

## REDEMPTION OF DEBENTURES ISSUED TO PAY OFF DEFICIENCY.

It will be in the recollection of the Committee, that last session I pointed out that the Consolidated Fund was actually benefitting to the extent of about £40,000 a year by the creation of debentures for the full amount of the accretions of the Sinking Fund, and that I proposed to set this sum aside yearly to pay off the £400,000 4 per cent. debentures issued last year to pay off the deficiency. From the facts I have already stated, I think honourable members will agree that to do so this year would be putting too great a strain upon the taxpayers. But there is a sum of £70,000 known as the Assurance Fund under the Land Transfer Act which the Government think may wisely be applied to the payment of a part of the £400,000 just referred to. The real Guarantee Fund under the Land Transfer Act is the Consolidated Fund, which is responsible for the errors of the Land Transfer office. The public using the office pay an insurance fee for such guarantee, and the Government are of opinion that these fees should be paid in as revenue, that any claims arising should be paid as they arise, and then come before Parliament as unauthorised expenditure. It is practically useless to set aside a fund which may be too large or too small for its nominal purpose, which requires investment, and all the annual labour and expenditure which that entails, and which, when invested, as it always has been, gives those, with a right upon it, only the same security they would have without it—the liability of the colony.

## UNRAISED LOANS.

The error which occurred in the nineteenth section of the Loan Act of last session rendered it impossible to float that loan in London until the Act was amended, and it also raised some doubt of the wisdom of placing the North Island Trunk Loan upon that market, until after the amendment had been made. The Government had therefore to consider whether sufficient funds were available for carrying on the public works, and for other necessary purposes, without floating these loans until Parliament should meet at the usual time. If funds had not been available Parliament must have been called together about the end of February. I found, however, that satisfactory arrangements could be made, and so avoided the great public inconvenience of holding a session before the Government had had time to prepare any of the work they had undertaken to submit to Parliament at its next meeting. The arrangements made were, firstly, an agreement with the Colonial Bank of New Zealand for an advance of £400,000 at 5 per cent. for three years upon the security of the £400,000 of 4 per cent. debentures issued under the Public Revenues Act No. 3 of last session to cover the estimated deficit. Of this sum £300,000 was paid into our public account in London, and £100,000 was taken in the form of a draft at 90 days' sight also payable in London. No commission of any kind or exchange was paid. Secondly, the advance obtained by the late Government from the Bank of New Zealand of £500,000 upon the security of £500,000 of the North Island Trunk Loan short-dated debentures, which fell due in April last, was renewed till the 31st July next at the same rate of interest as was charged on the original advance—namely, 5 per cent. for £400,000, and 6 per cent. for £100,000. We have received no other advances except advances obtained by the Agent-General on the Imperial guaranteed debentures, and the usual ones upon deficiency bills in anticipation of revenue. The only large payments we have to meet in London shortly are £200,000, repayment of deficiency bills due in July, and the £500,000 short-dated debentures of the North Island Trunk Loan due on the 31st July next. My reasons for asking Parliament to correct the error which had occurred in the Loan Act of last year before the delivery of the Financial Statement were that the error to be corrected was an admitted oversight, hardly more than a clerical error; that the policy involved in the Act had been very fully discussed last session, and carried by large majorities; that by the advice of our Agent it was important to have the loan ready for floating in this present month now just ending; that in the event of any great disturbance of the London market, as by a European war