

This leaves, deducting the £50,000, £78,000, keeping within the limits of the agreement with the Bank of New Zealand, to draw this year—that is, the year ending 8th August, 1865. So at least I understand the terms of the agreement, which has been printed among the Council papers. I will now give a rough estimate of what additional sums will be immediately wanted:—Railway, £25,000; City, £4,500; Waterworks, £25,000; Native Land purchase, £10,000; Panmure Bridge, £13,000; Lunatic Asylum, £15,000; Immigration, £10,000; Manukau Harbor, £2000—amounting in all to £104,500, and apparently only £78,000 to pay it with. But we can trench upon the £100,000 loan for next year's service at the rate of £20,000 a month, up to £50,000 or thereabouts; for it must not be forgotten that out of the next year's allowance from the loan we have to pay £25,000 for the Government House and grounds, and another £25,000 for the site of the Court House. Whatever might be the advantages of that large purchase in other respects, there can be no doubt that it will be productive of some financial embarrassment. Such are the Ways and Means for 1865,—I am sorry to say not nearly sufficient for our requirements. The pinching and paring required to bring down the outgoings to the level of the income will scarcely be credited. It is painful to know how much is wanted without the means of making provision. Works of the highest importance have been left untouched. The light at the entrance of Auckland Harbor is foregone; so also the beacon on the Flat Rock. The Great South Road is in many places becoming impassable, the very stones upon it invoking Government help, while the bridges built by the General Government and the military are falling in. The Great North Road is still a myth, notwithstanding the sums supposed to have been lavished upon it; yet access has to be forced to the new settlements at Kaipara, which are already getting into trouble, and to whom the Government, I think, are pledged in honor. A network of cross roads is required in common justice to the forty-acre settlers. The sum I have set down for road repairs is stated to be utterly insufficient. I shall have to come down to the Council and ask for more, if I only knew whence to take it. Large additions to the Hospital are wanted; an almshouse, I am sorry to say, and an increase to the sum voted for the relief of the sick and destitute. The Manukau has still to be properly buoyed off, and the Pilot establishment doubled, under penalty of the exclusion of the Queen's ships from its waters. The Government, of course, would desire to bring in a bill for giving everything to everybody; but it is idle—worse than idle, it is wicked—to make promises that cannot be performed. The plain fact is, that the wants of the Province are increasing faster than its means. Of late years a great mistake has been committed. The Government has been importing a helpless population much too fast—a population which has not the means of opening up the districts in which they are located, and whose whole reliance is on the action of the Government. We have absolutely repelled capital by subdivision of allotments. It needs stronger backs to bear the burden of taxation; yet it is to direct taxation that we shall shortly have to come. It might have been avoided for ever by setting apart, in the early days of the Colony, valuable Government reserves on an extensive scale, and leasing them, carrying the rent to the ordinary revenue. I have always thought that a young colony might permanently free itself from taxation by that means. It was not thought of in the early days of this Colony; but when I was in office under Dr. Campbell, in 1856, we did set apart a number of valuable pieces of land with this intention, making for the Province endowments such as the city and harbor have now. But Dr. Campbell had to leave rather more suddenly than was expected, no measures were taken to secure these endowments, and his successors thought proper to turn the lands into ready cash. (Mr. King: Were they for a specific purpose?) They were not made reserves by enactment in consequence of our going out of office; but the specific purpose was the prevention of this very taxation. The lands were set apart, and their successors should have kept them apart. That scheme was defunct—it was no longer worth talking of. A beginning of taxation has however been made by the Highways Act, which has introduced the thin end of the wedge. It makes provision for voluntary rating. It is working well over a limited area, and will presently have to be made compulsory over the whole Province, but not until all districts alike are able to bear it. City rates, to a small extent, are being levied, and I hope to see a similar system extended to every town in the Province, without exception. But that is only a trifle, merely tentative—something to take off the chill of the first plunge,—to overcome by degrees the first impatience of direct taxation; for it will be no easy matter to persuade people to submit to so disagreeable a novelty. It is easy to talk about, but who is to bell the cat? Moreover, the General Government might be beforehand with the Province—(“Hear, hear,” and laughter)—for a Property Tax has already been talked of. There is reason to expect that it will be introduced in the next Session, and I should advise the Province to forestall the General Government, and agree to one on their own account. (Mr. Wynn: Would that save us from the General Government taxation?) It would be a difficulty in their way at all events.

Sir, when I rose, I did not profess to make a general statement, but I was called upon by the Council to do so. I have spoken rather more at length than I intended, but my desire has been, not to supersede the statement made by my predecessor, but only to supply additional information. I hope the Council will look upon any shortcomings in this statement with indulgence. It must be recollected that I have been but four months in office, and the daily work in the Superintendent's Office is so severe that I can hardly keep pace with the routine business, much less spare any time for making myself acquainted with the past. I have done my best to inform the Council, and trust that allowance will be made for the disadvantage at which I have been placed.

### Enclosure 3 to No. 39.

#### MEMORANDUM by Mr. Lusk respecting the Auckland Loan Act.

By the agreement with the Bank of New Zealand, no more than about £100,000 can be called for in one year. Of this amount for the present year £45,000 has already been received and expended, and the balance will scarcely meet the obligations incurred on account of it.

Of the £100,000 which the Province would be entitled to receive next year, £50,000 has been paid over to the Public Buildings Commissioners, leaving only £50,000 available for the railway and other public works already engaged for.