

FINANCIAL STATEMENT

BY

THE HON. THE COLONIAL TREASURER,

IN COMMITTEE OF SUPPLY, 3RD DEC., 1864.

AUCKLAND:
1864.

FINANCIAL STATEMENT.

PART I.

By the Hon. Mr. FITZHERBERT, 3rd Dec., 1864.

MR. CARLETON,—

For various reasons, which will suggest themselves to the Committee, I am deeply sensible of the very grave responsibility now imposed upon me.

The extensive and somewhat intricate character of the transactions, requiring a reference to lengthy documents and accounts, and a careful study of various acts (some of which appear to have been drawn with refined acumen) would alone have furnished sufficient grounds for diffidence on my part, even had I been possessed of those financial abilities which, it is well known, distinguish several other honorable members, on some one of whom ought properly to have devolved the difficult task which I am to-day called on to discharge.

And when the Committee take into account the brief space of time allowed me for this investigation, broken as that has necessarily been by the various interruptions incident to accession to office during a Session of the Legislature, I trust, Sir, that I may claim at their hands a more than ordinary share of consideration. Repetition, which may be regarded as a defect in any usual ministerial statement of policy, becomes, I conceive, the reverse in the delivery of a financial statement; for without recourse to that process it is almost impossible to “talk arithmetic” so as to be intelligible. The practice is, no doubt, a sore trial of patience, and should my repetitions become very tedious I still crave the utmost indulgence.

The documents and returns I have laid on the table are to the latest date, and are in the hands of the printers, together with a return compiled by my honorable friend the late Colonial Treasurer, shewing the expenditure up to the 30th September last, under the “Loan Appropriation Act, 1863.” I regret there is no copy of the contract for the sale of one million of Debentures, effected by the Crown Agents to the Credit Mobilier Co., and that I am therefore unable to produce it.

In the performance of this task I shall be as brief as the nature of the subject will permit, and whilst it will be my duty to disclose the real financial condition of the Colony, I shall confine myself to a bare statement, and so far as possible abstain from unnecessary remarks.

As regards the accuracy of my figures, I will only say that I have carefully endeavoured to avoid over-statement—that will be the direction in which error, if any, may be found.

On occasions like the present it is usual to bring down what is called a *budget*, which I understand to mean, a rendering up to the House of Representatives an account of the expenditure (distinguishing authorized from unauthorized) of the past year, with a comparative statement of the estimated revenue and actual income for that year,—a statement of estimate of expenditure for the current year, and proposals of ways and means to provide for such expenditure,—and also to embrace a general review of the financial position and prospects of the Colony.

I do not propose, Sir, to bring down a complete budget on this occasion, and for these reasons. In making any statement at this early period of the Session, I am anticipating the usual and, generally speaking, convenient course pursued; which is to wait until after the exposition of the Ministerial policy shall have been discussed and finally disposed of. I have deviated from this course, as is known to the Committee, in deference to the very natural wish of the House of Representatives to be informed at the earliest moment of the financial position of the Colony. But I am not prepared on the present occasion to make proposals for ways and means, which will require further thought and calculation. These, however, I shall be prepared to submit to the consideration of the Committee (if the House should so please) on Wednesday or Thursday next.

The usual financial statement will, therefore, be made in two parts (which course will, in this instance, be found I think to have its advantages), and it will not become an equation for examination before the committee until after the proposal of Ways and Means to which I have alluded shall have been submitted through you, Sir, to the committee on Wednesday next.

I shall, however, by a tentative process, test to what extent the extraordinary supplies voted by the House of Representatives last Session have been applied in terms of appropriation, and with what nett result. My aim, in fact, will be to satisfy the anxiety of the Committee as to “how the Colony stands,” by producing, as a preliminary step to a “budget,” what may be termed “a trial balance sheet.”

I separate the consideration of the subject into two principal divisions, which it will be desirable for a clear perception of our financial position, to bear in mind throughout. I term these *ordinary* and *extraordinary*.

Before entering upon a statement of the ordinary or normal condition of our finances, I observe that in terms of Clause XXIII. of the Appropriation Act of last Session, provision is made according to present estimates for the ordinary expenditure up to the 30th June, 1865; and therefore that it is unnecessary to come down with fresh estimates (supplementary or other) until after the expiration of that date. That, in fact, the two years 1863-64 and 1864-65, may be regarded as rolled into one financial period.

I first pass under a comparative review the revenue and expenditure for the year 1863-64, which may be stated as follows:—

Revenue	£703,906
Expenditure—	
General Colonial purposes	£452,748
Within Provinces	229,622
Payable to Provinces	22,945
	£703,906

This expenditure is exclusive of supplementary expenditure, which for the year 1863-64 is £38,246. To which, however, must be added the sum of £5287 1s. 2d., being supple-

mentary expenditure on account of financial year 1862-63, for which a vote was omitted to be taken at the proper time, but which will have to be taken at the same time as the one for the supplementary expenditure for 1863-64. On the other hand there has been a saving on votes for the year 1863-64 to the amount of £5000, which, if admitted in reduction (I avoid the discussion of that point and say *if*), nearly restores the amount of supplementary expenditure (arrears, and for 1863-64) to the sum I first stated. With this explanation, I state the supplementary expenditure for 1863-64 in round numbers at £38,500. The supplementary expenditure for 1864-65 is, of course, an unascertained quantity, and cannot be stated now.

I shall, hereafter show that the sum of £21,536, payable to Provinces, has been expended on the *extraordinary* service of the Colony, and, on the assumption that the public service was sufficiently provided for in estimates for 1863-4, the figures I have adduced indicate that, in ordinary times and under ordinary circumstances, the ordinary income would, with care, suffice for the ordinary demands of the public service, without crippling the Provinces.

I finish my statement in reference to 1863-64, by comparing the estimates of income with the actual receipts. The comparison gives the following result:—

Estimates	£691,600
Receipts	707,974
Excess over Estimate	£16,374

Before proceeding to an estimate of the revenue for 1864-5, I compare the Customs revenue at the several Ports for the seven quarters last past. In doing so I propose to use round numbers, and to confine the comparison to the principal ports of the different Provinces, so that the features of the statement may be the more easily brought out, and the Committee be thereby enabled more readily to follow me. The figures are:—

	1863				1864		
	Mar. Qr.	June Qr.	Sept. Qr.	Dec. Qr.	Mar. Qr.	June Qr.	Sept. Qr.
Auckland	20,600	22,100	23,700	32,700	30,800	37,300	40,300

It will be observed that the series steadily increases, and the Customs receipts at this Port have been doubled within two years.

The receipts at New Plymouth have considerably more than doubled within the same period; the first and last figures of the series are £1,500 and £4,000 respectively.

At Wellington, Nelson, and Lyttelton (speaking within limits) the receipts may be characterised as steady with slight increase; and I need not therefore, perhaps, trouble the Committee with the exact figures. As, however, we proceed South, the case alters, and I quote the figures for the Ports of Dunedin and Invercargill:—

	1863				1864		
	Mar. Qr.	June Qr.	Sept. Qr.	Dec. Qr.	Mar. Qr.	June Qr.	Sept. Qr.
Dunedin	59,200	67,600	63,800	70,700	57,000	51,300	46,400
Invercargill	11,400	15,600	13,500	17,400	13,000	9,600	7,800

The contrast in the figures as affecting North and South are very significant, and will not require comment from me to secure the attention of the Committee.

Having laid this information before the Committee, I pass on to the estimates of ordinary revenue for the year ending 1864-5. With regard to these estimates, I can only say that I have taken the best means at my disposal to present them correctly, and I may accordingly state them as follows:—

<i>Customs</i> —Auckland	£165,000
Taranaki	14,000
Hawke's Bay	15,000
Wellington	49,000
Nelson	25,500
Marlborough	8,000
Canterbury	90,000
Otago	194,000
Southland	45,000
Chatham Islands	200
	605,700
<i>Postal</i>	43,500
<i>Judicial and other Sources</i>	53,800
	£703,000

Comparing this estimated result with the actual receipts of the last financial year, the figures are as £707,000 to £703,000, or in other words the ordinary revenue may be considered as nearly stationary.

I pass on to the second principal division of my statement, which I consider under the following denominations, viz.:—

- 1st. Liabilities incurred to 30th November last.
- 2nd. Current rate of expenditure (extraordinary) from 1st, December, 1864, to 30th June, 1865.
- 3rd. Assets.

The first debt to which I advert is that which we owe to the Imperial Government. There is in their account (as rendered) an unexplained break which leads me in the mean time to suspend from my statement the sum of £24,356 8s. 1d.

Under the arrangement proposed by the Governor, and sanctioned by the Secretary of State, in reference to a remission of the charge of £5 per head for troops, proportionate to the amount of appropriation made by the House of Representatives for Native purposes, I set off £89,800 18s. 4d. Under an arrangement for carrying on the Transport Service on the Waikato, I set off £16,000; and after making these deductions, the account may be stated on the 30th November, 1864, at £501,197 8s. 9d.

The two next items I take together; they cannot at present be stated with exactness. The first of the two items is immigration, for which authority was given to agents to the extent of £50,000,

which has since been countermanded; but to what extent that countermand will have operated, it is as yet impossible to say. I have placed it at £30,000, at which amount I have also placed the item telegraphs.

About the next item there can be no doubt. I lay before the Committee a statement of the Treasury bills as they fall due. They have been issued under authority of the Loan Act of 1862, and amount to £100,000.

I bracket the next four items together, as they have a character in common, and stating them as—

Revenues due to Provinces	£22,945	0	0
Deposit Accounts of various descriptions (including £6,000 Intestate Estates account)	19,491	13	11
Taranaki Land Purchase Fund	32,000	0	0
Wellington do.	1,600	0	0

they make a total of 76,036 13 11, and are all funds of a character that should be considered in the light of trust funds (some in a greater degree and some in a less, I admit), but which have been used to assist in carrying on the extraordinary expenditure of the Colony. The Committee will not need that I should do more than point to this as one among other indications of our real financial condition.

On the next item (sinking fund, £5,000), I may state that although provision has been made for the interest on the one million of debentures issued, as will be seen by a reference to the statement of account (which I have laid on the table) as furnished by the Crown Agent, yet that no provision has been made for payment of the sinking fund, for which provision must, however, be made, and which, computed to the 30th June, 1865, will amount to £5,000.

And the occasion of referring to this instalment, the first step in the process of repayment, affords a fit opportunity for adverting to the loss sustained by the Colony by the fact of the Bonds having been disposed of so much below par. For although the Colony only receives, say £810,000, yet it will have to repay £1,000,000, and will have to provide a sinking fund accordingly. I regret that I cannot, at the moment, amidst the numerous papers before me, lay my hand on the calculation I had made; but the amount of loss would surprise any one who had not regarded the transaction in that light.

The next item is one of great importance and magnitude. It represents the extent to which the Treasury account stood overdrawn with the Bank of New Zealand on the 26th November, and amounts to £412,286 9s. 2d., plus an amount of interest on overdrawn account due, but not yet brought to charge, of £6,049 10s. 2d., making a total of indebtedness on the part of the Government to that corporation at that date of £418,335 19s. 4d.

And when the Committee is informed that it was only on that date that the account was reduced to its present dimensions by a sum of £400,000 being passed to credit (part proceeds of one million debentures) paid over in London, and that those overdrafts were made against drafts in London at 60 days, drawn by members of the Government, and placed in the hands of the Bank Directors to the extent of £823,000. The Committee will perceive that the style of the Treasury business has been for a long time one of *anticipation and discount*. And here I observe that, in my opinion, it is to be regretted that the "Loan Act 1863" did not contain an extensive power to issue Treasury Bills.

The next item is Taranaki Relief Fund, £150,000. This was originally £200,000, but I understand two payments have been made on account, which have reduced the amount to that at which I have stated it. It is a debt that the Committee, I am sure, will consider must be provided for.

The three following items,

Light-houses (Otago)	£6,000	0	0
(Wellington)	10,000	0	0
Telegraphs (Otago)	7,000	0	0
	£23,000	0	0

represent sums which have been advanced by those Provinces for the services indicated, and will not, I conceive, be disputed.

To those items (I have quite recently been informed) is to be added under the head "postal" £13,000, for which a vote was taken last Session, but which amount has not been remitted to England. This is altogether exclusive of the first item of £500,000 (Imperial Debt). I recapitulate:—

Liabilities Incurred.

Imperial Debt to 30th November, 1864	£501,197	8	9
Immigration and Telegraphs	60,000	0	0
Treasury Bills	100,000	0	0
Revenues due to Provinces	£22,945	0	0
Deposits	19,491	13	11
Taranaki Land Fund	32,000	0	0
Wellington Land Fund	1,600	0	0
	76,036	13	11
Sinking Fund	5,000	0	0
Bank of New Zealand—overdrawn account and Interest	418,335	19	4
Taranaki Relief Fund	150,000	0	0
Light-houses—Otago £6,000, Wellington £10,000	16,000	0	0
Telegraph—Otago	7,000	0	0
	23,000	0	0
Postal	13,000	0	0
	£1,346,570	2	0

I proceed to the second denomination, which I state as follows:—

Current Rate of Expenditure (extraordinary).

Estimated.	Expenditure from 1st December, 1864, to 30th June, 1865		
	(£42,443 $\frac{1}{2}$ month)		
	Contingencies for the same period (£2,000 $\frac{1}{2}$ month)	14,000	0 0
	Location of Settlers	90,000	0 0
		£401,102	0 0

And observe that the first item is for maintaining four regiments, commonly known in the Colony as Waikato Regiments, and one Taranaki do., and that the amount for Location of Settlers is computed according to the rate prescribed in clauses 2 and 3 of the "Loan Appropriation Act"—£30,000 having been set down for liability incurred for bringing in immigrants (and the estimate is only moderately stated), £90,000 will be the sum that must be estimated for location. I observe generally (with the exception of the "Sandfly" and "Prince Alfred," which may probably be dispensed with), that from the best inquiries I have been able to make, I conclude that the statement of current rate of expenditure is under-stated rather than otherwise.

I next proceed to the consideration of the Assets:—

I take the Balance at the various Sub-Treasuries . . .	£20,000	0	0
A Refund from Provinces . . .	1,409	0	0
Refund from Southland, to recover which the Land Fund has been impounded . . .	21,222	0	0
I now pass to an amount which consists of "balance of debentures realized" (an examination of the statement of account furnished by the Crown Assets will explain).			
I make up the account in this way, viz.:—			
Balance in hands of Crown Agents . . .	£19,285	1	2
Instalments payable by credit Mobilier Co.:			
In November, 1864 . . .	120,000	0	0
In July, 1865 . . .	170,000	0	0

Making a total balance available from debentures realized of 309,285 1 2

And a grand total of assets . . . £351,916 1 8

Let us now see if the Colony possesses any other assets. The balance of the loan of 1856 (£500,000) has been exhausted; the same is the case for that of 1861 (£150,000): the Loan Act of 1862 (500,000) is absorbed in the subsequent Act of 1863 (£3,000,000), and I know of no other assets excepting two millions of bonds, being *balance of bonds* issuable under this Act. I say *balance of bonds* advisedly, because, although when it became my duty to examine this account I perceived that legal power was taken to issue (n) millions of bonds to raise £3,000,000 sterling, yet, speaking as a Member of the House of Representatives, I for one (and I think I express the general opinion), certainly never contemplated burthening the Colony with a larger amount to be repaid than £3,000,000 sterling.

Assuming therefore that position, and in fulfilment of the task I have officially to discharge—viz., to render up an account of how far the ordinary and extraordinary votes of the House of Representatives last year have been observed and carried out or exceeded, and to estimate how far what remains of the supplies thus granted will be sufficient to carry out the services for which special appropriations have been made by Act, but which for the present have not been carried out. I proceed, by way of *testing* our financial position, to convert our remaining bonds into sterling money. I say by way of *testing*, because I hope, Sir, it will not be supposed for one moment that that is an operation which I advise to be put in practice—far from it.

For this purpose I put down the Two Millions Debentures (balance of Loan) as estimated to realise £1,620,000 8s., (and this must be admitted to be a sanguine estimate.)

I now summarize:—

Assets . . .	(£351,916 1 8 plus £1,620,000) ==	£1,971,916 1 8
Liabilities incurred . . .	£1,346,570 2 0	
Current expenditure extraordinary to 30th June, 1865 . . .	401,102 0 0	
		1,747,672 2 0

Thus leaving the sum of . . . £224,243 19 8

wherewith to carry out the intentions of the Legislature in terms of the "Loan Appropriation Act" of last Session—a sum totally inadequate to carry out the appropriations under the "Loan Appropriation Act, 1863." And here arises a very curious question: Appropriations under a permanent Act were made for different Provinces; the actual expenditure has been partial and not proportionate; and the proportion cannot be restored by the regulation of future expenditure, because the funds are exhausted or nearly so. In order to judge how far this sum will fall short of enabling those appropriations to be regarded, a reference will have to be made to the "Loan Appropriation Act." That Act is a study of itself; and I recommend its figures and phraseology to the attention of hon. Members.

I have now nearly completed my task, and have to express my thanks to the Committee for the great patience with which they have continued to listen to me throughout.

But some Hon. Members may say, "*This statement is all very well; but I want an answer to the question, How much have we spent?*" Now although I think (and I say it with all submission) that there is frequently an erroneous meaning attached to the word "spent" when you come to the analysis of accounts, yet I will readily satisfy Hon. Members on this point by referring them to the elaborate statement prepared by my hon. friend the late Colonial Treasurer, which I have before referred to. By that return it appears that, up to the 30th September 1864, there was expended under Loan Act 1863

To that sum has to be added for October and November say . . . £1,085,038 5 3
and that process is now going on at the reduced expenditure of say £15,000 per month, instead of £75,000.

And as I have referred to that return, I cannot refrain from noticing what may have been merely a clerical error, but may also have been intended as a grim jest. Lucky Maoris! Fortunate Treasurer! I congratulate my Hon. friend on his powers. The difficulties that have baffled Statesmen and Generals are solved by him in a moment, as he closes his ledger and proclaims the "Total Suppression of the Rebellion" at the trifling cost of £747,000 sterling.

PART II.

By the Hon. Mr. FITZHERBERT, 7th December, 1864 (in continuation of Part I. of 3rd December, 1864).

MR CARLETON,—

The excitement into which the House has been thrown by the proposal to suspend the Standing Orders, so as to enable certain money bills to be introduced, and one of them to be passed through all its stages this evening, is a poor preparation for that calm discussion of financial questions which is absolutely necessary for their due consideration. I cannot, however, blame myself for this result. When it is a question of raising the Tariff secrecy must be observed, and surprise follows secrecy. I was prepared, therefore, for some expression of alarm, but I did hope that this would subside so soon as explanations were given. I can only say, that my desire has simply been, to submit to the Committee the financial propositions of the Government *as a whole*.

Now, however, that the obstacles interposed by the rules of the House have been removed, I shall pay regard to the very brief limits of time necessarily allowed for the consideration by this Committee, and the transmission to honourable Members sitting in another place, of any Bill that may be agreed on, and shall compress my statement into the narrowest space that the magnitude of the proposals will permit. And if, Sir, the bare enumeration of our liabilities on a former occasion was declared to be tedious, I promise the Committee that the statement of the remedies proposed shall be concise. But, assuming the conclusions of my former statement as data, it must be evident that any remedies for such a state of the finances as is therein disclosed must be vigorous if they are to be effective.

The scheme then I have to propose, for enabling the Colony to extricate itself from its financial difficulties and maintain its credit, is contained in the following proposals, viz. :—

I. To raise One Million sterling by Treasury Bills at short date and an increased rate of interest.

II. To raise the rate of interest to 6 per cent. on the unsold bonds of the permanent loan of Three Millions.

III. To increase the taxation of the country by raising the Tariff.

These, Sir, are undoubtedly large proposals. Either one of them singly would be insufficient,—they are submitted as a whole; and I am prepared to show that they are not larger than the exigencies of the Colony demand. I am aware that any proposition to raise the Tariff is sure to be unpopular, but it ought not to have been altogether unexpected; for it required no prophet to foretell that it could not be long before we should be driven out of the fool's paradise that consists in the belief that war can be regarded as a profitable venture; and that sooner or later we should be condemned to go forth and provide for its demands with the sweat of our brow, and acknowledge the wisdom of the decree that taxation follows in the train of war. Whilst, however, in obedience to an imperious necessity, and in the endeavour to remedy financial embarrassments which it had no part in bringing about, the Government is prepared to incur some amount of popular displeasure, yet it is not prepared to undertake the heavy responsibility implied in its financial scheme unless it receives the hearty support of the Committee.

I proceed to consider the proposals of the scheme separately and in detail :—

I. In reference to the Bill authorising the raising One Million sterling by Treasury Bills, I explain that the Bill circulated a day or two ago was a mere draft, and was distributed in error, and that the features of the Bill now submitted are these, viz. :—

(1) The Treasury Bills therein authorised to be raised are in anticipation of the “Loan Act, 1863.”

(2) The period they may run is limited to three years.

(3) The maximum of interest is fixed at 8 per cent.

(4) They cannot be sold below par.

It is calculated that, with such stipulations as these, the Treasury Bills authorised to be issued under the Act will be readily sought for by the general public, in case the banks should decline to take them.

Granted, then, that One Million can be raised by these means, the next question is, “Do we require such an amount?”

Referring to my former statement, and omitting liabilities the settlement of which may be deferred for the present, I state the amount that ought to be provided between the present date and the 30th June, 1865 (independent of the ordinary charges of Government), in round numbers, at

£1,200,000	0	0
To meet which there is receivable by the Crown Agents	300,000	0 0

Leaving a deficit of

	£900,000	0 0
--	----------	-----

for which provision has to be made.

I think I have answered the question, and shewn that in asking for authority to raise one million not more than a sufficient margin has been left.

Before, however, dismissing the consideration of the extent to which it is desirable to make immediate provision to meet our liabilities, I embrace this opportunity to make a statement respecting the relations between the Government and the Bank of New Zealand. I carefully guard myself against the inference that the Government admits the propriety of the stipulations of the 27th September. It, however, freely admits that the Bank of New Zealand has made considerable sacrifices to assist the Government; and feels it, therefore, to be its duty to conduct its business through the agency of that Corporation, provided that can be done on fair and equitable terms.

II. The Bill for raising the interest on the debentures authorised to be raised, but not yet issued under the “Loan Act, 1863,” provides—

1. That the interest be raised to a maximum of 6 per cent.

2. That the debentures shall not be sold below par.

The objects sought to be attained on behalf of the Colony are these, viz.:—
To avoid the heavy loss arising from the sale of debentures at rates so much below par as those lately submitted to; the loss being occasioned by the Colony having to refund, by way of sinking fund, monies that it has never received:
To be placed in a position to release the debentures of the three million loan that have been deposited as collateral security:
To be enabled to withdraw, for the present, the remainder of these debentures from the market:
To have it in its power to wait for a favourable turn in the money market, and then to dispose of so many of the 6 per cent. Debentures as shall suffice to take up the Treasury Bills authorised to be raised at 8 per cent.

I submit, Sir, that these anticipations are not unreasonable, and proceed to the consideration of the third proposal of the scheme:

III. The Committee will not probably desire me to go into the history of our tariff, beyond barely observing that the Act of 1856 was the first on the subject after representative institutions were granted to the Colony: that the rates fixed by that Act were slightly increased by the Act of 1858: that since that date there have been no alterations.

A question has arisen as to whether it was necessary to reserve this Act, but inasmuch as the words “discharging and varying” in Sec. III. of the “New Zealand Loan Guarantee Act” can only be taken in the sense of “diminishing,” and as the present Bill is a proposal entirely in the direction of increase, there exists no necessity, in the opinion of the Attorney-General, for its reservation for the assent of Her Majesty.

I go on to observe that the bill proposed is entirely on the framework of the existing Act, with the exception of an alteration in the classification of wine, whereby a differential duty is imposed on wine in wood and bottle; an improvement, I submit, whereby the consumers of fine wines and *vins monusseux* will be brought under a heavier proportionate contribution to the revenue—a burthen which such a class may fairly be assumed capable of bearing. This, however, should not be taken to imply any undue admiration of the present tariff, or, on the other hand, any attempt to revise it. The present measure is to be regarded simply as an addition to the duties, *not as a revision of the tariff*. To prepare any such measure would have required considerable time and the most careful attention; so much so indeed that previous Governments have shrunk from the task, although they have been frequently pressed to undertake it. It will, therefore, be readily conceded by the Committee that it would have been *simply impossible* for the present Government during its brief period of office to have produced any such measure. Whilst therefore the proposed tariff is only to be regarded as a *proposal for increased taxation in terms of the existing Act*, and in obedience to imperious necessity; yet I think that the comparison which I am about to submit to the Committee of the existing tariff of New Zealand with those of the several Australian Colonies and with the new tariff, as proposed, will show that our proposals cannot be regarded as calculated to violate either of the two fundamental conditions which ought always to regulate and control any increase of Customs duties—that they will in fact neither diminish consumption nor increase smuggling. For if I show (as I am prepared to do) that, taken as a whole, they are not in excess of the duties in other Colonies, I think I shall have gone a great way to establish my proposition. And when I add that three-fourths of the increase will be raised on articles of luxury—viz., spirits, cigars, snuff, tobacco, wines, and beer (measurement duties being indiscriminately raised on articles of necessity and luxury), and that no additional duty has been levied on sugar, for these two considerations, viz., because the duty is already high, and because all kinds of qualities being taxed alike by the present tariff any increase would press most heavily on those who could least afford to pay, I think the Committee will be disposed to regard the proposals with more favor than they otherwise might.

And when I further state that the addition of a farthing per pound on sugar would have yielded £15,600 to the revenue, and that we refrained from proposing this addition, much as we needed it, not because we doubted our power to carry it through the Committee, but solely because we were unwilling to add to the burthens of those who have large families and small means, on whom such an addition would have chiefly pressed, I hope, Sir, I shall be excused if I repel with some warmth the taunts of the Hon. Member from Otago (Mr Vogel), who on this occasion—and positively for one night only—has appeared in the somewhat hackneyed character of the poor man's friend.

Taking then the quantities for the four quarters ending 30th June 1863, 30th September 1863, 31st December 1863, and 31st March 1864, as a basis of calculation, I estimate that the proposed increase will yield the following results, viz.:—

Articles.	Present Rate.	Proposed Increase.	Will Yield.
			£ s. d.
Spirits	9s. \mathcal{P} gallon	3s. \mathcal{P} gallon	85,740 0 0
Cigars and Snuff	3s. \mathcal{P} lb.	1s. 6d. \mathcal{P} lb.	5,000 0 0
Tobacco	1s. 6d. \mathcal{P} lb.	1s.	31,964 0 0
Wine	3s. \mathcal{P} gallon	1s. \mathcal{P} gallon, in wood 2s. in bottle } 3d. in wood 6d. in bottle }	10,648 0 0
Ale.	6d. in wood 1s. in bottle	3d. in wood 6d. in bottle	8,160 0 0 12,618 0 0
Tea	4d. \mathcal{P} lb.	2d. \mathcal{P} lb.	13,561 0 0
Goods by Measurement	4s. \mathcal{P} cubic foot	1s. per cubic foot	27,585 0 0
Goods by Weight	3s. per cwt.	1s. per cwt.	2,940 0 0
Total Increase			£198,216 0 0

If we distribute this increase in accordance with present arrangements, which we propose to do, we shall obtain—

For general Colonial purposes, five-eighths, £123,885.
For Provincial purposes, three-eighths, £74,331.

Before reviewing the tariffs of the Australian Colonies, I may observe that the only other articles included in our tariff, besides those enumerated above, are sugar, coffee and cocoa, firearms and

gunpowder. I have already given the reasons for not raising the duty on sugar. With regard to coffee and cocoa, the duty is already high; and with reference to firearms and gunpowder, the considerations against an increase were, first, that under the present circumstances of the Colony, the sale is almost prohibited, and therefore no increase of revenue could be anticipated from an increase of duty; and second, that even if an increase could have been anticipated, yet that it would have been imprudent to have offered the smallest additional temptation to introduce these articles into the Colony clandestinely.

I now pass on to a comparison of our proposed tariff with those of the several Australian Colonies from which it will appear that whilst the tariff of Victoria is the lightest, and that of Tasmania the heaviest, yet that the proposed New Zealand tariff cannot be regarded from an inter-colonial view as excessive.

	Proposed New Zealand Rates.	Victoria.	N. S. Wales.	South Australia.	Tasmania.
Spirits	12s. Ƴ gallon	10s. Ƴ gal.	10s. Ƴ gal.	10s. Ƴ gal.	12s. Ƴ gal.
Cigars and Snuff...	4s. 6d. Ƴ lb.	3s. Ƴ lb.	5s. Ƴ lb.	4s. Ƴ lb.	4s. per lb.
Tobacco	2s. 6d. Ƴ lb.	2s. Ƴ lb.	manuf'd 2s. 6d. unmanf'd 1s. 3d.	1s. 6d. Ƴ lb.	2s. 6d. per lb.
Wine	4s. Ƴ gal. in wood 5s. „ in bottle	2s. Ƴ gal.	3s. Ƴ gal. in wood 5s. „ in bottle	2s. Ƴ gal. in wood 3s. „ in bottle	2s. Ƴ gal. in wood 4s. „ in bottle
Ale	9d. „ in wood 1s. 6d. „ in bottle	6d. Ƴ gal.	6d. Ƴ gallon	6d. „ in wood 1s. Ƴ doz. in bottle	6d. „ in wood 2s. Ƴ doz. in bottle
Tea	6d. Ƴ lb.	6d. Ƴ lb.	3d. Ƴ lb.	3d. Ƴ lb.	6d. per lb.

It is probable that many objections will be raised against an increase of the tariff, even by those who are prepared to admit the necessity of increased taxation; and there are no doubt many plausible substitutes, (I will not say nostrums, for I do not wish to speak disrespectfully of them,) such as the establishment of Post Office, Savings' Banks, stamps on Bankers' cheques and receipts, and other modes of direct taxation which might have been proposed in lieu of an increase of the Customs duties. But without entering upon the question whether the time may or may not be at hand when proposals of this kind will have to be considered, my simple reply is, "all these schemes require time to mature; our case is urgent."

Whilst I so strongly insist on the necessity of this additional taxation by raising the tariff, I also anticipate that a considerable increase to the Customs revenue may be secured by establishing an efficient inspectorship of Customs, which I believe to be very much needed. I carefully guard myself, however, from being supposed to rely on these measures, as sufficient of themselves to restore our finances. I say plainly, that, unless there be retrenchment of that extraordinary war expenditure which is now becoming chronic in this province, to the extent of nearly £50,000 a month, I do not pretend to promise that the remedies I have proposed this evening will be effectual. But if the men of the Waikato regiments be promptly located on their land; if land be provided for the immediate location of those numerous immigrants who are in course of being landed at Auckland, so as to shorten the period during which they are maintained by the Colony; and if sales be made to a moderate amount of conquered land, to assist in recouping to the Colony a portion of the heavy expenditure it has incurred,—then, Sir, I have no hesitation in saying that the proposals I have made will be eventually sufficient.

Before closing my subject, I briefly review the bearings of the entire transaction:—

Interest on One Million, already raised (viz., on £818,000), at 6 per cent.	£49,000 a year.
Sinking Fund on One Million, at 1 per cent.	10,000 „
Interest on One Million Treasury Bills, at 8 per cent.	80,000 „
	£139,000 „

For which amount annual provision has to be made.

To meet this, it is proposed to raise the annual income by the sum of £123,885. It is also proposed to give an additional £74,331 a year to the Provinces, which means, in other terms, an increase to their borrowing power of one million.

But the plan means much more, if the Provinces will only read it aright—as I hope they will; for, in my opinion, any scheme of Finance for New Zealand that does not embrace the Provinces, is an imperfect one. It means the avoidance of any temptation to interfere either with territorial revenue, or the Customs; and I am sure I shall not be misinterpreted to have used a threat, when I say, that the public creditor of the Colony must be satisfied *coute qui coute*.

