

on Mr. McKenzie receiving a promise of reimbursement by the Government.

On Monday I laid the matter before the Executive Council, who approved of the course pursued. Copies of the statements made on that occasion by myself and the Provincial Solicitor are enclosed, and I beg to refer to them for further details.

The promise made to Mr. McKenzie can now only be fulfilled by urging upon your consideration the necessity of assisting the Provincial Government to discharge this claim, and I earnestly pray you to give your most serious and immediate attention to the matter.

The only possible solution, as the matter now stands, is the discharge of this claim, amounting to nearly £11,000, by the Colonial Government, and the release of the property from the hands of the Sheriff, after which a legal Bill of Sale of all the Provincial property to the Colonial Government might be effected, and a repitition by other creditors of this process avoided, until the final decision of the Ministry as to the affairs of this province.

In urging the adoption of this course I beg to remind you that, on the occasion of the Postmaster-General's visit to this place, he paid to Messrs. M'Kenzie and Co. the sum of £5000, without however making any terms with them to ensure their forbearance in pressing the remainder of their claim. At that time, and by means of that sum, the Provincial Government might easily have arranged with Messrs. M'Kenzie and Co. to let the balance of their claim stand over for twelve months, but had no opportunity of doing so.

Again, I beg to call your attention to the very grave consequences that will arise, not only to the credit of the Province but even of the Colony, should such action on the part of the public creditors be permitted to continue. It is easy to see that the advertisement which would have appeared on the eve of the dispatch of the English mail was precisely a document to attract the attention of the English newspapers, and would no doubt have been copied into them as a curiosity, and have formed the subject of many leading articles on New Zealand Debentures generally, and the resources of a Government, one of the Provinces of which seemed to be in such a helpless condition. You are undoubtedly aware that whatever may be the liability of the Colonial Government for the debts of the Provinces, financiers in a case like the present, would not minutely enquire into the matter.

There is every reason to believe that the value of Colonial Debentures is even now seriously affected by the well known embarrassments of this Province. On one other ground I beg to submit that we have some claim to your favorable consideration and assistance in this difficulty. Our Land Revenue has for some months past been nil in consequence of the late Ministry having without reference to the Provincial Council, changed the selling price of land from one pound to two pounds per acre, without at the same time adding the only provision which would have made the land saleable at all, viz., free selection over the entire area of the Province, of which only a small part is at present open to purchasers. We have thus been deprived for the time, and by no act of our own, of a large portion of our resources. Mr. M'Kenzie states that he is willing to take Colonial Debentures in payment at the selling price of the day, and that although prior to these legal steps being taken he had withdrawn an offer of this sort made to Major Richardson, he is still willing to accept that mode of settlement. I attach considerable importance to this, as I cannot but feel that after the assistance the Province has already had from the Colonial Government, and knowing the very heavy demands made daily upon the Colonial Treasury, it would be almost too much to expect that so large a sum of ready money would be advanced.

I will also remind you that a project for the completion of the Bluff and Invercargill Railway, with which you are already acquainted by a letter I had the honor to write to you a few days ago, and which promises to be of incalculable value to the future position of this Province, will, in the event of no settlement being made with Messrs. M'Kenzie and Co., fall entirely to the ground.

The delay agreed upon for settlement of this unpleasant affair will hardly permit further correspondence; I have, therefore, earnestly to request your prompt consideration of our position, and to express my hope that you will see it right to adopt the only course, as it appears to me, that will relieve this Province from the heavy loss impending over it, and enable the Provincial Government to place its property by a legal Bill of Sale under your protection, until a final settlement of its affairs can be arranged.

I have, &c.,

JOHN R. CUTHBERTSON,  
Deputy-Superintendent.

P.S.—I have sent a copy of this to Major Richardson, at Dunedin.

J. R. C.

The Honorable the Colonial Secretary,  
Auckland.

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No. 36.

MEMORANDUM ON CORRESPONDENCE.

1st. Mr. Cuthbertson's remarks about the payment to Mr. M'Kenzie of £5000 by me are unjustifiable. The demand for that portion of the £15,000 was clear and its payment urgently demanded, and I believe it stayed further proceedings until the case came under the review of the