

anything for the Colony or the Provinces; and secondly, because we should have still left that inconvenient variety of paper upon the market which perplexes the capitalist, and raises in his mind that sort of doubt which must always be paid for by so much per cent.

2. Another possible plan was that of a compulsory recall of all provincial paper and its exchange for colonial debentures. I need hardly say that we did not think it necessary, and therefore did not think it wise, to run the risk of damaging our credit by any such shock to the feelings of the creditor which he would have equally conceived it to be, even if we had forced him into a favourable bargain.

3. There remained, therefore, but one other course, and that was a voluntary purchase and exchange of provincial for colonial securities, and that is the plan which the Government has adopted. When I say voluntary I mean voluntary on both sides—on the part of the Government as well as of the holder of provincial paper. For whilst on the one hand we hope to be able to offer the holder of provincial debentures such an improved security as shall induce him to part with them either for cash or for colonial debentures, on the other hand it is necessary to take care that the Government shall not place itself in a position which may enable the creditor to force it to accept offers which are not as favourable as the Colony has a fair right to expect. We propose to raise a loan with a maximum limit, but which is to be raised only as required and to the extent required for purchasing the provincial paper; and we propose that all such purchases shall be made in cash or by exchanging colonial for provincial debentures by agents in England or elsewhere upon the best terms which can be obtained. But we do not think that, when the Colony comes forward with the offer to enlarge the security upon which these debts have been incurred, it ought to allow the holders to wait an indefinite time before availing themselves of the offer. We are not disposed to allow speculators to wait until the very offer of the Government shall have enhanced the value of their claims, and then to expect to obtain from the Government the higher price which the operations of the Government itself will have created. We therefore propose to limit the time during which holders of provincial paper can come in and avail themselves of our offer; and after that, to exclude them from all the benefits of the proposed consolidation. Three years is the time to which we propose to confine these operations, and I think we may fairly anticipate that in that time the great bulk, if not the whole, of the provincial securities will have disappeared from the market, and that the financial engagements of the Colony will be restored to an intelligible basis.

But we have not forgotten that some of the Provinces have entered into large engagements upon the faith of raising loans which have not yet been fully negotiated. We propose to place such Provinces in the same position as they would have been in had this Act not been passed. It is clearly of no use that such Provinces should be allowed to issue debentures, which will immediately afterwards have to be bought in. We therefore propose to raise money under this Bill to the extent to which any provincial loans are still unraised, and to pay over that money to the Province.

In distributing the payments amongst the Provinces of the interest and sinking fund, we propose to charge against each Province the exact sum for which the General Government has made itself liable by the extinguishment of its debt. That is to say, if we can buy a £100 debenture of Otago for £80, we shall charge against Otago the interest and sinking fund on the £80 of debt which the General Government has incurred. And we propose to stop out of the provincial revenues, every month, one-twelfth part of the annual sum thus due to us.

Before, however, leaving the subject of Consolidation of the provincial loans, I must not omit to explain the provisions of the Bill, as specially affecting the Province of Southland. Whilst preparing this measure, it was impossible not to perceive that the principle of the legislation introduced two years ago, for the special relief of Southland, was, by the present measure,

made applicable to the other Provinces. The inference thus became inevitable that no greater restriction ought to be placed on the Province of Southland than that imposed on other Provinces, and it is accordingly proposed that the public lands of Southland should not be tied up to a greater extent than those of other Provinces affected by the proposed measure.

4. There was a fourth plan, which was not overlooked by us in entertaining this question. It was to consolidate the debts, not only of the Provinces, but of the Colony, and include the whole in one large loan; and there were not wanting many good arguments in favour of such a scheme. We rejected it, however, for many reasons which appeared of sufficient weight. First, we could not make such a plan complete, because a part of the debts of the Colony is guaranteed by the Home Government, and therefore could not be called in; and secondly, we do not think that this is the time to disturb our operations more than is absolutely necessary. Nor did there appear to us to be any sufficient pecuniary advantage to be gained by replacing one form of debenture by another, the security for the two being identical. It seemed not impossible that any small pecuniary advantage anticipated might be more than destroyed by the appearance of performing an operation, the object of which might not be very intelligible to the money-lender. The contingent gain might be but small, the loss from unnecessary tampering with existing securities would certainly be appreciable, and therefore we abide by the safe maxim *quieta non movere*.

I desire to point out that reading the Consolidation of Loans Bill and the Public Revenues Bill together, it will be seen that we offer to the creditors only the consolidated revenues of the Colony as a security, and we take the current payments of interest and sinking fund out of the provincial share of the consolidated revenue. These provincial loans, however, have been mostly raised on the security of the land revenue, we have therefore provided that where the provincial share of the consolidated fund falls short, the General Government may immediately come upon the land fund of the particular Province which is in default. The creditor, therefore, whilst nominally having only the security of the consolidated fund, has really that of the land fund as well. I think the Provinces generally will prefer that the repayments of interest should be taken in this manner than that the General Government should stop them out of the land fund in the first instance. Financially of course it would make no difference; but there is a strong feeling in favour of having the land fund paid over directly day by day to the provincial chest, which we do not wish to disturb, and see no necessity for disturbing.

I have explained the financial bearings of the measure, but it has political consequences which ought not to pass unnoticed; and I take the opportunity of recording my opinion that, should this measure become law, insular separation will have become well nigh impracticable.

Closely connected with the measure for the consolidation of the provincial loans is the Public Revenues Bill. The two must be read together, for they are inseparable parts of the scheme of financial policy which we propose. I shall endeavour briefly to state the objects of this measure. First, when we propose to undertake the provincial debts as a colonial liability, and to recoup the general chest out of Provincial revenues, the question is immediately forced upon us—What does provincial revenue consist of? Are we to rest satisfied with the uncertain arrangements existing under the Surplus Revenues Act? The Government has, as I have before explained, at length come to the conclusion that the system of distributing the surplus revenues requires to be reconstructed. Again, we are of opinion that the whole system under which the accounts of the Colony are kept requires to be simplified, and that the control and audit of the public moneys requires to be more effective. We have had forced on us a variety of points, in which the operation of the Comptroller's Act is inconsistent with other parts of the financial system, and these are matters which must be dealt with in order to avoid the utmost public inconvenience. The Committee will therefore perceive that the