

Honorable members are aware that the arrangements which were proposed last year require some modification. My colleague made proposals which all the then circumstances justified. But observation during the year has shown that some changes are necessary, others desirable. It is my duty to describe them; but I will first state the circumstances which render the changes desirable, and explain the financial conditions which we aim at establishing.

Amongst the reasons that compel changes in the proposals of last year are, that the revenue has not reached the amount then estimated, and that I am not able to estimate such an increase for 1876-77 as will be needed to meet all the charges which it was then contemplated to impose. Some of those charges would be larger for this year than it was estimated they would be for the year which has just expired. I allude especially to the increase in the items, subsidies to municipalities and road districts, to the cost of education, if it is all to be charged to Consolidated Revenue, and to the increased loan charges. All these would be additions to the expenditure proposed last year, whilst there is not, as I have said, reason for estimating a corresponding addition to revenue. Then, the Government have come to the conclusion that there are insuperable difficulties in the way of continuing to charge the railways to the abolished provinces, keeping an account with each, and charging varying deficiencies to the Land Revenue of each. Such a plan is inconsistent with the economical working of the lines; it occasions complications in the accounts, stoppages of uncertain amounts of Land Revenue, and disputes producing the greatest annoyance even whilst the provinces exist; and with the provinces abolished, such evils would be largely increased. These reasons make changes necessary.

The aim and the hope of the Government, in the changes to be proposed, are to take advantage of the information experience has supplied. The provinces have broken down because of their coming into conflict with the Colonial Government on many points, and especially on points of finance. Their doom was only a question of time, when it became obvious that they could not raise their own revenues; that they had to look to the General Government to supply deficiencies; and that they could not borrow without the colony becoming liable. I tried hard in 1873 to make it otherwise. I endeavoured to give them a separate finance; and I thought I had devised means by which they could borrow without the colony being liable. These efforts have all failed; and now we have to build up again more soundly, knowing, as we do, the faults we must avoid. It has been asked, Why should a province be denied the power of borrowing given to the smallest municipality? The answer is, that municipalities can borrow without making the colony liable, and the provinces cannot. Another cause of the failure of the provinces was that within themselves a rending rivalry was always creating distrust between the towns and country districts. Again, and not least in importance, the colony had to perform a number of works for the provinces, some of which they ought to have performed themselves, and with others they ought not to have been charged. It thus became impossible to tell to whom belonged various duties; and even if in theory the apportionment could have been determined, in practice the theory could not have been worked out.

We have arrived, then, at three clear aims: The interests of the towns to be kept from conflicting with those of the country districts; the interests of