

FINANCIAL STATEMENT.

of State for the Colonies. The amount of these counter claims is as follows, viz. :—

	£	s.	d.
Colonial Debentures sold at par ...	500,000	0	0
Military Roads	102,875	9	10
Proportion of River Transport Charges	97,329	0	11
Miscellaneous	206,652	4	11
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	£906,856	15	8

It will now appear that, on the supposition that the sums comprising that counter claim will not be much, if at all, affected by examination in the Imperial Treasury department, there will remain due by the Imperial Government, on a final adjustment, the sum of £147,235 ls. 1d., and here the question would rest, viewed as a mere matter of account; but, as the Colonial Commissioner has very properly observed, there are claims which the Colony may justly prefer, and which I am sure Great Britain will not be slow to recognize, arising out of the peculiar connection which existed between the Crown, the Colony, and the Native race, at the time when these liabilities were incurred. The nature and extent of these liabilities are dealt with in the report of my honorable friend, which I commend to the attention of the Committee as a monument of patient and impartial research.

But I must be allowed to draw attention to the fact that the Colony has expended and become charged with in aid of the suppression of the rebellion against the sovereignty of the Crown, the following sums :—

	£	s.	d.
The Colony has actually expended	2,725,660	18	8
Is charged by the Imperial Treasury with	£1,304,963	17	1
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	£4,030,624	15	9

It is a duty incumbent on me that I should make this public statement, whilst I at the same time express a belief on the part of New Zealand that the Imperial Government will, upon a careful review of the whole circumstances, extend that consideration to the Colony which would materially aid it in the struggle it is now making to get out of the embarrassments created by the war.

I approach another disagreeable sequence of the loan of 1863. It was within the original scope of the policy of 1863 to charge certain expenditure locally. This intention was carried out by the Legislature of 1865 and 1866. During the past financial year it was incumbent on the Treasurer to recoup certain interest and sinking funds from the Provinces of the North Island. I regret to have to inform the Committee that I have to a great extent failed in my endeavours to enforce these recoveries. I can also assure the Committee that this failure did not arise from any want of efforts on my part. The Provinces of Auckland, Taranaki, and Hawke's Bay, pleaded their inability to make the payments; and the Government, not being prepared to drive those Provinces into embarrassment, decided not to enforce the claim until Parliament should have considered the question. I have now to state that it is one of the proposals of the Government to relieve the Provinces of the North Island from the payment of this special debt. I am ready to admit that, so far as the Province of Wellington is concerned, the reasons why she should be released from this allocated debt are not so cogent as they are in the case of the other three Provinces. The Government, however, believes that the Committee would not be disposed to make any exception (and the amount is comparatively inconsiderable); if, that is to say, it should approve of the general scope of the financial policy of the Government which is intended to be one of final provincial adjustments.

There still remains one more subject to bring under the consideration of the Committee. It is also a legacy of the policy of 1863. I refer to the confiscated lands. Great expectations were once entertained, but these have been disappointed. I wish I could say that the administration had been altogether satisfactory, either to the Colony or the Government.

It must be confessed, however, that the whole affair has, from the very first, being surrounded with great and special difficulties, and I very much doubt whether any other administrators could have effected more. Much, indeed, has been achieved; and had the original calculations been less sanguine, the subsequent disappointment would have proportionately diminished. Nevertheless, on large grounds of policy, the Government has, after a very careful consideration of this subject, decided to propose to the Committee that the confiscated lands should, with certain limited exceptions, and subject to conditions as to fulfilment of engagements with Natives and others, be handed over as speedily as possible to the respective Provinces for their beneficial administration, and free of all claims for past special expenditure. In a colonizing point of view, I believe this proposal will be hailed with satisfaction by the Provinces of the North Island. In a financial point of view, I am not going to pretend that any great boon is being proffered. There are some who are sufficiently sanguine to believe that a considerable revenue will be derived from this territory. For my own part, I candidly confess that, judging from the past (during which the cost has far exceeded the proceeds), I cannot arrive at the same conclusion. Nevertheless, the colonizing opportunities which will be thus afforded to the Provinces, cannot, I think, be valued too highly. A Bill on this subject will accordingly be introduced to give effect to this proposal.

I cannot however dismiss the consideration of this and the two preceding topics without adverting to the policy of 1856; and I particularly ask those who may be inclined to regard our proposals as over favourable to the North to give their attention for a short time. In 1856 the Colony adopted the policy of localizing the land revenues, and declined to reserve for itself even such a proportion of that revenue as might be regarded as a royalty. In this respect, no less than in others, there is a fundamental difference between the financial policy adopted in the United States of America and that pursued in New Zealand. In America, not only do they regard the customs duties as general revenue (and if any tax is of a general character it is certainly customs duties) but also territorial revenue; whereas in New Zealand we have localized customs revenue as well as territorial revenue. As this is a very interesting subject I will cite before the Committee a high authority; I quote from *Kent on American Law*. "By the Act of Congress of September 4th, 1841, c. 16, ten per cent. of the net proceeds of the sales of the public lands to be made subsequent to the 31st December, 1841, within the limits of the States of Ohio, Indiana, Illinois, Alabama, Missouri, Mississippi, Louisiana, Arkansas, and Michigan, are to be paid to those states respectively; and the residuum of these net proceeds, subject to certain provisos, divided half-yearly among the twenty-six states of the Union, and the district of Columbia, and the territories of Wisconsin, Iowa, and Florida, according to their respective federal representative population, as ascertained by the last census, to be applied by the Legislatures of the said states to such purposes as they should direct."

But in order to ascertain what has been the financial effect of the policy of 1856, I refer to a very interesting comparative Return (No. VI) of the Imports and Exports, and Territorial and Ordinary Revenues of the North and Middle Islands respectively. There is not time now to do more than just glance at this statement. But when I inform the Committee that the figures show that from the year 1856-7 to the 30th June last, the Middle Island has received as territorial revenues in excess of that of the North Island (I repeat the words, "in excess of that of the North Island,") £3,154,635, the full effect of that policy is perceived; and the South would do well to recollect these figures when proposals are made to hand over certain territories (all encumbered as they are) to the Provinces of the North Island, and to relieve those Provinces of the charges of certain allocated debts arising out of the transactions under the loan of 1863; and also when it is proposed to raise the full amount of three millions