

that time, not only ordinary, but territorial revenue. The subsequent financial arrangements, however, of 1856, created an entirely new distribution, by which all the territorial revenue was devoted exclusively to the use of the Provinces.

Now, I submit, that when once the entire territorial revenue had been so alienated, the Customs Revenue should have been thereupon, not only declared to be Colonial Revenue, but also practically treated as such, and that, after providing for the general and provincial services, the balance (if any arose either from savings on votes or excess of Revenue over Expenditure) should have been carried to next year's Revenue Account and made subject to appropriation. There would then have existed a safe criterion for the guidance of the House of Representatives, either as to an increase or a diminution of the appropriations to the Provinces. In years of prosperity and peace, and as such affording fair encouragement to an extension of public works, more liberal votes could be given; whereas in years of insurrection and unforeseen emergencies, requiring a somewhat more stringent regulation of those votes, the services of the colony might be provided for, without having recourse either to borrowing or an increase of the burdens of the people by additional taxation.

Under the existing arrangements however, as regulated by the Surplus Revenue Act, 1858, the practice is the very reverse of this. It is true that by the Ordinary Revenue Act, 1858, Customs and certain other Revenue is declared to be Colonial Revenue, theoretically; but by the Surplus Revenue Act of the same year all such Revenue is practically converted into Provincial Revenue; and to carry out this curious notion, a partnership system of accounts has been created; which is not only complicated, but causes great delay in bringing up and publishing the accounts of the Colony.

The consequence of all this has been to add to the embarrassments of the General Government; nor could it well have been otherwise, when we consider that, notwithstanding the Government of the Colony may be left with a yearly debt, it has been annually called upon to hand over to the Provinces a considerable surplus. It is a most charming arrangement, by which the senior partner pays over to his juniors a large amount of dividends at the end of each year (just as if large profits had accrued), to be appropriated by them individually as they may think fit; whilst the bills of the firm lie overdue, the joint credit suffers and provision for the liabilities of the past year has to be made out of the next year's income; or worse still, by going on the market to borrow.

It will not, I imagine, be denied that, as a general rule, the year's ordinary expenditure ought to be covered by the year's ordinary Revenue, so far as it extends. But under the existing system there has been a chronic disregard of this rule. I admit that, to some extent, the infraction of this rule may be attributed to imperfect and insufficient estimates; but estimates, however carefully prepared, will always require some margin. Whereas the vice of the present system is, that this margin (whether small or large) is not permitted to be taken out of the year's Revenue, but has to be carried forward, whilst the sum (by a misnomer styled *Surplus*) which ought to be devoted to defraying charges already incurred, is paid away to the Provinces and expended by them, not only in keeping up services which would otherwise have to be maintained at the charge of the Colony, but also in works of public utility.

The Returns I hold in my hand demonstrate the fact that the Colony provides funds for the various Provinces out of the Customs Revenue, sufficient to enable them not only to provide for the necessary services of the Government, but, over and above that, for sundry public works and undertakings within their respective territories: whilst it at the same time fails to provide funds out of the Customs Revenue of the year to pay all the Colonial services of that year. I am referring to Return No. V, in which the ultimate direction of the expenditure of the Surplus Revenue is traced. It is made up for a period of three years, viz., from 1861 to 1864, and embraces the six principal Provinces. The Return has been arrived at by dissecting the Provincial accounts as published; and the rules which governed its preparation are exemplified in Return No. VA., which exhibits a particular case or instance. From this Return it appears that during those three years the sum of £859,677 was paid over to the Provinces there enumerated as Surplus Revenue; and that out of that sum there remained to them, after providing for all necessary establishments (including costs of Provincial Executive), the amount of £326,904 (or nearly one-half the total they had received); which was available to them for expenditure on local public works and undertakings.

Now, the present Government is very far from underrating the importance of these Provincial public works; but they simply cannot be afforded in any country, where the pressure of such expenditure destroys the equilibrium between income and expenditure; excepting always that they are provided for out of Territorial Revenue, or by having recourse to special taxation. And when it is remembered that the Provinces not only possess and exercise this latter power, but also enjoy the entire Territorial Revenue, it cannot be said that they are crippled in the prosecution of the great work confided to them.

And with regard to the extent of the funds derivable from the Territorial Revenue, it may perhaps be as well just to glance at the case. I will take the instance of Otago, because I have an opinion in reference to it which is recent and entitled to weight. I quote from a speech delivered by Mr. Dick on 25th July, last, where he says, "The Province had debts amounting to some £600,000; but there were also fourteen million acres of land which, even if sold at 5s. an acre, would yield above three millions sterling, or enough to pay the debts nearly six times over.