

commute this liability by a cession of land, an arrangement which there is reason to believe can be equitably effected.

It will now be asked how the Government propose to provide for the deficit of £136,500 exhibited in this proposal. I would first observe, that the Government will bring down a Bill to indemnify for the past expenditure of the Three Million Loan, and to appropriate the unexpended balance. The appropriation will consist of so much of the item "Military Settlers" as can be covered by the remnant of the Loan, for that is a charge specially pertaining to the Loan. In the next place the Government will propose a Bill authorizing the issue of Treasury Bills to the extent of £150,000 having a currency so regulated as to spread the charge on the Revenue over a period of three or four years. With regard to the item "Cook Strait Cable and Telegraph Extension to Auckland," I would explain that the Government submit this proposal as the necessary complement of that great national undertaking which has already connected the shores of Cook Strait by means of the submarine cable, and completed telegraphic communication between the Seat of Government and the extremity of the Middle Island. I would also explain, that although it is true that one-sixth, or perhaps one-fifth, of the amount of this proposed expenditure of a permanent character may not be actually brought to charge within the present financial year, yet that almost the entire amount is an obligation already existing, and that the Telegraph Extension, if sanctioned by the Committee, might be advantageously contracted for within the year. At any rate it appeared only reasonable to include these proposals in any scheme having for its object a final settlement of the Three Million Loan Appropriation.

It is necessary that I should refer to the question of Provincial Surplus. It will be admitted, I believe, by those who have dispassionately considered the subject, that the present state of the law, as established by "The Surplus Revenue Act," is unsatisfactory. It creates a partnership account, which complicates exceedingly, and delays the accounts of the Colony and throws an uncertainty over the amount available for Provincial appropriation which is very prejudicial to the interests of the provinces themselves. It is a very old saying *societas est mater discordiarum* (partnership breeds quarrels); and the truth of the saying has been amply exemplified in New Zealand, for I believe that a large proportion of the differences which have from time to time occurred in this Legislature may be traced to the fact that the various Governments of New Zealand all dip their hands into a common purse. The Government, however, does not propose any amendment of the law this session, but it nevertheless regards it as a question which has to be settled sooner or later; and it can scarcely be conceived, I think, that any sound and settled system of finance can be established for the Colony until this partnership system has been abolished, the evils of which have indeed been successively shown by Audit Committees. If, then, the Government is not prepared with a measure this session, what does it propose to do? I have stated the amount for Provincial appropriation as estimated at £318,750 for the current year. This sum the Government proposes to insert in the Appropriation Act, for the specific service of the Provinces, by means of appropriation by Provincial Councils—to be issued to the several Provinces in monthly instalments proportioned to the gross Customs Revenue—an arrangement which will give a stability to Provincial calculations which, I venture to affirm, has never hitherto existed. On the other hand, it must not be forgotten that our Estimates of Revenue may fall short; I do not anticipate it, but prudence requires that such a contingency should enter as an element into our calculations. It will have been perceived that the amount of the Treasury Bills asked for, somewhat exceeds the balance requisite for the proposed permanent appropriations, and it is intended that these Bills may be used in aid of current Revenue, if necessary—a necessity, however, which need not be provided for if "The Surplus Revenue Act," be simply adhered to, and the sum of £318,750 be not included in the Appropriation Act.

Before leaving this subject it may be desirable to ascertain the amount and proportion which the Provinces received during the last Financial year. The Return I hold in my hand (Return No. 3) shows that during the last Financial year the Provinces received £288,991 or £10,253 less than three-eighths of the Customs.

The Committee will probably desire to ascertain the views of the Government on the question of Consolidation of Loans. This is a very large subject, and has necessarily engaged the attention of Government. It presents itself in two aspects, viz.:—The consolidation of Colonial and that of Provincial loans. That it would be most desirable for all interests to consolidate all the different loans, variable as they are at present in character, and frequently conflicting with each other in the market, no one, I imagine, who has bestowed any attention on the subject, can entertain a doubt. For my own part, I am confident that the operation, if skilfully conducted, would prove highly profitable; and that the conversion of the various kinds of securities into one common stock, to be known thereafter as "New Zealand Stock," would be of the greatest advantage, both to the Colony and the Provinces; but a new Government could not introduce such a subject at the close of the session, even if the state of the money market were favourable. So far, however, as relates to the conversion of a portion of our Colonial Securities, I may state that it is the intention of the Government to introduce an enabling Bill during the present Session.

I now approach the subject of the new taxation proposed. The Government may, perhaps, encounter opposition to this measure, but it does not therefore shrink from the responsibility. It believes that a considerable number of thinking men throughout the Colony are prepared to accept the method of taxation, by means of what are called "Stamp Duties," as a less objectionable mode than most others. They believe that a certain mixture of direct with indirect taxation, represents a sound principle; and they recognize that taxation by means of stamps, partakes of the advantages, both of a property and income tax, whilst it is free from some of their disadvantages. They recognize further, this sound principle in the proposed form of taxation, viz.: that the incidence of the burthen is, in the main, there where it can be best borne. And if it should be contended (which I do not think it can with reason) that this tax will realize a much larger amount of revenue than has been estimated, then, Sir, I submit that a very favourable opportunity will present itself next session, after such a fact shall have been fairly established, for the Government to relieve the pressure from off the shoulders of those who contribute to the Revenue according to the present rates of duties levied on the necessities of life. But, besides these arguments, I draw attention to a very practical view of the case, viz.: the