

2. In the meantime, I beg to inform Your Grace that the general features of the policy I propose are—not to be hurried into a renewal of military operations, if these can be advantageously avoided: to immediately introduce into all such parts of this Island as will receive them (and I hope this will embrace nearly the whole Island) Institutions suited to the present circumstances and future growth of the country, and which will supply a want of which the Maoris have long complained; and, lastly, to use the present time of intermission of military operations to secure all the friends I can, so as to reduce the number of our enemies, narrow as far as possible the territories hostile to us, and place, by the establishment of law and order in Native districts, as many out-settlements as possible in a state of security in the event of being forced, contrary to my desire, to continue the war.

3. I have so carefully considered all points connected with this proposed plan of proceeding, have discussed them with so many able persons, and have so completely met all objections they have raised, that I feel quite satisfied, when my Report reaches Your Grace, you will feel that I have done what you would desire. I have also in my project the hearty concurrence and co-operation of the New Zealand Ministry.

4. I send at once to Your Grace the plan of Institutions I propose to introduce into the country, the remarks of the Colonial Ministry on this, and my replies. You will see with pleasure that in the main we are quite of one mind, and I believe there is an almost entire concurrence on the part of all who have been consulted, that what I propose to do is the right thing. I have never known a more general concurrence in any matter. Your Grace will observe that the New Zealand General Assembly had by their legislation prepared a great part of my plan to my hand. They seem to have had the same ideas in theory, but not to have seen exactly what machinery would bring them into actual practice. Naturally the foundation they have thus laid for me has proved at the present moment of great advantage.

5. I wish that by the present mail I could put all this before Your Grace in a more perfect form; but the feeling in the Native mind seems so much improving, and the country seems so ripe for the immediate introduction of a new system, that I do not like to delay a day in securing the advantages apparently within our grasp; I therefore purpose to start on Monday, the 4th instant, with the General, the Commodore, and the Prime Minister of this Colony, to the Bay of Islands, at once to introduce into operation amongst the Ngapuhi Tribes the institutions detailed in the enclosed papers. The Chiefs are all to meet me for the purpose of receiving them on the 6th instant.

I have, &c.,

His Grace the Duke of Newcastle, K.G.,  
&c., &c., &c.

G. GREY.

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### No. 7.

COPY OF A DESPATCH FROM GOVERNOR SIR GEORGE GREY TO HIS GRACE THE DUKE OF NEWCASTLE.

Government House,  
Auckland, 2nd November, 1861.

No. 16.

MY LORD DUKE,—

In relation to the Statement enclosed in my Despatch No. 8, of the 26th ultimo, regarding the probable cost of military operations in this country, I have now the honor to enclose a financial Memorandum by the New Zealand Ministers, regarding which I request your Grace's instructions.

2. It appears that, independently of the War Loan of £150,000 raised by the Colony, demands are now made on it, and liabilities have from the same cause been incurred, to the amount of upwards of £200,000, making £350,000 in all; and that an annual expenditure is now going on of £80,000 for war purposes.

It is stated that it is utterly impossible that the Colony can meet such expenses out of its Ordinary Revenue, and that if it continues much longer, and payment be exacted by the Imperial Government, the eventual end must be the ruin of the country as a British Colony.

3. Such being the view of Ministers, they submit the following arrangement as the best which can now be adopted:—

“The course which suggested itself to the Government, and which was accepted by the Legislature as the only practical plan which could at the present time and under existing circumstances be followed, was not to attempt to meet these various demands, or to provide for this excessive expenditure at present, but to wait until the existing Native difficulty was removed, to ascertain with accuracy what proportion of the expenses the Imperial Government would, after due deliberation and a full knowledge of all the facts of the case, charge the Colony with, and then to apply for a guaranteed Loan, extending over a period of years, varying of course with the amount which this country would be called upon to pay.”

I have, &c.,

His Grace the Duke of Newcastle, K.G.,  
&c., &c., &c.

G. GREY.

Enclosure No. 1.—Sir George Grey's minute embodying Plan of Institutions.

Enclosure No. 2.—Memorandum by Ministers, Oct. and 4th Nov., 1861, with remarks by the Governor.

[Printed separately *Sess. Pap.* 1862, E—No. 2.]

Enclosure.—Memorandum on Finance—R. Wood, Colonial Treasurer, 27th Sept., 1861.