

3. "The Consolidated Loan Act, 1867," c. 90, section 3, empowers an agent or agents appointed by the Governor to borrow the sum of £7,000,000, and section 7 enacts that "all moneys borrowed under the authority of this Act shall be applied towards the conversion, redemption, and payment of the loans of the Government of New Zealand issued under Acts of the General Assembly, and of the several loans of the Provincial Governments of the several Provinces of New Zealand specified in 'The Public Debts Act, 1867,' and to no other purposes."

Now your Lordship will find that in no one of these three Acts of 1867 is there any reference whatever to accrued sinking funds. The Colony obtained the sanction of the Crown to a loan of £7,000,000 sterling on the representation embodied in these Acts, that £2,359,000 of it, at least, was required and should be applied to the redemption and payment of the full amount of Provincial loans specified in "The Public Debts Act, 1867," without any deduction whatever in respect of accrued sinking funds or otherwise. I do not impute to those who framed the Acts of 1867 that, at the time those Acts were passed, they intended afterwards to lay claim to the accrued sinking funds of the Provincial loans; but whether intentional or accidental, the omission of any reference whatever to these funds, and the further omission to mention that £50,000 of the Christchurch Railway Loan had been cancelled, had the practical result of giving the Government of New Zealand power to raise a *larger sum*⁵ larger sum than was required for the purposes to which the moneys borrowed were to be exclusively applied.

Mr. Fitzherbert, the Colonial Treasurer, came to England directly after these Acts of 1867 were passed, and, in exercise of the powers intrusted to him under the Consolidated Loan Act, has raised a very large sum of money. Of course I assume that all money so raised has been or will be applied as directed by the Act, section 7, and to no other purposes. Mr. Fitzherbert can, if he pleases, raise the whole seven millions authorized, and so extinguish all Provincial loans. The Crown Agents for the Colonies have also, under Mr. Fitzherbert's instructions, from time to time issued advertisements notifying the terms on which the holders of Provincial debentures might exchange those debentures for the new consolidated debentures: see section 8. The terms offered appear to be on the whole fair, and I am glad to find that they have been largely accepted. I have accepted them myself, and have advised others to do the same. If all the Provincial debenture-holders had accepted or should hereafter accept the offered conversion, the Colonial Government would be bound to pay the interest and sinking fund on the bonds issued in exchange; but they would not lose a shilling by the transaction, for, as already observed, they will recoup themselves for the money so expended by debiting the Province with the amount. It seems obvious that in that case the Provincial sinking funds already accumulated *could by no possibility belong to the General Government. They must be returned to the Provincial Government who provided them*;⁶ otherwise the Province would be made to pay the sinking fund twice over, first as sinking fund on Provincial debentures, and again as sinking fund on the debentures for which these Provincial debentures had been exchanged.

But a certain number of the Provincial debenture-holders have hitherto declined to accept the terms of commutation and exchange offered to them. It was perfectly optional whether they

⁵ That is quite true, but I do not see how it affords any standing ground to Mr. Selfe's protest. Government is not required to raise seven millions, but only authorized to raise so much of seven millions as may be required to pay off the loans specified. If the whole of the sinking funds are to remain in trust, so much less money will be borrowed.

⁶ This is a question which may fairly be argued as between the General and Provincial Governments, but I cannot see what the bondholder has got to do with it, nor how the credit of the Colony is affected, nor how it affords any ground for the interference of any one in the character of a trustee of sinking funds. It is entirely a question of internal finance as between the General and Provincial Governments. What would be the state of the case supposing the Provinces, or