

FINANCIAL STATEMENT

BY

THE HON. THE COLONIAL TREASURER.

IN COMMITTEE OF SUPPLY, 30TH AUGUST, 1865.

WELLINGTON, NEW ZEALAND:

1865.

FINANCIAL STATEMENT.

By the Hon. Mr. FITZHERBERT, 30th August, 1865.

MR. O'RORKE,—

When I had last the honor of bringing the financial condition of the Colony under the notice of the Committee, circumstances obliged me to make two separate statements. I am glad, however, to be relieved from the necessity of adopting so inconvenient a method on the present occasion. I have been reproached with having, on those occasions, said one thing and printed another afterwards. I can, however, assure the Committee that the statement, as officially published, corresponds with the oral one, in all essential particulars; and that, repetitions omitted, it fairly represents the substance of my remarks.

At any rate, I take this opportunity of expressing a hope that those beings who minister to the pressing wants of printers (whom I would gladly call printers' angels, if usage had not prescribed for them a more appropriate appellation) will avail themselves of the arrangements I have made, to correct the report of my statement with the least possible delay; so that the publication may be contemporaneous and reliable. For without some such aid, a consecutive and intelligible report of a statement, involving numerous figures and returns, is scarcely to be expected.

These remarks will not perhaps be deemed unimportant, when it is remembered that financial statements have a circulation outside the Colony, amongst persons who have already invested or are seeking to invest in our securities, and who keenly scrutinise the annual financial proposals; and that although a Colonial Treasurer may not be a practised financier, nor his statements models of exposition; yet, that his words derive a weight from his official position, to which they may not otherwise be entitled; and therefore, that the circulation of his statements should, so far as possible, flow in the channel of authentic publication. It has probably been a defect to make statements of this kind partake too much of the character of an account, as rendered by an accountant; a practice often attended with no other result to hon. members, than an indigestion of figures.

I shall endeavour, therefore, to confine myself, so far as the nature of the subject will admit, to the consideration of leading points and proposals, leaving the details to be more fully investigated afterwards by hon. members who may wish to pursue the examination, with the aid of those returns, which I shall this evening lay on the table, and will have printed so soon as possible. I hope in this way to economise both the time and attention of the Committee, as well as suit the more limited range of my own capacity.

PAST REVENUE.

A comparison of the estimated, with the actual revenue for the last financial period (which it will be borne in mind extends over two years, viz., from 1st July, 1863, to 30th June, 1865) shows that the calculations made by my predecessor and myself have, on the whole, been closely realized, the amounts being—

Estimated Revenue	...	...	...	...	...	...	£1,493,708
Actual Revenue	...	...	...	...	...	...	1,438,367

I employ sums total; the precise figures, however, are stated in the returns which I now lay on the table (Return No. 1). But that probably which the Committee will be most desirous to learn is, how far my anticipations of revenue arising from the alterations made in the Tariff in December last, have been borne out.

It will be remembered that I estimated the annual increase at £180,000. Now I believe that I may safely say that my anticipations will be realised to the extent of at least £130,000 a-year. It will be unnecessary now to raise the question, as to whether the proposals then made were the wisest that could have been devised. I, on that occasion, carefully guarded against the inference being drawn that the proposals of Government were intended as a revision of the Tariff. They were, in fact, proposed *simpliciter* as a means of adding to the revenue; and I submit that the figures just quoted show that our anticipations have, in a great measure, been justified. I shall presently invite the attention of the Committee to the larger question of a revision of the Tariff.

UNAUTHORISED EXPENDITURE.

On comparing the ordinary expenditure during the last financial period, with the ordinary appropriations, we find that whereas the authorised expenditure amounted to £953,718; the actual expenditure only reached £810,553; thus showing an apparent saving of about £143,000 (Return No. II.) This accrued principally under the following heads, viz.:—

Civil List—Item: "Native purposes," unexpended.

FINANCIAL STATEMENT.

Permanent Charges—Item: "Interest" over estimated.

Registration—Provision made for Registrar General's Department, but Registration Act not brought into operation.

Postal—Large arrears due but not remitted.

Otago and Southland Provincial Services—Votes only partially expended, owing to reduction in services. The Estimates having been prepared in the flush of the Gold-fields.

Although, therefore, I have already shown that the estimates of revenue were sufficiently accurate; yet it must be admitted that those of expenditure were not so satisfactory for the reasons, and on the items particularized. I said there was an "apparent saving" because although this appears to be the case, when we compare the aggregate amounts of expenditure; yet a detailed comparison shows a totally different result; and we find that upon particular votes, or upon services not provided for on the Estimates, there has been an excess, which raises the unauthorised expenditure to the amount of £161,610. I may here remark, that it has been usual to apply to this class of expenditure the euphemism *Supplementary*; I have, however, employed the plainer, but truer term, *Unauthorised*. Now, it cannot be denied that this is a large expenditure to have been incurred without authority.

It appears (Return No. III.) that £36,117 belongs to the year 1863-4, and £126,157 to 1864-5: that of the former years expenditure, there belongs £22,684 to General, and £13,433 to Provincial; of the latter year's £103,023 to General, and £23,133 to Provincial service. In explanation of the sum of £103,023 it may, however, be observed that it embraces the charges incident to the removal of the seat of Government; which were covered by resolution and therefore can only technically be regarded as "unauthorised." In explanation of the Provincial amounts, I may remark, that the chief items are for Otago.

The Committee will be asked to cover this expenditure by an Appropriation. But it will be necessary first to determine on what funds it is to be made a charge. There is the option of placing it on the Loan or on current revenue: the latter would, no doubt, be the correct course. But a regard to the requirements of the Provinces (for which I may say, the present Government is anxious to make every reasonable provision) has induced us to propose to charge the General portion of the Expenditure on the Loan; and it will be remembered that there is a precedent for this course in the "Debenture Act 1860." The Provincial portion ought clearly to be charged Provincially; although hitherto, by some oversight, such does not appear to have been the practice. But it would be manifestly unfair, to make the cost of erection of a Custom House and Post Office at Otago, a charge on the Colony.

Still, however, after all the explanations that may be offered, and whatever may be the course adopted for bringing this expenditure to charge; it cannot but be regarded as very unsatisfactory, that so large an amount of unauthorised expenditure should have been incurred. And I feel bound to record my opinion, that unless some Act of the Legislature be passed, creating a control over the Government in its expenditure, serious embarrassment will be certain to arise in the future. I propose to invite the attention of the Committee specially to this, when the Bill which the Government intend to propose on the subject is brought down.

SURPLUS REVENUE.

If, however, the savings on votes each year had been carried to next year's revenue account the irregularity of having incurred unauthorised expenditure would indeed have remained; but it would have been unaccompanied by any disturbance of the finance. For in that case there would still have existed the funds on which legitimately to charge such expenditure; and it would only remain for the Committee, should it think proper, to extend over it the cover of its authority. But when we come to compare the unauthorised expenditure with the distribution of the surplus revenue, we have reached the climax of our very peculiar system of New Zealand finance.

I have before me a comparative Return (Return No. IV), showing the annual amount of unauthorised expenditure and distributable surplus (in excess of the $\frac{2}{3}$ ths Customs) extending from 1858 to 1865; which shows that whilst the unauthorised expenditure has reached the amount of £206,913 during the last seven years, the surplus (in excess of the $\frac{2}{3}$ ths Customs) distributable to the Provinces during the same period has amounted to £243,489. And when it is recollected that the House of Representatives has already directed a portion of this unauthorised expenditure to be carried to Loan Account; and that it is perhaps not too presumptuous to assume that this Committee will sanction the proposal to deal with the remainder in the same manner; it must, I think, be evident that the operation by which the Colony, out of the so-called Surplus or overflowing of its ordinary Revenue has distributed to the Provinces nearly a quarter of a million, whilst it was making other provision by loan for its own excess of expenditure during the same period is altogether anomalous and indefensible.

Now, sir, in my humble opinion, it would be mere idle folly to ignore either the usefulness or the requirements of Provincial Governments. They have to provide for services of equal importance with those of the General Government; and the Constitution Act accordingly made special provision for the maintenance of these services. But, whilst fully admitting this view, we must, in order to understand the true bearings of the case at the present day, enquire what the term "such revenue" (in the 66th section of the Constitution Act) meant. It embraced at

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.

Any merchant who could pay his debts six times over would consider himself pretty well off—(laughter)—and the Province that could do so was in a very healthy position. It was true the estate could not be realised all at once, and he would be no party to so realizing it, if such a thing was possible; but we had the land; it was a very tangible security against any debts; and it ought to be sufficient to satisfy any creditor that we could pay them all and have a large amount beyond." And as that gentleman has just received the suffrages of a majority of the electors of his Province, his authority can scarcely be questioned.

It may be said that the case of some other Provinces is not equally favorable. This may be so; but without entering upon the large question opened up by such an objection (for which there is not the time, nor is this indeed the fitting opportunity), I would simply observe that whenever any Province shall have consumed its land revenue, and, at the same time, shall decline to submit to special taxation, in aid of public works and undertakings, an answer will have to be given to the enquiry, whether such Province must not be regarded as *functus officio*.

From these premises therefore, my colleagues have arrived at the conclusion, to propose to the Legislature to repeal the "Surplus Revenue Act, 1858;" and make provision for Provincial expenditure and contributions in aid of the Provinces, by appropriations *de anno in annum*. And I am sanguine enough to indulge the hope that, when I come presently to reduce our proposals to figures, and submit them for the consideration of the Committee, it will be admitted, even by those who are most anxious for Provincial progress (and who, at the same time, shall not be unreasonable), that our provision for the Provincial services for this year will be ample, and that a plan has been devised by which a conflict of interests will be avoided for the future, and a unity of object secured in making suitable provision for both General and Provincial services.

HOW THE COLONY STOOD ON 30TH JUNE LAST.

Having brought the retrospect of our ordinary revenue and expenditure down to the end of the last financial period, I pass on to the consideration of the extraordinary supplies granted under the Loan Appropriation Act, 1863, and the expenditure thereof up to the same date.

I lay on the Table a Debenture Account (Return No. VI) which shows the number of debentures disposed of under the Loan Act, 1863, and the Debenture Act, 1864, up to the 30th June last, and the rates at which they have been disposed of. It will be remembered, that when in December last, we asked for power to issue one million of 8 per cent. debentures at short dates (varying from 1 to 3 years), we calculated our probable requirements derivable from these funds up to the 30th June at £900,000. It is a satisfaction to me to be now enabled to inform the Committee that we had disposed of £788,348 of these debentures for £791,904 sterling, up to that date; and that sales are still progressing slowly but steadily. Our calculations, therefore, have been very fairly verified, under extremely adverse circumstances.

Now the essence of our proposals at that time was to enable us to avoid forcing our permanent loan on the market, and to offer instead, securities with a short currency, and a higher rate of interest, and to give confidence to capitalists by accompanying the operation by raising our income so as to make provision for the interest, and thus command the market if possible. And, it is but fair to the committee, to observe that at the very time it was giving its sanction to these proposals, letters were on their way out from England, warning us not to attempt to take the very step, which it was at the very same time the object of the Committee here to avoid the necessity of taking. On the 26th October, 1864, we find the Crown Agents writing thus, viz:—"Under these circumstances, the Crown Agents can only repeat the advice offered in their former letters, by recommending you to abstain, as long as possible, from attempting to negotiate any further portion of the unguaranteed loan." Again on the 26th November, 1864, to the following effect, viz:—"With respect to the negotiation of any portion of the second million of the 5 per cent. loan, although the market shows signs of improvement, and the Bank rate of interest has been reduced to 7 per cent., during the present week, yet the time has not yet arrived for effecting further sales of your debentures. The great bulk of the last issue is still in the hands of those who speculated in it, and there is at present little or no demand for the debentures at any price. They were marked in the official list of the Stock Exchange on Tuesday last for the first time." Had we, therefore, been in London at the very time our proposals were being made here, we could not more accurately have appreciated the position. For on the 2nd January, 1865, the Government addressed the Crown Agents in the following terms, viz:—"Subject to these remarks the Government desires if a favorable opportunity should occur, to realise the 6 per cent securities, say to the extent of £500,000, but not to press them upon the market." Again we find corroboration of the correctness of our views in the communication of the Crown Agents dated 27th March, 1865, when they inform us, that "the short bonds are not only the more valuable of the two, but they can be hypothecated, with power to the lender in default of the punctual repayment of the sum borrowed, to sell at a rate which would pay the buyer 8 per cent." But that which will prove more satisfactory to the Committee than even these opinions (valuable as they are) is the fact that the correctness of their views has been supported by the unanswerable logic of success.

With reference to the expenditure, I may state that at 30th June last, it had reached a total of £2,397,377; of which I submit a statement of particulars (Return No. VII) and as the appro-

priations under the Act, expired on the 1st April, Government will ask the House to indemnify it for so much of that expenditure, as has been incurred between that date and 30th June. Now although when the Government took office on 25th November last, their Banker's account was overdrawn to the extent of £818,000 besides Treasury Bills held by them and just falling due, to the extent of £100,000—thus representing an aggregate liability of no less an amount than £918,000, yet I am enabled to inform the Committee that the Bank accounts might be said to have been practically restored as upon the 30th June. The statement I now lay on the table (Return No. VIII) will explain the position.

I may take this opportunity of stating frankly and unreservedly, that the relations between the Government and the Bank of New Zealand have now, for some time past, been of the most cordial character. There is no doubt that the Directors of that institution have had their own responsibilities to fulfil, and that it has devolved upon them to watch the interests of their shareholders; whilst, on the other hand, it has been the duty of the Government to guard those of the Colony, which have always been stoutly maintained. And considering, Sir, that the policy of this Government is essentially a colonial policy, it is only consistent with such a policy to have sympathies with colonial institutions, and besides it would be very unworthy of the Government if it failed to recognise and publicly acknowledge the great sacrifices which the Bank of New Zealand has made for the Colony.

I may also observe, that besides discharging several other liabilities, I have caused to be refunded out of the Treasurer's general balance, the amount due to the intestate estates fund, viz., £8,707 12s. 2d., which had been employed by former Governments on the general service of the Colony and have placed in deposit on separate account styled "Intestate Estate Fund" all sums due to those Estates and that this special fund reached the amount of £32,107 19s. 1d. on 30th June last, and I may be allowed to express a hope that this course of action will be made binding by law on future Treasurers: That I have distributed arrears to the Provinces amounting to £51,778 5s. 3d. and paid over £101,515 9s. 3d. to the claimants on the Taranaki relief fund.

I may further state that by a payment of half a million of our securities, the Imperial debt (embracing claims of long standing) has been very nearly adjusted. The precise figures are shown in the statement prepared and signed by the Auditor of Public Accounts, which I now submit (Return No. IX.) This transaction has been somewhat severely criticised as the verdant act of youthful inexperience; I can only say, on behalf of my colleagues, that whilst they have declined to admit the capitation charge, they could see no just grounds for repudiating an acknowledged liability; nor for deferring its settlement a moment beyond the time when they were in a position to make arrangements. And, I may add, that whilst they firmly rely on the Committee to support them in the course they have adopted, they do not abandon the hope that the Home Government will not forget the serious difficulties with which it has left New Zealand to struggle single handed; and that it will not be indisposed to assist it out of them, by extending the Imperial guarantee to its loan. At any rate it is a hopeful sign that the *Times* speaks of the payment of the debt with approval, in a recent article; and still more that the British House of Commons received the announcement with satisfaction.

I have to add that there remained on the 30th June £602,623 in debentures out of the three million loan available for future appropriation; a remainder which I trust the Committee may not deem altogether unsatisfactory, under all the circumstances of the case. At any rate, I can assure the Committee, that it would ere this have become a vanishing quantity, if a firm hand had not been held over the expenditure by my colleagues.

When I remind hon. members that in addition to the information "as to how the Colony stood on the 30th June last," which I have just had the satisfaction of affording, they have already had laid before them a statement of the receipts and expenditure up to the 30th June; I hope I may assume that if I have not given an intelligible outline of how the Colony then stood, I have at least furnished the materials to enable hon. members to form a judgment for themselves. I will only say (and it is but fair to the Government to do so) that the general effect of the operations, to which I have referred, has been to place the credit of the Colony in a very different position from that which it occupied when the present Government entered upon office.

THE CASE OF AUCKLAND.

But prudence recalls the fact that we have necessarily since that date recommenced our over drafts at the Bank, and that there still remain considerable engagements, which will come in course of fulfilment during the present financial year. I am sorry to be obliged to use the qualifying adverb; that little word of three letters is potent enough to disappoint our brightest hopes, whether military or financial. The Taranaki-Wangauui campaign might have been brought to a successful termination last autumn, *but* for the Wereroa pa; and the finances of the Colony would have been absolutely restored on 30th June last, *but* for the Auckland expenditure.

I daresay I may be asked how this can possibly be the case? I may be told that Auckland has petitioned against any further connection with the rest of the Colony, and remains an unwilling partner; I may be challenged to reconcile such conduct with the assumption that the Province of Auckland hangs like a millstone round the financial neck of the Colony. If so inclined, I might refer you for an explanation to the next schoolboy you met in the street, who for the smallest silver coin, judiciously invested, would repeat the very process before your eyes, and throw away the peel of that very orange, whose sweet juices he had first carefully appropriated to his own use.

But it does not rest with me to reconcile the complaints of Auckland with the facts of the case I shall have discharged my duty, if I submit the figures, and leave the Committee to draw its own conclusions. A cursory examination of the accounts from and including the published accounts of 1862-3 gives the following results, viz.:—(Return IXA.)

Expenditure in the Province of Auckland under Loan Act, 1862 and 1863.

War Expenses.....	£704,000
Public Works, including introduction and location of settlers.....	165,000

£869,000

To which will have to be added, cost of immigration in England, and outstanding advances, which will swell the amount to over £900,000.

This is not so bad a share for Auckland, after all, especially when it is remembered that the total represents considerably more than a million of debt. It is true that the House of Representatives has already sanctioned the principle of our proposals for allocating that portion of the expenditure of the loan, which has been incurred for the permanent advantage of the Provinces of the North Island. But even under such an arrangement, the fact still remains, that the Colony has directly pledged its credit for the benefit of those Provinces, for the purpose of carrying on that description of public works and undertakings which other Provinces habitually provide for out of their own unaided resources; and that Auckland has received the lion's share.

And inasmuch as it has been alleged that the ruin of Auckland has been the object of Southern policy, it will be instructive to ascertain the amount of expenditure which the present Government has sanctioned within that Province, during the six months ending 30th June last, and compare it with the amount of expenditure authorised within other Provinces during the same period. The return (No. X.) to which I am referring is simple, but significant. From it we learn that whilst there has been expended during the six months referred to, within the Province of Auckland, £320,000, there has only been expended during the same time in the Provinces of Wellington, Taranaki, Nelson, Canterbury, and Otago, altogether, £324,000, *i.e.*, scarcely more in those united Provinces than in the single Province of Auckland; or, if we deduct £23,837 paid away in Wellington for steam postal services for the Colony, then we find that there has been considerably more expended in Auckland than in those other five principal Provinces. And this great preponderance of expenditure in favour of Auckland will appear even more striking when it is remembered that peace prevailed over the greater part of that Province during the period within which a Government supposed to be hostile to its interests, lavished upon it such an expenditure as I have stated; whereas during the same period, active operations were being carried on in other Provinces of the North Island.

And when I add that the proposals of the Government for the appropriation of the remainder of the Three Million Loan, contemplate no inconsiderable portion of that expenditure being made within the Province of Auckland, the South will naturally demand of the Government an explanation of the grounds on which their proposals in this respect are based. And the only reply the Government can make is, that they found the faith of the Colony already pledged; and that, *quoad hoc*, the present Government must be simply regarded as the assignees appointed to administer to an embarrassed estate. In such cases, so long as funds remain, debts must be liquidated, however extravagant. At any rate, the South may naturally and reasonably enquire of Auckland whether this is the hard treatment which she complains of having received at the hands of the Colony and the Government, and from which she seeks relief in Separation.

PROBABLE EXTRAORDINARY EXPENDITURE, 1865-66.

Having completed the review of the past expenditure of both classes (ordinary and extraordinary), I pass on to the consideration of the extraordinary expenditure proposed for the present year.

Hon. members will already, I imagine, have anticipated the conclusion, that the appropriations under the Loan Appropriation Act, 1863, cannot be carried out in their integrity, even if it were thought desirable that they should. The heavy deduction from the capital amount authorised to be raised under the New Zealand Loan Act, 1863, arising from the loss sustained in the shape of discount and charges on the first million of debentures, and amounting to the large sum of £196,343 would alone have been sufficient to bring about such a result, without any other disturbing element.

But when we find, according to the statement I have just made, that not only has Auckland absorbed so much of the past loan expenditure; but also, that no inconsiderable portion of the residue will be required to complete the engagements which have been entered into by our predecessors in office, chiefly in connection with the Military Settlers, of whom the greater part will have been settled in that Province:—it must be evident that the appropriations applicable to services in other parts of the Colony will have to be modified.

And when we further consider that the calculations as to large refunds from sales of land, which were put forward amongst other inducements, when the House of Representatives was

asked to consent to the Loan of 1863, have proved fallacious; there can no longer remain a doubt that the time has fairly arrived to re-consider the appropriation of the remainder.

When however, I said that the calculations of 1863 had proved fallacious, I did not mean to dismiss a subject of that importance with a mere general expression: figures alone can convey a conception of the extent of the miscalculation. We must refer back to the exact terms employed in 1863 and compare them with those positive results furnished us in 1865. The words of the late Colonial Treasurer were these, viz.:—"The interest and sinking fund of this loan will be, in the first instance of course, charged upon the general revenue of the whole colony, but when the lands in rebel districts are taken and sold, the loan itself will be a first charge upon the proceeds of the sale thereof. Exactly what amount of land will be available it is difficult to say, but if we take all the land that belongs to the rebel natives in the Thames and Waikato, at Taranaki and Wanganui, I think there will be nearly—after locating the settlers upon it—a balance of something closely approaching to two millions of acres. And we consider that although it will be impossible to realise upon that all at once, yet before very long the proceeds of those sales will repay the whole of this expenditure that we now ask the House to grant." Now the actual sales of confiscated land have amounted in gross only to £36,277, from which there has to be deducted £9,539 payable to natives for compensation, leaving a nett balance of just £22,469 wherewith to help to recoup that three million sterling, which we were taught to believe would eventually be provided for out of this fund! The figures thus brought into juxtaposition present an irresistibly droll effect. It is permitted even to the dulness of finance to be enlivened by the exhibition of the giant and the dwarf; we might never have appreciated the full stature of the three million loan, unless it had been displayed in all its gigantic proportions beside the £22,369, the pigmy proceeds of the confiscated territory.

I need say no more on this very unsatisfactory subject. We must make the best of a bad bargain; and the Government accordingly will bring down a "Loan Appropriation Bill," in which an account will be rendered of past expenditure, and provision asked to be made for the following services, viz.:—

Expenditure necessary to be incurred on account of the regiments of Military settlers, for liabilities entered into prior to November,									
1864...	...	...	...	...	...	...	...	...	£270,968
Defence Force	...	...	...	...	...	...	...	...	23,954
Surveys..	...	...	...	...	...	...	...	...	20,000
Compensation under "New Zealand Settlements Act"	...	...	...	...	...	...	...	...	20,000
Lighthouses, Telegraphs, and cable	...	...	...	...	...	...	...	...	45,000
Reinstatement of Taranaki	...	...	...	...	...	...	...	...	40,000
Arrears of Contribution to Main Postal Line...	...	...	...	...	...	...	...	...	42,000
Taranaki Land Purchase Fund...	...	...	...	...	...	...	...	...	32,000
Government Domain	...	...	...	...	...	...	...	...	18,000
Unauthorised General Expenditure	...	...	...	...	...	...	...	...	124,985

Making a total proposed Expenditure amounting to... 636,907

This, indeed, shows an excess of proposed expenditure over supply. But even if no better success should attend the sales of confiscated land than hitherto, there would even then be enough from that source to make good the deficiency; and in that view the amount set down for compensation under the "Settlements Act" need only be regarded as an imprest. At the same time I am bound to disclose to the Committee that even the large amount set down to enable us to meet our engagements with the Military Settlers, viz., £270,968, will not entirely exhaust the liability; there will still remain behind an amount of about £40,000, which will come in course of charge during the next financial year, before the whole of this affair can be wound up. Against this probably we may place as a set off, about an equal amount receivable from the Province of Southland.

PROBABLE ORDINARY EXPENDITURE, 1865-66.

With reference to the Estimates of Ordinary Expenditure for the year, I may state that having regard to the reasonable requirements of the Provinces, I am unable to state the total expenditure for the services of the year at much less than £950,000, which implies an appropriation of one-half of the Customs Revenue for Provincial services, and for contributions in aid of Provincial Revenue, which will enable me, I anticipate, to continue to Provinces, liberal instalments. As to whether these can be increased, will depend entirely upon the result of the revision of the Tariff upon the revenue; for it is proposed that the Provinces should receive one-half of that revenue. On comparing this proposed expenditure with that of last year, the chief items of excess will be found under the head *Permanent Charges* upon the items of "Interest" and "Postal;" under the head of *Annual Appropriations* upon the items for "Internal Defence." I now lay on the table the Estimates of the year with some few figures written in; but in the course of a day or two I hope to have them finally printed and distributed. In explanation of the Estimates generally, I may observe—

1st. That heretofore there have been no native estimates; there has, indeed, been a large native expenditure, but no estimates; all sums for native purposes having been covered by permanent act or voted *en masse*. Some of these acts, however, now expire, and we now propose to meet

the expenditure face to face; and although the proposed expenditure for this particular service is very large, amounting to £59,000; and although the Government does not profess to put them forward on this occasion as model estimates, yet it is, I think, a subject of congratulation that native estimates in detail will now for the first time since the introduction of the Constitution Act be submitted to the votes of the Committee. This may, perhaps, be regarded as the most effectual step which has yet been taken towards the removal of that mystery which has hitherto veiled the transactions of the Native Office. Under the new arrangements it would not be possible for such anomalies as the gunboats "Caroline" and "Avon" to be found loosely floating on the surface of the native expenditure.

2nd. Defence estimates will now also appear for the first time in detail, amounting to £60,000. I have classified them under "Internal Defence." This may appear a trifle to mention, but there is something in a name; it seems to point in the direction of an armed constabulary rather than a standing army. This sum is computed for six months from 1st January next, the date at which it is anticipated that the Military Settlers will have been placed on their land; and is independent of the sum of £28,000 for Militia and Volunteers.

3rd. With regard to the Civil Service Estimates I would observe, that whilst the proposed increases are moderate, and the new services where created deemed necessary; yet that it must be borne in mind that the expansion of the Colony in all directions is rapid and considerable, and the area to be governed proportionately increased, and that it necessarily follows that the services must be also enlarged. It would probably be very desirable that a Civil Service Commission should be appointed. There are many reforms which might result from the enquiries of such a Commission, having for its object the improvement and regulation of the Civil Service; and certainly no retrenchment in that direction could be proposed, either with safety or justice, unless based upon some such prior investigation and report. I may observe that the Estimates have been compiled in a new form, which exhibits, at a glance, the growth of any particular service by means of a comparative column showing the provision made for the same service during the past year, both in terms of appropriation and expenditure.

ESTIMATED REVENUE 1865-66

On the whole then it will be seen that according to our proposals the extraordinary and ordinary services of the Colony for the present financial year will require a total expenditure of upwards of one and a half millions. It remains for us carefully to consider the ways and means by which this considerable demand on the resources of the Colony can be satisfied. With regard to extraordinary supplies, I may at once say that it is not the intention of the present Government to propose any new loans. The remainder of the three million loan will be made to carry all it can, and will suffice: the Government will only ask for power (in case of need) to raise money by an issue of Treasury Bills, in anticipation of revenue, to a certain limited amount. With regard to ordinary ways and means, my estimate of revenue is as follows, viz.:—

Customs	£780,000
Distillation	5,000
Stamps	37,500
Postal	45,000
Judicial	28,000
District Courts	4,000
Registration of Deeds and Land	16,000
Fees on Issue of Crown Grants	5,000
Native Lands Act (Fees and Duty)	5,000
Marine Board	9,000
Telegraphs	6,000
Miscellaneous	3,000
	<hr/>
	£943,500

The first three items are the only ones which require special notice.

The revenue from Customs is based upon an estimate made by my honorable friend the Commissioner of Customs, according to whose figures (Return No. XI.), the sum of £780,000 may be fairly calculated to be derived from that source, supposing the present tariff were maintained. And although it is proposed to bring forward a revision of the tariff, yet the Government does not contemplate, nor indeed would the requirements of either the General or Provincial Governments admit, of any lesser sum being raised from this source. As it will devolve on me to conclude my statement with a resolution on the subject of an alteration of the tariff, I will explain the principles on which the proposed revision will be based. My hon. friend has borne in mind the recommendation of some of the Chambers of Commerce, nor has he forgotten the suggestions which present themselves upon a perusal of the Californian and other tariffs; and after mature consideration of the subject, the Government has considered that it will best attain the object of at once equalising the burthen and removing the vexation and loss, arising from uncertainty of practice and interpretation, by adopting the following basis, viz.:

1st. A distribution of the duty over a wider area of articles.

2nd. An enumeration of all the articles on which duty will be charged.

With reference to the second item, (distillation) I may say that no large amount can be anticipated during the present year from this source, and that it is not entirely from a revenue

point of view that the question should be viewed. It is anticipated, and not I think without reason, that if distillation should be followed as a legalised business, an important body of persons will be raised up, who will regard with jealousy any attempts to smuggle spirits, as opposed to their interests; and that they will thus become a protection to the revenue.

With regard to the third item, I will observe that the estimate must be admitted with caution. There are really no reliable data on which, at present, to frame Estimates with any degree of accuracy. If, however, we may judge from the case of New South Wales, where the estimated revenue has, I understand, been placed at £150,000, we shall not probably be far wrong if we place the revenue from this source at £75,000 for New Zealand, or £37,500 for the half year, for it is scarcely to be expected that the Act can be brought into working order before 1st January next. With regard to the propriety of the tax itself, no doubt much may, and will be said. It is, however, a subject of itself, and will probably be better discussed when the Bill comes before the House. I may, however, be allowed to refer to an opinion recently expressed by Mr. John Stuart Mill, who is held to be a very high authority by many. He prefers a mixed system of direct and indirect taxation to either alone.

"If," he says, "the attempt were made to raise so large a revenue as ours after all due retrenchment would still be, exclusively by direct taxation, I do not know of any taxes in themselves just, which, under strong pecuniary temptation, would not be successfully evaded. The evasions of the income tax are a disgrace to the national morality," And if such be the acknowledged fact in Great Britain, I think we shall scarcely arrogate to ourselves in this Colony the possession of a higher standard of morality than that which prevails in the mother country. Mr. J. Stuart Mill goes on to observe:—

"I am decidedly of opinion that landed property should be subject to the probate duty, and that property in settlement should pay succession duty on its full value."

THE RESOURCES OF THE COLONY.

I have been drawing the attention of the Committee to new modes of taxation in aid of the Revenue, and there is a subject intimately connected with this, into which I would fain have entered more fully than I find I shall be able. The first enquiry requisite before attempting to impose a burthen is to ascertain the strength of the back on which it is sought to be imposed, *quid ferre recusent quid valeant humeri*. I have, however, been very much disappointed in my attempts to work out this investigation. Notwithstanding the prolific annual delivery of Blue Books throughout these Colonies I have failed to obtain access to the statistical information I have sought. And there is also another impediment which arises from the discrepancy between official years—owing to the want of uniformity in the official years at the Treasury, the Customs, the Post Office, and the Land Departments, a very great difficulty is experienced in preparing Comparative Returns, and they are often imperfect and delusive on that account.

What I intended to do was to institute a comparison between New Zealand and other colonies. I am sure the investigation would amply repay the trouble, and establish New Zealand in a position that few of us at present do more than vaguely believe. There is one point, however, which I will notice in passing. In all the other Australian Colonies, territorial revenue forms an integral part of the colonial income, and goes to swell the annual total; whereas in New Zealand, it is dealt with only provincially. Some idea of the extent of this may be gathered from a return furnished (No. XII) by my hon. friend the Secretary for Crown Lands, from which it appears that in the Southern Island alone, during the years 1863 and 1864, £860,732 was received in cash for land sales, and the vast unsold territory is still counted by millions of acres.

I take blame to myself for having neglected to think of this point till too late; I have, however, been enabled to obtain one or two returns with regard to New Zealand solely, which although far from being so complete as could be desired, are extremely interesting. Return No. XIII. shews the growth of the Revenue. Taking a term of six years, from 1859 to 1865, and dividing this term into biennial periods for the purpose of comparison, we find that the revenue has grown from £431,797 to £1,438,367, shewing a centesimal increase of the year 1864-5 over that of 1859-60 of 262.2 per cent. And when we regard the surprising phenomenon of Hokitika, and reflect that in all probability we are only just beginning to develop our mineral resources; the passing difficulties of the Northern Island fade away before the vision of the future. I am so profoundly ignorant on heraldic subjects that I do not know, sir, whether New Zealand has had any motto assigned to her; but if she has not, I would venture to suggest the following as appropriate to her past history:—*Merses profundo pulchrior evenit*.

The next Return referred to (No. XIV.), shews the taxation in terms of the population: It has risen in the six years from £2 16s. 6d. per head to £4 9s. 11d. Now at first sight this might appear to be a very disheartening fact; as exhibiting a population ground down by taxation. And such would be the proper conclusion, if heavy additional taxation had been imposed during the period. But such is not the case. The only increase to the taxation there has been is that made during the last few months, which simply represents some L.60,000 or L.70,000, and cannot therefore be said materially to disturb the ratio. But the figures of this return in reality constitute the best test of the prosperity of the population—they show that the consuming power of the population has nearly doubled in six years. They mean that the fair dame who only wore cotton formerly, now dresses in silk; and that the settler who was contented with his beer, now affords himself the luxury of wine. I

should wish to have pursued the investigation and taken the amount of import and export per head as compared with that in other countries. I have, however, only been able to obtain one or two years of comparison with that of England, which, however, shows greatly in favor of New Zealand. We further gather from this return the explanations as to how it is that the population which was only able to pay towards the Revenue in 1859 and 1860 £2 16s. 6d. per head, was enabled in 1864-65 to contribute £4 9s. 11d. per head: for it appears that whereas in 1859-60 the population only imported £21 18s. and exported £8 16s. 2d., it had so thriven in 1864-65 that it was able to import £36 12s. 2d., and export £19 18s. 5d. per head. It appears also from the same table, that during this period of six years we have, in addition to numerous other valuable products, exported upwards of 7½ millions of gold, or nearly 1 million in excess of the whole of our national debts, General and Provincial, which amount to £6,615,500.

RESUME OF PROPOSALS.

I ask permission to recapitulate our financial measures and proposals, which are briefly these viz:—

1. To facilitate the auditing the public accounts and establish a control over the expenditure. This we have regarded as an indispensable preliminary to the success of our other proposals.
2. To contract no fresh loans, except so far as may be done by the aid of the Imperial guarantee, without adding to the annual liability of the Colony already sanctioned in respect of interest.
3. To repeal the Loan Appropriation Act, 1863, and reappropriate the balance.
4. To shorten the currency of the 50 years' debentures from 50 to 30 years, and increase the sinking fund.
5. To allocate to the Provinces of the North Island the charges for the loan expenditure incurred on account of permanent improvements.
6. To regulate and consolidate Provincial loans.
7. To carry surplus, when any, to next year's revenue account, and subject it to appropriation, instead of making it a dividend among the Provinces.
8. To treat all ordinary revenue as Colonial revenue, and appropriate annually to Provinces a quota of the customs.
9. To aid the revenue derived from indirect taxation, through the Customs; by a direct taxation in the shape of stamp duties.
10. To revise the tariff, with a view to a more equitable distribution of the burthens, without however, impairing the revenue.
11. To appoint a Civil Service Commission, with a view to the greater efficiency of the public service, and as a step towards retrenchment.

And here I take occasion to observe that whilst I cannot be supposed to know, and therefore do not venture to express an opinion, as to the interior arrangements and effectiveness of other departments; yet that if they are equally satisfactory with those of the department over which I have the honor to preside, I am bold to affirm that no Government in any country was ever more faithfully served.

Sir, I venture to recommend these proposals as a whole to the Committee for confirmation, in the belief that they are prudently devised, suited to the circumstances of the Colony, and well calculated to complete the restoration of our finances to a healthy condition; and that they are also practically so adjusted, as to provide sufficiently for all current services of the year, both General and Provincial.

It will be perceived that they are framed exclusively of any assistance from the Home Government. If, however, as is but natural and reasonable, the Home Government should accede to our application for their guarantee, in terms of his Excellency Sir George Grey's despatch of the 8th April, which I now lay on the table (Appendix XV) and recommend to the perusal of honorable members wherein they will find the case of the Colony is most ably and feelingly portrayed; the Government in that case would be prepared to come down with proposals by which the embarrassments both of the North and South (which have been materially increased in both islands by the unhappy management of the war in which we have been so long involved) would be greatly relieved, and the whole colony obtain a fair chance of extricating itself from the difficulties with which it has been surrounded, and of starting on a fresh career.

I have only one remark to make before finishing a task which I am sensible of having very imperfectly accomplished. When the House endorsed the policy of my hon. friend at the head of the Government, it must have been well aware that such a policy carried with it financial consequences; that, in fact, the whole of that policy hinged on finance; and that a policy of self-reliance was a mere idle vain-glorious boast—the big talk of the truant-boy, as yet innocent of the world—unless it was understood to mean a policy of *reliance on our own resources*. I conclude sir, by moving the following resolution, viz:—“That it is desirable to revise the present Tariff, and that the Hon. the Commissioner of Customs be authorised to take such measures as may be necessary for the collection of any new duties, pending the discussion of the resolution.”

FINANCIAL STATEMENT.

13 B.—No. 1A.

I.

A COMPARATIVE STATEMENT for the period extending from 1st July, 1863, to 30th June, 1865, showing the actual Revenue and the Estimated Revenue, distinguishing Customs, Postal, &c.

	Estimated.	Actual.
Customs	1,308,408 0 0	1,256,091 7 2
Postal	83,500 0 0	82,759 1 1
Judicial	53,000 0 0	57,386 9 3
Registration of Deeds and Land	25,400 0 0	25,233 17 8
Registration of Births, Marriages, and Deaths	5,300 0 0	5,279 0 2
Fees on issue of Crown Grants	6,400 0 0	5,065 0 0
Miscellaneous, including Fees under Arms Act 1860	11,700 0 0	6,552 18 4
Totals... ..	£1,493,708 0 0	£1,438,367 13 8

Treasury, Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

II.

ORDINARY EXPENDITURE for financial period from 1st July, 1863, to 30th June, 1865, compared with Ordinary Appropriations for same period.

	Authorised Ex- penditure or Appropriations.	Actual Expenditure.
Civil List... ..	55,000 0 0	44,861 5 3
Permanent Charges	260,981 19 4	216,216 15 8
Executive	11,054 0 0	11,714 11 10
Legislative	25,120 0 0	19,740 5 4
Judicial	8,100 0 0	10,981 17 3
Registration	12,160 0 0	3,985 0 8
Customs	2,550 0 0	1,837 18 4
Postal	190,660 0 0	147,071 13 3
Militia	50,000 0 0	36,152 15 1
Miscellaneous	35,230 0 0	32,706 10 5
PROVINCES—		
Auckland	43,727 9 0	43,415 3 6
Taranaki	4,998 8 0	5,240 0 5
Wellington	22,325 10 0	22,176 2 4
Hawke's Bay	9,074 0 0	7,227 11 4
Nelson	15,314 0 0	14,027 19 9
Marlborough	7,978 0 0	7,557 12 2
Canterbury	45,800 15 0	49,573 10 11
Otago... ..	116,614 0 0	106,715 13 6
Southland	37,030 0 0	29,351 10 6
Totals... ..	£953,718 1 4	£810,553 17 6

Treasury, Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

III.

UNAUTHORISED EXPENDITURE for the Financial Years 1863-4 and 1864-5.

					1863-4.			1864-5.					
					£	s.	d.	£	s.	d.	£	s.	d.
GENERAL					22,684 9 8			103,023 3 8					
PROVINCIAL—													
Auckland					1470	3	8				2179	8	6
Taranaki					98	3	1				539	7	4
Wellington					217	16	9				561	16	7
Hawke's Bay					0	0	0				46	18	2
Nelson					318	18	8				507	7	11
Marlborough					161	7	11				2087	5	2
Canterbury					884	2	8				5992	17	8
Otago					6156	6	11				10376	1	5
Southland					4126	10	6				842	13	11
Total chargeable to Provinces					13,433 10 2						23,133 16		
					36,117 19 10						126,157 0 4		

Treasury Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

IV.

COMPARATIVE RETURN showing the Annual Amount of Unauthorised Expenditure and Distributable Surplus (in excess of $\frac{3}{4}$ ths Customs), beginning with the year 1857-8.

							Surplus distributable at end of year (in excess of $\frac{3}{4}$ ths Customs.)	Unauthorised Expenditure.
1857-8	...	...	...	...	...	...	6201 14 10	1,165 13 1
8-9	...	...	...	...	...	...	9944 14 7	9,008 12 6
9-60	...	...	...	...	...	...	*36,040 17 0	26,363 8 6
60-1	...	...	...	...	...	...	4827 3 5	1,805 16 5
1-2	...	...	...	...	...	...	44,681 6 3	1,672 5 4
2-3	...	...	...	...	...	...	59,935 11 9	5,287 1 2
3-4	...	...	...	...	...	...	60,508 9 0	36,117 19 10
4-5	...	...	...	...	...	...	21,349 11 0	126,157 0 4
Totals ...							£ 243,489 7 10	206,577 17 2

* The £36,040 of Surplus Revenue was paid over to the Provinces, and the amounts of Unauthorised Expenditure of the three preceding years was provided for by special loan, "The Debentures Act, 1860," and made recoverable out of future Surplus Revenue, hence 1860-1 the Surplus is reduced to £4827.

Treasury, Wellington, August 28, 1865.
J. WOODWARD, Assistant Treasurer.

V.

RETURN shewing the ultimate direction of Expenditure of Surplus Revenue in the Provinces mentioned below: for the years 1861-2: 1862-3: 1863-4.

Provinces.				Year.	Amount of Surplus Revenue paid to Province.			Expenditure on necessary pur- poses of Govern- ment.			Less Recoveries against Expen- diture.			Balance avail- able to Province for expenditure on public under- takings.		
					£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Auckland	...	...	...	1861-2	36,960	10	5	12,875	17	9	4,948	9	6	29,033	2	2
Do.	...	...	...	1862-3	43,758	3	11	14,667	11	2	5,887	15	1	34,978	7	10
Do.	...	...	...	1863-4	62,387	7	11	20,122	10	5	8,431	9	0	50,696	6	6
Wellington	...	...	...	1861-2	16,536	11	3	9,181	13	0	2,721	9	7	10,076	7	10
Do.	...	...	...	1862-3	18,130	19	8	17,844	10	7	2,519	8	6	2,805	17	7
Do.	...	...	...	1863-4	21,064	1	6	13,666	19	9	2,559	18	10	9,957	0	7
Nelson	...	...	...	1861-2	8,346	1	4	5,179	6	4	1,712	18	8	4,879	13	8
Do.	...	...	...	1832-3	9,967	17	7	5,109	13	3	774	0	0	5,632	4	4
Do.	...	...	...	1863-4	11,476	14	0	7,788	5	3	1,417	10	0	5,105	18	9
Canterbury	...	...	...	1861-2	20,007	8	9	14,565	16	5	2,900	10	0	8,342	2	4
Do.	...	...	...	1862-3	28,362	19	10	22,798	14	2	3,103	7	9	8,667	13	5
Do.	...	...	...	1863-4	39,820	9	6	31,972	2	5	5,676	12	2	13,524	19	3
Otago	...	...	...	1861-2	76,388	17	8	53,634	19	3	10,158	11	3	32,912	9	8
Do.	...	...	...	1862-3	103,832	11	1	95,200	8	10	7,991	9	3	16,623	11	6
Do.	...	...	...	1863-4	114,235	5	2	34,903	18	6	25,958	15	11	105,290	2	7
Southland	...	...	...	1861-2	3,442	19	2	7,815	3	5	602	18	9	Dr. 3,769	5	6
Do.	...	...	...	1862-3	20,027	11	3	27,672	0	3	781	18	2	" 6,862	10	10
Do.	...	...	...	1863-4	24,931	6	5	30,050	7	4	4,129	10	0	" 989	10	11
Totals				...	659,677	19	5	425,049	18	1	92,276	12	5	338,525	18	0
Deduct Dr. Balances Southland.											3,769	5	6			
											6,862	10	10			
											989	10	11			
														11,621	7	3
														£326,904	10	9

Treasury, Wellington, August 23rd, 1865.
J. WOODWARD,
Assistant Treasurer.

FINANCIAL STATEMENT.

15 B.—No. 1A.

V.

STATEMENT of one Quarter's Expenditure, shewing the principle on which Return No. V. has been prepared.

An Abstract of the Revenue and Expenditure of the Province of Auckland during the Quarter ended 30th June, 1865.

	Included.	Excluded.
	£ s. d.	£ s. d.
ESTABLISHMENTS—		
His Honor the Superintendent	200 0 0	769 5 8
The Provincial Council	346 9 8	360 5 7
The Superintendent's Office ... ..	...	281 1 8
The Waste Lands Office	632 4 9	...
The Roads Office	983 5 10	519 3 2
Harbours	311 6 1	...
Police	87 10 0	77 1 8
Provincial Hospital ... ..	...	12 10 0
Lunatic Asylum	60 8 6	...
Provincial Solicitor	822 15 10	...
Inspector of Sheep and Thistles	4 1 5	...
Inspector of Slaughter Houses ... ..	...	...
Provincial Auditor's Department ... ..	...	...
Prisons ... ..	...	...
Registry of Deeds ... ..	...	...
MISCELLANEOUS—	74 8 11	...
Printing and Stationery ... ..	...	522 18 3
Education ... ..	...	287 1 9
Relief of Destitute and maintenance of Orphans ... ..	...	193 8 8
Ferries ... ..	...	15 7 6
Thistle Act expenses ... ..	...	42 10 0
Rent of Public Offices ... ..	...	175 6 7
City Streets—Lighting and Cleansing ... ..	...	46 19 0
Repairs of Public Buildings ... ..	...	50 0 0
Auckland Dispensary ... ..	...	21 18 6
Compensation to John Hardy ... ..	...	30 0 0
Design for Market Place ... ..	...	50 0 0
Design for Bridge over Tamaki ... ..	...	4 4 0
Election expenses ... ..	...	21 0 0
Compiling Return of Traffic on Roads ... ..	...	100 0 0
Auckland Volunteer Band Fund	19 5 0	...
Crown Prosecutions ... ..	...	18 7 0
General Contingencies ... ..	...	267 3 4
Aid to Prospecting Parties ... ..	...	...
SPECIAL—		1,434 17 1
Surveys and opening Blocks of Land ... ..	...	190 9 0
Great North Road ... ..	...	292 14 8
Great South Road ... ..	...	614 2 9
Road Repairs ... ..	...	859 19 5
Streets and Branch Roads ... ..	...	99 10 6
Road from Wangaroa to Kiri Kiri ... ..	...	472 11 10
City Main Sewer ... ..	...	3 2 0
Steam communication advertising ... ..	...	413 7 6
Surveys and Estimates for Drury Railway ... ..	...	18 4 4
Repairs to Queen Street Wharf ... ..	...	218 17 0
Repairs to Custom House Street ... ..	...	323 15 1
IMMIGRATION ... ..	...	...
DEPOSITS—		1 6 6
Harbour Trust ... ..	...	2,022 17 1
College and Grammar School Trust, lodged in Union Bank of Australia on a Deposit Receipt ... ..	...	...
City of Auckland Trust, lodged on a Deposit Receipt with Union Bank of Australia ... ..	...	7,061 18 5
Interest and Expenses on Debentures till 31st December, 1861 ... ..	...	284 17 0
A. F. Ridgway and Sons, Provincial Agents ... ..	...	376 17 0
Advances to pay labour ... ..	...	5,589 19 5
Balance on 30th June, 1862 ... ..	...	...
	£3,541 6 0	£27,686 14 11

J. WOODWARD,
Assistant Treasurer.

Treasury, Wellington,
August 28, 1865.

VI.
RETURN OF DEBENTURES issued under authority of the "New Zealand Loan Act, 1863" and the "Debentures Act, 1864," to 30th June, 1865.
NEW ZEALAND LOAN ACT, 1863.

Place of Issue.	Agents.	Amount issued.	Amount sold.	Rate.	Currency.	Rate of Interest.	Amount realised.	Discount.	Amount re-maining with Agents.	Remarks.
London	Agents general	1,000,000 0 0	1,000,000 0 0	19-6 discount	50 years	5 per cent.	803,657 0 0	196,343 0 0	1,500,000 0 0	Paid to Lords of H.M. Treasury.
Do.	Do.	500,000 0 0	500,000 0 0	par	do.	4	500,000 0 0	...	...

DEBENTURE ACT, 1864.

Place of Issue.	Agents.	Amount issued.	Amount sold.	Rate.	Currency.	Rate of Interest.	Amount realised.	Amount un-issued.	Amount re-maining with Agents.	Remarks.
London	{ F. Larkworthy R. Porter W. S. Graham	500,000 0 0	100,000 0 0 100,000 0 0 150,000 0 0 150,000 0 0	par. 1-0916 prem. " 0-76 " 0-89	Dec. 31, 1865 " 1866 June 30, 1867 Dec. 31, 1867	8 per cent. " " "	100,000 0 0 101,050 3 4 151,140 15 10 151,339 0 5			{ £40,000 of this amount is hypotheated to the Bk. of Victoria in Melbourne. Issued in respect of compensation to settlers of Taranaki for loss occasioned by the war.
Australia and New Zealand	{ D. L. Murdoch A. Kennedy J. Williamson	250,000 0 0	151,330 0 0 6,500 0 0 12,000 0 0	0-15 prem.	" 1867 " 1866 " 1865	" " "	151,356 0 0 6,500 0 0 12,000 0 0		80,170 0 0	
Taranaki	{ R. Waterston Honbl. H. Sewell Honbl. H. A. Atkinson		93,775 0 0 par.		" 1867	"	93,775 0 0			
Wellington	{ Honbl. W. Fitzherbert	118,518 16 4	13,150 0 0 8,525 0 0 3,068 16 4	" " "	" 1867 " 1866 " 1865	" " "	13,150 0 0 8,525 0 0 3,068 16 4	131,481 3 8		
		868,518 16 4	788,348 16 4				791,904 15 11	131,481 3 8	80,170 0 0	

Treasury, Wellington,
August 28, 1865

J. WOODWARD
Assistant Treasurer

FINANCIAL STATEMENT.

17 B.—No. 1A.

VII.

STATEMENT OF EXPENDITURE charged on the Loan Appropriation Act 1863, from 1st October, 1862, to the 30th June, 1865.

1st Division, Suppression of Rebellion—									
Colonial Forces—									
Pay ...	...	...	...	...	...	699,401	16	8	
Forage ...	...	...	...	...	...	7,912	18	11	
Stores, Clothing, Bedding, and Equipments ...	...	...	...	...	...	69,075	0	2	
Arms, Ammunition, and Accoutrements ...	...	...	...	...	...	72,683	17	2	
Rations ...	...	...	...	...	...	45,975	12	4	
Allowances to Families...	...	...	...	...	...	7,850	8	10	
Transport ...	...	...	...	...	...	22,917	8	7	
Horses ...	...	...	...	...	...	17,492	17	9	
Hospitals ...	...	...	...	...	...	18,061	14	2	
Blockhouses, Defences, and Buildings ...	...	...	...	...	...	38,769	3	1	
Sea and River Service ...	...	...	...	...	...	135,183	18	0	
Maori Prisoners ...	...	...	...	...	...	8,663	14	2	
Miscellaneous ...	...	...	...	...	...	33,219	10	8	
						1,177,208	0	6	
Less balance of Militia Vote 1863-4 ...						17,914	16	1	
									1,159,293 4 5
2nd Division, Introduction of Settlers...									69,608 19 7
3rd " Surveys ...	...	...	...	...	...				44,170 6 6
4th " Public Works ...	...	...	...	...	...				123,017 2 4
5th " Location of Settlers ...	...	...	...	...	...				59,624 5 3
6th " Compensation for Land ...	...	...	...	...	...				3,555 0 2
7th " Lighthouses ...	...	...	...	...	...				38,659 7 2
8th " Telegraphs ...	...	...	...	...	...				45,329 5 7
9th " Purposes specified in Loan Act 1862—	...	...	...	...	...
Reinstatement of Taranaki ...	...	...	...	...	...				150,541 3 8
10th " Charges on negotiation of Loan and sale of Debentures	...	...	...	...	...				203,578 19 8
Payment of Imperial Debt ...	...	...	...	...	...				500,000 0 0
									£2,397,377 14 4

Treasury, Wellington, August 21, 1865.

J. WOODWARD, Assistant Treasurer.

VIII.

STATEMENT of Bank Balance, 6th July, 1865.

Amount of Balance to the debit of Colonial Treasurer with the Bank of New Zealand, Auckland, 6th July, 1865, as per Pass Book ...									347,126 10 0
Add Outstanding Cheques—									
						8000	0	0	
						7309	15	11	
						4000	0	0	
						18,077	16	8	
						7000	0	0	
						10,000	0	0	
									54,387 2 7
									401,513 12 7
Add Assistant Treasurer's Debit Balance at Bank of New Zealand, Wellington ...									601 6 10
									402,114 19 5
Less Credit Balance of Colonial Treasurer with Bank of New Zealand Wellington ...									2015 5 11
									400,099 13 6
									400,099 13 6
Dr. Amount as above ...						298,244	0	0	
Cr. London Account, May 26th ...						114,506	13	4	
" " June 26th ...									
						412,850	13	4	
						4,193	6	7	
Less Debits in above accounts...									408,657 6 9
Apparent Balance to credit ...									8557 13 3

Treasury, Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

E

FINANCIAL STATEMENT.

VIII.A.

Amount refunded out of General Balance on account of Intestate Estates during the								
Financial Year 1864-5	...	...	...	...	...	...	...	£8707 12 2
Amount of Balance to credit of Intestate Estates Fund at close of year ended 30th								
June, 1865	...	...	...	...	...	...	...	£32,107 19 1

VIII.B.

STATEMENT OF AMOUNTS paid to Provinces during the Financial Year 1864-5, on account of Surplus Revenue for the Year 1863-4.

									£	s.	d.
Auckland...	...	...	...	...	...	...	...	...	14,618	11	11
Taranaki ...	...	...	...	...	...	...	...	...	681	16	0
Wellington	...	...	...	...	...	...	...	...	3297	4	10
Nelson...	...	...	...	...	...	...	...	...	1744	16	2
Canterbury	...	...	...	...	...	...	...	...	8390	13	2
Otago ...	...	...	...	...	...	...	...	...	23,045	3	2
									£51,778	5	3

VIII.C.

STATEMENT OF AMOUNTS paid during the Financial Year 1864-5 on account of claims on the Taranaki Re-instatement Fund.

On account interest on Debentures issued under Taranaki Loan											
Ordinance	...	...	...	...	...	...	...	...	10,302	17	1
On account claims—											
In 8 per cent. Debentures	...	...	...	...	...	...	...	86,750	0	0	
In Cash	...	...	...	...	...	...	...	4,114	3	2	
									90,864	3	
Commissioners Expenses, &c.	...	...	...	...	...	...	...	...	318	9	
									£101,515	9	3

Treasury, Wellington, August 28, 1865.
J. WOODWARD, Assistant Treasurer.

STATEMENT of ACCOUNT between the Imperial Government and the Colony of New Zealand, from the Documents at present in the possession of the Colonial Government.

Dr.	£ s. d.	£ s. d.	Dates when Account rendered.	Cr.	£ s. d.	£ s. d.
To "Error admitted" (vide Appendix House of Representatives, 1863, page 7, B.—No. 4) ...	...	85,891 10 4	1861. May 17 ...	By accounts rendered to Colonial Secretary ...	53,183 1 4	
Contributions on account of Her Majesty's Troops:			June 7 ...	Ditto ditto ditto ...	15,192 6 11	
Remitted for the 3 months ending 31st March, 1862 ...	6,929 13 9		" 11 ...	Ditto ditto ditto ...	25,868 15 0	
Remitted for the year ending 31st March, 1863 (say) ...	28,175 16 8		Aug. 7 ...	By accounts rendered to Assistant Military Secretary ...	12,959 13 1	
Remitted for the year ending 31st March, 1864 ...	33,906 6 8					
Remitted for the 9 months ending 31st December, 1864 ...	38,157 4 0					
		107,169 1 1			£107,203 16 4	
[NOTE.—The Imperial claim of £5 per man for Troops, remitted from 1st January, 1862, to 1st January, 1865. See Appendix House of Representatives, page 3, B.—No. 7.]				Deductions amounting to ...	2,238 16 7	104,964 19 9
Proportion of Transport Service on the Waikato—and other claims (say) ...		80,000 0 0	Nov. 25 ...	By accounts rendered to Assistant Military Secretary ...	...	18,731 5 0
		273,060 11 5	1862. March 20 ...	Ditto ditto ditto ...	...	7,386 13 11
			May 9 ...	Ditto ditto ditto ...	...	35,729 13 1
			Aug. 11 ...	Ditto ditto ditto ...	...	2,011 5 8
			Sept. 2 ...	By accounts rendered to Private Secretary, including the difference between the Commissariat Statements and Treasury Minute of 29th October, 1861	*	100,807 4 11
			and Dec. 11 ...			
			Nov. 4 ...	Ditto ditto ditto ...	...	4,494 5 5
						£274,125 7 9
			1863 April 15 ...	By contribution on account of the Imperial Troops, from 1st April, 1862, to 31st March, 1863, &c. ...	...	28,175 16 8
			1864 May 5 ...	By advances from Imperial Chest, August to December, 1863... ...	...	186,000 0 0
				By contribution H.M. Troops from 1st April, 1863, to 31st March, 1864 ...	...	33,906 6 8
				By Rations issued to Colonial Forces, December, 1863, to 31st March 1864... ...	...	38,721 14 0
				By cost of Implements issued from Military Store... ...	...	425 10 1
				By Rations issued to Colonial Forces at Tauranga, February, 1864 ...	...	307 12 8
			Nov. 12 ...	Ditto ditto April, 1864 ...	...	9,458 16 4
			Nov. 29 ...	Ditto ditto Port Waikato ...	...	541 17 8
				Ditto ditto ... ...	...	8,541 6 5
			1865 Jan. 25 ...	Ditto ditto at Te Awamutu ...	...	1,142 0 4
				Ditto ditto June, 1864 ...	...	8,783 11 2
			March 3 ...	Ditto ditto July, " ...	13,992 19 2	
				Deduct	205 12 3	
			April 6 ...	Ditto ditto September, 1864 ...	...	13,787 6 11
			April 26 ...	Ditto ditto October, " ...	...	24,288 2 5
				Ditto ditto ... ...	...	12,912 16 7
				Ditto ditto ... ...	...	141 15 11
			May 30 ...	Ditto ditto December, 1864 ...	...	18,186 0 4
			June 12 ...	Ditto ditto ... ...	...	15,651 6 10
			July 26 ...	Ditto ditto March, 1865 ...	...	8,232 13 7
				By contribution H.M. Troops to 31st March, 1865 ...	...	50,876 5 0
				By pay of Colonial Forces, March 1st to June 30th, 1865 ...	...	6,283 0 5
				By Supplies from Military Store and Purveyor's Department ...	...	977 6 10
Estimated Balance due to Imperial Government ...	...	503,406 3 2		Total, Claims rendered ...	...	£741,466 14 7
				Add Estimated Claims outstanding ...	...	35,000 0 0
		£776,466 14 7				£776,466 14 7

* The Colonial Government is in possession of no information by which the discrepancy between the claims, as stated by the Commissariat Department and the claims as rendered by the Imperial Treasury, can be explained.

On reference to the Appendix to the Journals of the House of Representatives for the year 1863, p. 7, B.—No. 4, it will be seen that the sum of £274,125 7s. 9d. is made up as follows:—

	£ s. d.
Treasury Minute, 24th May, 1862 ...	193,180 5 6
Local Forces—Pay, Rations, &c., to 30th June, 1862 ...	17,394 4 5
Do. do. do. to 30th September, 1862 ...	4,452 4 3
H. M. Troops—contribution for year ending 31st March, 1862 ...	27,718 15 0
Road-making, to 30th June, 1862 ...	31,337 17 5
Do. 30th September, 1862... ...	42 1 2
	£274,125 7 9

On comparing this statement with the one preceding it on the same page of the Appendix, it seems probable that the Treasury Minute of the 24th May, 1862, includes the claims for "Fencibles," the Steamers "Wonga Wonga," &c., amounting to £85,891 10s. 4d. This sum the Commissariat Officer states to be an "admitted error," although he includes it now in his Statement of Accounts. The apparent overcharge is debited the Imperial Government in the present statement.

August 10th, 1865.

CHARLES KNIGHT, Auditor of Public Accounts.

NOTE.—£500,000 was remitted in March, 1865, in Colonial Debentures, and has been accepted by the Home Government, thus reducing the balance to £3,406 3s. 2d.

FRED. A. WELD.

MISSING PAGE

MISSING PAGE

FINANCIAL STATEMENT.

23 B.—No. 1A.

IXA.

A CURSORY EXAMINATION of the Accounts from (and including) the published Accounts of 1862-3 gives the following results.

Expenditure in the Province of Auckland under Loan Acts 1862 and 1863 —						
War Expenses	...	...	...	...	...	£704,232 14 9
Public Works, including introduction and location of settlers	...	...	...	...	...	165,122 13 6
						£869,355 8 3

To which there will have to be added the cost of Immigration (in England) and outstanding advances which will swell the amount to over £900,000.

Treasury, Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

X.

RETURN showing the Total Amounts of Expenditure of the General Government (ordinary and extra-ordinary) within the undermentioned Provinces for the six months ended 30th June, 1865.

PROVINCES.							EXPENDITURE.	
Auckland	...	...	...	...	...	...	£320,302 14 10	
Wellington	...	...	...	...	...	...		*£149,095 17 9
Taranaki	...	...	...	...	...	...		69,693 12 0
Nelson	...	...	...	...	...	...		6441 10 0
Canterbury	...	...	...	...	...	...		44,586 4 6
Otago	...	...	...	...	...	...		55,772 2 7
								£324,989 6 10

* In this is included a sum of £23,837 10s. 0d., paid as subsidies for Steam Postal Services for the Colony.

Treasury, Wellington, August 28, 1865.

J. WOODWARD, Assistant Treasurer.

XI.

REVENUE derived from the Customs for the years 1863, 1864 and half-year ending 30th June, 1865, with probable Revenue for year ending 30th June, 1866.

Revenue, 1863.	Revenue, 1864.	Revenue half-year ending 30th June, 1865.	Revenue. Estimated for Financial Year 1865-6.
£591,837	£592,274	£346,731	£780,000

J. RICHARDSON, Commissioner of Customs.

XII.

LAND SOLD—Southern Island, 1863 and 1864, to 31st December.

						Years.	Acres.	£	s.	D.
Nelson	...	..	...	...	...	1863 1864	57,370 39,000	21,710 23,830	0 0	0 0
Marlborough	...		...	...	...	1863 1864	144,508 100,000	42,729 34,584	0 0	0 0
Canterbury	...		...	...	...	1863 1864	94,126 115,860	189,923 233,822	0 0	0 0
Otago	...		...	...	...	1863 1864	21,218 124,000	35,970 158,299	0 0	0 0
Southland	...	..	...	...	...	1863 1864	41,837 65,475	48,454 69,420	0 0	0 0
								£860,732	0	0

A. DOMETT, S.C.L.

XIII.

RETURN comparing the Revenue for period from 1st July, 1863 to 30th June, 1865, with two preceding periods of two years each, viz., with that of 1859-61 and 1861-3 to show the growth of the Revenue.

	July 1st, 1859, to June 30th, 1861.	July 1st, 1861, to June 30th, 1863.	Centesimal rate of Increase.	July 1st, 1863, to June 30th, 1865.	Centesimal rate of Increase.
Customs ...	383,542 10 9	829,315 2 4	116,225 per cent.	1,256,091 7 2	51·46 per cent.
Postal ...	20,580 16 9	46,119 2 8	124·09	82,759 1 1	79·44
Judicial ...	19,254 0 2	32,491 8 7	68·75	57,386 9 3	76·62
Registration of Deeds and Land ...	...	10,687 16 8	·0	25,233 17 8	136·1
Registration of Births, Marriages and Deaths ...	2238 8 0	3130 12 6	40.	5279 0 2	68·62
Fees on Issue of Crown Grants ...	1998 0 0	3056 10 0	52·97	5065 0 0	65·71
Miscellaneous, including Fees under Arms Act, 1860 ...	4184 3 10	7600 6 3	81·64	6552 18 4	13·79 dec
Totals	431,797 19 6	932,400 19 0	115·93	1,438,367 13 8	54·26

Increase of Revenue from 1859-60 (£202,007 6s. 1d.) to that of 1864-5 (£731,684 12s. 8d.) or 262·2 per cent.

Treasury, Wellington, August 28, 1865.
J. WOODWARD, Assistant Treasurer.

FINANCIAL STATEMENT.

25 B.—No. 1A.

XIV.

COLONY OF NEW ZEALAND.—RETURN OF REVENUE, Imports and Exports for the years 1859 to 1865, shewing the amounts of each per head for the respective periods.

Year.	REVENUE.		IMPORTS.		EXPORTS.	
	Amount.	Per Head.	Amount.	Per Head.	Amount.	Per Head.
1859-60	202,007 6 1	2 16 6	1,566,027 0 0	21 18 0	630,021 0 0	8 16 2
60-1	229,790 13 6	2 17 8½	1,780,652 0 0	22 7 3	655,538 0 0	8 7 2
61-2	381,696 18 9	3 17 1	3,821,054 0 0	38 11 9	2,506,076 0 0	25 6 2
62-3	550,704 0 3	4 7 6½	5,310,243 0 0	42 4 1	2,941,761 0 0	23 7 8
63-4	706,683 1 0	4 7 2	7,650,235 0 0	47 4 2	3,467,162 0 0	21 7 11
64 to 31st Mar., 1865	772,867 5 10	4 9 11	4,721,746 0 0	36 12 2	2,569,110 0 0	19 18 5
	£2,843,749 5 5		24,848,957 0 0		12,768,668 0 0	

For Great Britain in the year 1861 the amounts were as follows:—

Revenue	...	...	£2 8 4½ per head.
Imports	...	...	7 9 9½ "
Exports	...	...	5 9 11½ "

Treasury, Wellington,
August 28, 1865.

J WOODWARD,
Assistant Treasurer.

XV.

DESPATCH FROM HIS EXCELLENCY SIR GEORGE GREY, K.C.B. TO THE HON E. CARDWELL, M.P.

Government House,
Wellington, April 8, 1865.

SIR,—My Responsible Advisers have requested me to transmit the enclosed Memorandum in which they place before you the present financial position of the Colony of New Zealand, and the line of policy which they propose to pursue. I may in a few words state what is the result which may be gathered from this Memorandum.

2. The Colony of New Zealand proposes for the future to dispense with all military assistance from Great Britain and in all other respects to rely upon its own energies and resources. One of the results which the Colony hopes to obtain from this policy is the relief of the mother country from that large annual expenditure which has hitherto entailed so considerable a sacrifice on the British taxpayer, which sacrifice the Colony recognises with gratitude.

3. In pursuance of this policy and in order to make provision for its debt to the Imperial Government, the Colonial Government has transferred to the Imperial Treasury £500,000 in Debentures bearing interest at the rate of 4 per cent, and it will continue to meet the interest and sinking fund on account of these Debentures as provided for in the Act of 1863.

4. It has also made a considerable increase in the taxation of the country by raising the Customs Tariff to the extreme limit which the Colonial Ministers think practicable. It has also under consideration a plan for the imposition of direct taxation and has made and is continuing to make all possible reduction in the expenditure.

5. You will find by the statements made by the Colonial Ministers, that they undertake these responsibilities from a sense of duty, but with serious apprehensions as to the difficulties which may possibly fall upon the Colony, from the magnitude of the liabilities it is about to incur, and they submit that at such a time, the Colony has a reasonable and just claim upon the mother country for some pecuniary aid towards enabling it to bear the heavy responsibilities it is about to undertake, and that they trust therefore, that the Home Government will extend its aid to the Colony, either by covering the remainder of the Three Million Loan by the Imperial guarantee, or by making to the Colony an annual grant-in-aid of the extraordinary expenditure for the next four or five years.

6. Upon this subject I beg to report, that the Colony has already raised, without the Imperial guarantee, one million of its Three Million Loan. The amount, therefore, they ask to be covered by the Imperial guarantee is two millions, instead of one million, as recently authorised by Act of Parliament.

7. My own opinion is, that to place the Colony in a position of security and prosperity, an additional million would be required in excess of the amount stated by my Responsible Advisers,

and that if the intention is to give the Colony such a substantial assistance as will secure beyond doubt its future welfare, then the Imperial Government should cover by its guarantee a four per cent. loan for three millions instead of for two millions.

8. In giving this guarantee, Great Britain would incur no risk, and would get rid of a very large annual expenditure at no cost to itself. At the same time it would confer a great boon on this Colony, and I think it will be generally admitted that New Zealand is now so cheerfully taking upon itself such large responsibilities, in pursuance of a line of policy which the Home Government wishes to see adopted, has really established large claims upon the consideration of Great Britain, and that it seems a sound and generous policy not wholly to abandon a people involved in such difficulties as Her Majesty's subjects in New Zealand are, but rather to afford them an aid, which whilst it will cost nothing, may determine the question as to whether a large number of British subjects and their descendants are for many years to come to live in safety and comfort and on good terms with the natives, or are, on the other hand, to be involved in constant wars, sufferings, and privations, whilst the native race will probably melt away before them.

I have, &c.,

The Right Hon. Edward Cardwell, M.P.,
&c., &c., &c.

G. GREY.
