everything that Mr. Hall advances, it is ready to admit that a strong case is made out in favor of further assistance.

I have, &c.,

WILLIAM FOX.

His Honor the Superintendent,
Canterbury.

PROVINCE OF OTAGO.

No. 1.

MEMORANDUM SUBMITTED TO MINISTERS BY HIS HONOR THE SUPERINTENDENT OF OTAGO.

In accordance with the understanding arrived at during an interview with Ministers, on the 20th July, instant, the Superintendent of the Province of Otago submits for their consideration the following observations and remarks on the Loans of that Province, and on its present and prospective financial position.

The Superintendent purposes to present the subject to Ministers briefly under five heads namely:—

G