

Legislature in 1867, chapters 84, 89, and 90, which must be read together.

1.² "The Public Revenues Act, 1867," c. 84, s. 44, provides in substance that, after deducting *inter alia* all sums chargeable on account of so much of the interest and sinking fund of loans raised upon the security of the general revenue of the Colony as shall have been made a charge against the revenues of any Province, the Colonial Treasurer shall forthwith pay over monthly out of the consolidated fund to the Provincial Account of such Province the monthly balance appearing on such account to be due. No other deductions besides those specified are to be made. The relevancy of this remark I hope to show presently.

2.³ By "The Public Debts Act, 1867," c. 89, s. 2, it is provided that "The principal, interest, and sinking fund payable upon all Provincial debentures already issued, or which may hereafter be issued, in accordance with the provisions of this Act, under the authority of any of the Acts or Ordinances of the Superintendent and Provincial Council of any Province of the Colony specified in the Schedule A. to this Act shall from and after the passing of this Act be charged upon and paid out of the consolidated revenue of the Colony of New Zealand," &c.

How have the engagements thereby entered into been hitherto fulfilled?

The Act passed 10th October, 1867. The statutory obligation on the General Government of New Zealand to pay sinking fund and interest on the Provincial loans commenced from that date.³ Not one shilling of interest or sinking fund on the outstanding debentures of Canterbury has ever been paid by the General Government out of the consolidated revenue of New Zealand.

In June last I asked Mr. Fitzherbert, the author of the Act and the special agent in England for giving effect to its provisions, whether he would pay the sinking fund and interest on the Provincial loans of Canterbury, then about to become due. His reply was that he had no instructions on the subject, and that he was not aware that the Governor of New Zealand had by Proclamation (see the latter clause of the same section 2) fixed the time and place for such payment. If that clause be directory only and not obligatory, the liability of the Government of New Zealand to make the payments in question may be indefinitely postponed.⁴ I admit that the 3rd section of this same Public Debts Act contains a perfectly equitable provision—that all sums of money thereafter paid by the Colonial Treasurer for interest and sinking fund on Provincial loans shall be charged against the Province in respect of which such payment shall have been made. It can make no difference whether the payment be made by the Colony and subsequently charged by the Colony against the Province, or made by the Province direct in the first instance. It is fair to add that the General Government professes its intention to pay the interest and sinking fund due on Provincial loans for the six months ending 30th June, 1869. But, as a matter of fact, which I trust your Lordship will see immediately is important, the Province has paid to me as trustee of these sinking funds, since October, 1867, no less than £15,890 10s.—portion of the £41,000 before mentioned—besides interest upwards of £19,000.

² I do not clearly perceive the relevancy of this paragraph, but it is right to state that the effect of "The Public Revenues Act" is to give up to the Provinces all the consolidated revenue which can be spared by the General Assembly, and that notwithstanding this, in the monthly account showing what the Provinces are entitled to receive by the Act, several Provinces occasionally, some Provinces *invariably*, not only receive no revenue, but become indebted in account with the General Government. It would therefore seem that in making the Provincial loans a charge on the whole Colony, the Government adopted a course indicating a most careful regard to the interests of Provincial bondholders. I may add that Canterbury on more than one occasion has received less than nothing of Consolidated Revenue, and the deficiency has been recouped out of her Land Fund.

³ I do not read the Acts in question as Mr. Selfe does. He has omitted to quote an essential provision. I understand the law to be, that the whole Colony is now responsible for the payment of interest and sinking fund on Provincial loans. But not that the General Government was required forthwith to pay that charge. If the Governor by Proclamation announced that the General Government *would pay* the charge for any Province, thenceforth such payment would be made by the Treasury. In the meanwhile, if the Province *preferred* to pay on its own account, it could do so. In any case, if the Province *neglected* to pay, the General Government became liable. Such is the law. In practice, some Provinces have gone on, like Canterbury, paying their own interest and sinking fund; some have arranged with the General Government to pay it for them, and to surcharge the Province. The Governor has the power, by Proclamation, to assume the payments by the Treasury, *whether the Province wishes it or not*, but it has not been necessary to take such a step. No doubt in a short time all payments will be made by the Treasury, if only for the sake of simplifying the public accounts.

⁴ Here Mr. Selfe is mistaken. The liability is not postponed. The only thing postponed is the change of the agent for making the payment, from the *Provincial Treasurer* to the *Colonial Treasurer*.